

Falls Run Community Association (FRCA) Board of Directors Board Member Qualifications and Responsibilities

The Board has all of the powers and duties necessary and appropriate for the administration of the Association's affairs and for performing all responsibilities and exercising all rights of the Association as described in the Covenants, Bylaws and the Articles of Incorporation. Simply stated, the Board is charged with policy issues but not the day-to-day management of the community, which is the function of the general manager. It is highly recommended that any person interested in becoming a Board member read Section C (Powers and Duties) of the Bylaws, Articles 3.12 through 3.20, for a more detailed description of the functions and responsibilities of the Board. Any candidate for a position on the FRCA Board of Directors must be an Owner, a Voting Member, or a Resident in good standing (i.e. not having any open violations and not more than 30 days delinquent in the payment of any assessments to the Association.)

Board members need to be knowledgeable about the various issues brought forth for consideration by the Board as well as requests for action presented by various committees. This may require significant research.

Board members need to be willing to listen to the concerns of residents and homeowners and bring these to the attention of the full Board and, where appropriate, the general manager.

Board members need to possess good oral and written communication skills. Because information in preparation for decision making is often transmitted via email and posted on the Falls Run Web site (fallsrun.org), it is helpful for Board members to be familiar with this medium. Reliable access to the Internet is available at the Center and the public library for those who do not have a home computer. Alternatively, the general manager will make hard copies of documents available to Board members who require them.

Board members need to possess strong organizational skills and be able to balance personal needs against those of the FRCA. Serving on the Board involves attendance at regular and special Board meetings, and participation in various committee meetings. Board members serve as liaison to various committees and therefore need to be able to direct and guide their actions towards the overall goals of the Association. Board members need to be able to function effectively as team players.

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An association is a business--a not-for-profit corporation. The board's role is to govern the association and set the policies, standards, procedures, programs and budgets for the association. The board is ultimately responsible for the operation of the association. Boards may delegate implementation of their decisions to their association manager, committees or to independent contractors. Although the board can direct or empower the manager to take certain actions on behalf of the community association, the board is still responsible to the owners. The board's legal authority to act on the owners' behalf is found in the association's governing documents (CCRs, Bylaws and Articles of Incorporation) and in state statutes that provide for the general authority and responsibilities of all corporate boards of directors.

The Board of Directors' responsibilities include:

- Care, maintenance and enhancement of the physical property, common areas, and facilities
- Management of community finances
- Risk management, including obtaining insurance and developing reserve funds
- Establishment, enforcement and interpretation of rules and regulations
- Preservation and promotion of community harmony

Board members have the responsibility of balancing the needs and obligations of the community as a whole with those of individual owners. They have the duty to be careful with the association's assets that are placed in the board's trust. Board members have a 'fiduciary duty' that requires directors to act within their authority, to exercise due care, and to act in good faith and with ordinary care that they believe to be in the best interest of the association. Board members are required to avoid conflicts of interest and acting out of self-interest. They are also required to act as reasonable people in managing the association's affairs and must exercise reasonable 'business judgment' in making decisions.

The business judgment rule imposes on boards the responsibility for understanding association operations and researching the business decisions they make before acting. Essentially the business judgment rule says that if the board acts in what they believe to be in the best interests of the association—in an ordinarily prudent manner, after reasonable inquiry—then they're not liable even if the decision turns out to have been a poor one. The business judgment rule also requires board members to exercise duty of care and the duty of undivided loyalty.

Duty of care requires boards to act in accordance with the law and the association's governing documents, and to use the care and skill that a prudent person would use in similar circumstances. Boards can rely on information, opinions, reports, and statements prepared by their committees, the management company, legal counsel, CPA, and other advisers, provided that they use the input to act in good faith and with no knowledge that their actions are inappropriate.

Undivided loyalty is the most stringent duty that the law imposes on board members. As a fiduciary, a board member cannot in any sense be in conflict. He or she must act for the sole good of the association at all times. That means avoiding conflicts of interest and not allowing self-interest to interfere with their duty to the association.