

**Nepenthe Finance Committee  
Standards and Practices  
Approved by the Board of Directors April 5, 2017**

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# Nepenthe Finance Committee Standards and Practices

## Purpose

The purpose of this document is to set minimum requirements, standards and practices for the Nepenthe Finance Committee. It will also help ensure continuity of operations through turnover.

## Part One: Structure and Requirements of Nepenthe Committees

### A. Committee Chairperson

Committee chairpersons are responsible for:

1. Ensuring that committee members receive the documents and training necessary to successfully carry out their respective responsibilities.
2. Preparing their committee for successful meetings and for orderly conduct of the meetings.
3. Obtaining from the board and management information and materials required for the performance of committee duties.
4. Communicating with the board through board liaisons and by speaking at board meetings.
5. Seeing that minutes and requests for board action are submitted on time and in the formats requested by the board.
6. Providing management with their contact information for monthly publication in the newsletter.
7. Answering homeowner questions, timely and accurately.

### B. Secretary and Minutes

1. Each committee secretary will be appointed by the chairperson or elected by the committee. The chairperson may serve as the secretary.
2. Minutes of each committee meeting will be recorded and kept on file in the office where they will be accessible to homeowners upon request.
3. Meeting minutes will be submitted within one week in the following standard format approved by the board:
  - a. The date, time and location of the meeting.
  - b. The names of present and absent committee members.
  - c. The names of others attending the meeting (for follow-up, if necessary).
  - d. Recommended action for the board.
  - e. Information requested from the board.
  - f. Information from the committee to the board.
  - g. Such other information as the committee may deem necessary to record.
  - h. The date, time and place of the next meeting.
4. The committee secretary or the committee chairperson will sign minutes. The signature will appear over the typed or printed name of the signer.
5. Minutes will be submitted in a digital format.

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## C. Application

1. Once per year, usually in the April newsletter, the board notifies all residents of the opportunity to apply or re-apply for committee membership. The requisite application form may also be included with the ballot mailed to homeowners for board elections.
2. A Committee Application Form must be submitted by each person, each year, who wishes to join or remain on a committee. This applies to sitting committee members including chairpersons who wish to be reappointed. The deadline for submitting applications is May 1 of every year.
3. Copies of all submitted applications will be shared with the appropriate chairpersons as soon as they are received in the office.
4. Residents interested in serving on a committee are encouraged to attend at least one meeting of the committee before submitting an application.

## D. Appointment

1. All committee appointments require an affirmative vote by a majority of the board, meeting in public session and duly recorded in the minutes. Committee appointments may be included on the consent calendar.
2. Following the board elections and no later than 15 days after the Annual Homeowners Meeting, the Board will appoint all Finance Committee members and name the chairperson(s). It will also name a director as board liaison.
3. The board may appoint a new member to a committee at any time during the year upon receiving a committee application and after conferring with the committee chairperson. The new member's term will expire at the same time as all other members' terms.

## E. Terms

Committee members serve one-year terms, commencing within 15 days of the Annual Homeowners Meeting and ending at the next year's Annual Homeowners Meeting.

## F. Attendance Requirements

Any committee member who misses two meetings consecutively or four meetings cumulatively during the term of appointment may forfeit membership on the committee. Chairpersons will notify the board in writing when a committee member has forfeited membership.

## G. Minority Reports

Any committee member who disagrees with a committee position may attach a written minority report to the committee minutes so long as the attachment is shared with all members of the committee.

## H. Discipline and Removal

1. Committee members serve at the board's pleasure and may be removed by the board at any time for any reason.
2. The board is not required to explain the appointment or removal of any committee member, including chairpersons.

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3. Removal requires an affirmative vote by at least a majority of the board, meeting in either closed or open session, and recorded in the minutes.
4. If the chairperson or a majority of the committee want the board to remove or discipline a committee member, the matter will be taken up first with the committee's board liaison and, if necessary, with the board.

## I. Communication with Homeowners

1. Any written committee communication with individual homeowners will be consistent with the governing documents and with board policy, and will be copied to the board liaison, who may at his or her discretion share the communication with the board.
2. Mass communication to homeowners must be approved in advance by the board liaison who will see that copies are delivered in advance to the other board members.
3. The chairperson will see that copies of all written communication are kept on file in the office.

## J. Committee Meeting Logistics

1. The committee shall meet at least once per quarter for review and discussion of assigned tasks.
2. Each committee will set the date and time of its own meetings, giving consideration to the convenience of committee members, of homeowners having business with the committee, and of the board liaison.
3. Except in emergencies, notice of any committee meeting will be posted at least 96 hours in advance of the meeting. The meeting date, time, place and agenda will be included in the notice.
4. If an emergency requires a committee to meet with less than 96-hours' notice, the notice will be posted immediately and the chairperson will notify the board liaison.
5. Visitors attending committee meetings, even if only to observe, will be acknowledged by the chairperson as a matter of courtesy.
6. Every committee will schedule a homeowner comment period at the outset of every meeting.
7. **The manager and staff usually do not have time to attend committee meetings. Requests for staff to attend committee meetings shall be directed in advance to the Board President for approval. Upon approval, the President shall notify the other members of the Board.**

## K. Relations with the Board

1. The board will provide clear direction to all committees and will respond promptly to the committees' recommendations and requests for information or guidance.
2. Liaisons and other board members attending committee meetings will not interfere with committee deliberations and will speak only if recognized by the chairperson.

## L. Board Liaisons

1. The board will name one of its members to serve as liaison to each committee.
2. Liaisons help committees understand the board's policies and decisions and help the board understand the committees' needs, concerns and recommendations.
3. Board liaisons are expected to attend committee meetings but are not required to. If a board liaison

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is unable to attend a committee meeting, the committee chairperson will inform the liaison of what transpired immediately following the meeting.

4. Liaisons will not interfere with committee deliberations and will speak only if recognized by the chairperson. Liaisons may not vote on any matter considered by committees.
5. At the outset of each committee meeting, the board liaison will briefly update the committee on recent board activity.
6. The board liaison will be included in all communications between the chairperson and the committee.

## **M. Request for Board Action**

1. When requesting board action, a committee will note it in the minutes and is urged to submit it as a separate proposal for inclusion in the board packet. The proposal should consist of seven parts in the following order:
  - a. The name of the committee.
  - b. The date the committee approved the request, as recorded in the minutes.
  - c. A concise statement of the problem being addressed.
  - d. A suggested motion or resolution.
  - e. Additional information, if any.
  - f. Other possible solutions that were considered, if any.
  - g. Space for the manager to indicate his or her position on the proposal.
2. Committee requests for board action may be submitted at any time, but those submitted less than 10 days prior to the monthly board meeting may be held over until the following month.
3. To facilitate dissemination and archiving, all proposals will be submitted electronically.
4. The board is not obligated to place any action request on the meeting agenda. However, if a request is placed on the agenda it will appear first as a New Business item, i.e., for discussion only. The board may then decide to (a) set the proposal as an Unfinished Business item for a later meeting, (b) return it to the committee for revision and re-submittal, (c) refer it to the manager or to another committee for review and comment, or (d) pursue the matter no further. In any case, the committee will be notified of the board's decision within a reasonable period of time.

## **N. Disagreement with the Board**

When a committee disagrees with board policies or decisions, it will notify the board in writing, either in committee reports or in a separate communication. But the committee will not interfere with implementation of board policies and directives.

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## Part Two: Standards and Practices for the Nepenthe Finance Committee

### O. Role of the Finance Committee

The Finance Committee assists and advises the Board of Directors in their financial decision-making duties by:

1. Recommending and monitoring financial policies and goals that support the mission, values, and strategic goals of the Nepenthe Association.
2. Reviewing the budget, reserve study and other financial reports and statements and presenting recommendations to the board for fiscal revisions.
3. Recommending corrective actions to ensure that the association remains in compliance with current law and monitoring management and association compliance with bookkeeping procedures.
4. Recommending investments and monitoring the financial health of all investments against the association's goals and annual budget objectives as requested by the Board.
5. Upon request, reviewing vendors' contracts, invoices, and work orders to ensure that Nepenthe receives contracted services that are completed in a contractually compliant and timely manner and at a fair and reasonable cost.

### P. Limits on Powers

1. Only the board is authorized to elect or appoint co-chairpersons of committees. The committee may elect, or a committee chairperson may appoint, a vice-chairperson.
2. The Finance Committee is appointed solely to advise the board and to assist it in the performance of its duties. Committees have no authority over managers, home-owners, vendors, other persons or other entities.
3. All members of the Finance Committee will abide by the governing documents and will follow board policy.

### Q. Qualifications

1. The board appoints Finance Committee members. General appointment criteria includes, but is not limited to, willingness to serve, availability to serve, ability to get along with others, fairness, firmness and ability to function within a team.
2. Individuals with specific experience in the following fields may be given preference for appointment to the Committee:
  - a. Finance
  - b. Budgets
  - c. Accounting and/or financial report analysis
  - d. Investments
  - e. Writing and editing
3. Committee members occupy a position of public trust and as such are expected to maintain the same qualities of behavior as board members: honesty, civility, discipline, frugality, foresight and decisiveness.
4. Committee members shall be Nepenthe homeowners that are in good standing with the association, meaning they are current in the payment of assessments and/or fines and are in compliance with the

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rules of the association. If disputed payments, fines or non-compliance are being appealed to the board, the member may continue serving on the committee until the board renders a decision. If such cases are in litigation, arbitration or mediation, the board will be the sole judge as to whether the member may continue serving on the committee.

5. Each member of the committee must be unencumbered by any conflict of interest and also attest that they have never been convicted and, to the best of their knowledge, are not presently under investigation for any felony.
6. Committee members are expected to familiarize themselves with the following documents as they pertain to the committee's rights and responsibilities: The CC&Rs, the Bylaws, Finance Committee Standards and Practices, the Investment Policy Statement (IPS) and the Master Calendar. Copies of these documents are on file in the office and will be provided to any committee member upon request.
7. Committee members are expected to familiarize themselves with the association's investment goals and how these goals support the association's mission.

## **R. Size of Finance Committee**

The board will determine the size of the committee after conferring with the chairperson. A minimum of three (3) members is recommended to maintain a functioning committee with a simple majority constituting a quorum to do business.

## **S. Finance Committee Meeting Topics and Tasks**

Many committee topics and tasks are driven by the board calendar. Board members and residents may attend any Finance Committee meeting without explaining or being asked to explain the reason for their attendance. Advance notice of attendance is not required but is advised as a matter of courtesy.

### **1. Monthly**

- a. Introduction of any homeowners and public comment period. Each speaker will be given three to five minutes to speak.
- b. Update by the Board Liaison.
- c. Review, revise and approve the minutes from the prior meeting.
- d. Review the board calendar to ensure that the committee has addressed all relevant topics for the month.
- e. Review the monthly financial report as prepared by management.
- f. Discuss topics for the newsletter and determine if an article would be beneficial to the community.

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## 2. Annual Finance Committee Calendar

Annual tasks are driven by the requirements of the governing documents and the investments. Finance-related tasks are included on the board calendar to ensure required deadlines are not missed.

- a. January
  - i. Manager presents the preliminary year-end report. The CPA will submit the final report to the board in March.
  - ii. Management presents the books for the previous fiscal year to the CPA for review or audit, as determined by the board.
- b. February
  - i. Finance Committee reviews the success of the investment manager(s) and/or investment funds for the Portfolio and recommends retaining or replacing the investment manager(s).
  - ii. The insurance agent files a risk management survey. The Finance Committee should be made aware if there are additional risks identified that will significantly raise the insurance rate.
- c. March
  - i. Manager mails out hearing notices to delinquent homeowners.
  - ii. Board president signs tax returns; manager mails them.
  - iii. CPA submits review or audit of the annual books and tax returns. Copies are shared with board members and the Finance Committee.
- d. April
  - i. Manager mails a notice to all committee members that they must apply for reappointment. If they do not apply, they will not be reappointed. In committee meetings, chairpersons remind their members of this requirement.
- e. May
  - i. Deadline for committee applications.
  - ii. Chairpersons and liaisons.
  - iii. Manager notifies committee applicants of their appointments.
- f. June
  - i. Finance Committee reviews the backgrounds of committee members to ensure no conflicts of interest exist.
  - ii. Insurance Committee meets to review liability policies (expiring October 1) and discuss any changes in coverage or premiums. The Finance Committee should be made aware if premiums will rise significantly.
- g. July
  - i. Manager gives mid-year financial report, stating whether the association is likely to meet its financial goals for the year.
  - ii. Manager recommends and the board determines whether to put out to bid any vendor contracts for the following fiscal year.
  - iii. If the board decided to put any vendor contracts out for bid, the manager prepares and mails RFPs to qualified vendors.
  - iv. Board begins negotiations on management contract. Contract negotiations will be finalized during September.

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- h. August
  - i. Manager provides all necessary data to the Reserve consultant for updating the Reserve Study.
  - ii. The Reserve consultant, the Board, Management and the Finance Committee work together to determine the amount of contributions necessary for adequate portfolio growth and how possible annual assessment increases will impact the monthly assessment rate.
  - iii. The Reserve consultant attends the board meeting, explains the updated Reserve Study and answers questions.
  - iv. Insurance Committee meets to review the flood policy (expiring December 14) and discuss any changes in coverage or premiums. The Finance Committee should be made aware if premiums will rise significantly.
  - v. The Board awards vendor contracts for the following fiscal year.
- i. September
  - i. Manager proposes the budget for the following fiscal year and provides a copy to the Finance Committee.
  - ii. Finance Committee presents findings of the committee to be considered for possible budget revisions.
  - iii. Treasurer, Finance Committee and Manager recommend whether to audit or review the books for the current fiscal year.
  - iv. Board approves management contract (executive session).
  - v. Board approves insurance policy renewals (except for flood).
  - vi. Board approves updated Reserve Study.
  - vii. Manager asks the board and committees for suggestions to improve the Master Calendar.
  - viii. Board asks manager, committees and homeowners to suggest goals for the coming year.
- j. October
  - i. Board adopts a budget for the following fiscal year.
  - ii. Board decides whether to audit or review the books for the current fiscal year.
  - iii. Insurance Committee or insurance agent report on flood insurance premiums renewing December 14<sup>th</sup>.
- k. November
  - i. Board sets goals for the following year.
  - ii. Board acts on flood insurance policies renewing December 14<sup>th</sup>.

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- I. December
  - i. Manager presents next year's Master Calendar to the board for review and comment.
  - ii. Management contract expires unless renewed by mutual agreement.
  - iii. Fiscal year ends December 31.

## **T. Relations with Management**

If management is requested to attend a committee meeting to answer questions, the committee shall provide the list of questions prior to the meeting so that ample research time is allowed for response. Also, from time to time members of the committee might need the assistance of office staff. Any requests for assistance from office staff will first be discussed in committee or, if urgent, with the Finance Committee chairperson.