



## **Standards and Practices for the Board of Directors**

The purpose of this document is to codify standards and practices of The Nepenthe Association so that all parties have a clear understanding of their roles and to ensure continuity of operations through turnover in the Board, committees and staff.

### **A. Composition**

The Nepenthe Association is governed by a board of five elected directors.

### **B. Duties<sup>i</sup>**

The fundamental duty of the Board is to make timely, prudent and ethical decisions to ensure the fulfillment of the Association's purpose, which is to maintain the property and to respond to homeowner requests for service and information.

The board has six core responsibilities:

1. Comply with and enforce the governing documents
2. Inform homeowners and encourage their participation
3. Manage finances
4. Maintain records
5. Engage and direct a manager or management company
6. Plan for the future

### **C. Leadership**

Board members are expected to demonstrate the attributes of good leaders. Among these are honesty, civility, discipline, frugality, foresight and decisiveness. The Board will be ever-mindful that its conduct serves as a model for the manager and staff, vendors, committees and all homeowners.

### **D. Service**

1. It is the Board's duty to serve the entire membership. Board members will subordinate their own interests to those of the community. They will not use their positions to reward themselves or their supporters or to punish their detractors.
2. Each director will read, sign and abide by the Association's conflict-of-interest statement.

### **E. Accountability**

The Board may assign certain tasks to the manager, committees and others, but it may not assign accountability for the results. The Board is solely responsible for the operation of the Association.

#### **F. Type of Board**

The Nepenthe Board is a policy board, not a managing board, i.e., it sets policy for the Association and hires a competent manager to implement its policies. The manager is responsible for the day-to-day operation of the Association, and the Board does not assume or interfere with management functions except in emergencies.

#### **G. Consensus**

The Board will strive for consensus while being aware that unanimity is not always possible or even desirable. A requirement for unanimous decisions would allow a minority of one or two directors to thwart the will of the majority.

#### **H. One voice**

1. When the Board is divided on an issue, those directors in the minority may not interfere with management's implementation of the decision.
2. The Board President, as Chief Executive Officer, has sole responsibility for communicating board policy to management and primary responsibility for communicating policy to homeowners. The President is accountable to the Board and may be removed from office for failure to perform this critical task. The President may assign some of his duties to willing directors, unless the board objects, but retains responsibility for seeing that those duties are carried out.

#### **I. Terms**

1. Directors serve two-year terms.
2. Two directors are elected in even-numbered years, and three are elected in odd-numbered years.
3. A director may serve no more than three terms consecutively. Having done so, he may run for the board again, or be appointed to the board, after one year.

#### **J. Nomination of board candidates**

Candidates for the board may be nominated by the Nominating Committee or by a petition of homeowners. *See Standards and Practices for Elections.*

#### **K. Qualifications**

1. Candidates for the Board must be homeowners in good standing with the Association, meaning that they are current in the payment of assessments and/or fines and are in compliance with the rules of the Association.
2. A homeowner may not be a candidate for the Board if he or she is a convicted felon.
3. A homeowner who is not a resident has the right to run for the board as long as he is a member in good standing.

#### **L. Board elections**

*See Standards and Practices for Elections*

#### **M. Board Organizational Meeting**

1. Within 15 days of the annual Board election, the Board will hold an Organizational Meeting for the purpose of electing officers, appointing committees and committee chairs, appointing Board liaisons to the committees, and for conducting such other business as may be necessary to organize the board

for the coming year. Ideally, the meeting will be held immediately following the Annual Homeowners Meeting.

2. The Organizational Meeting may be held in executive session, at the Board's discretion. If that is done, any decision made in the meeting will be made known immediately to the homeowners.

#### **N. Board officers**

1. The duties of the officers are defined in the Bylaws.
2. Officers serve terms of approximately one year, beginning with their appointment at the annual Organizational Meeting and ending at the time of the next Organizational Meeting.
3. During the year the Board may change officers at any time, but may not extend their terms beyond the next Organizational Meeting.
4. Any officer may be re-appointed to the same office for another one-year term.
5. The Vice President does not have to be someone who wants to be President, nor is the Board under any obligation to elevate the Vice President to the Presidency.

#### **O. Board orientation**

1. When newly elected or newly appointed Board members are seated, management will immediately provide each new member an orientation binder of materials including but not limited to the following:
  - a. Copies of the Davis-Stirling Act, the CC&Rs, the Bylaws, the Rules, committee charters, the Standards and Practices, the reserve studies and the management contract.
  - b. The budget
  - c. A checklist of all reserve components scheduled for replacement in the current fiscal year, noting those that will actually be replaced.
  - d. A summary of the reserve study.
  - e. The latest review or audit of the books, aka the annual report for the previous fiscal year.
  - f. The Master Calendar, including all scheduled Board meeting dates for the coming twelve months.
  - g. A list of holidays when the clubhouse will be closed during the next twelve months.
  - h. Copies of the architectural criteria, the fine schedule, the investment policy, the collection policy, the internal dispute resolution policy, the alternative dispute resolution policy and the conflict-of-interest policy.
  - i. A summary of insurance coverages.
  - j. A map of Nepenthe.
  - k. The management contract.
  - l. A fact sheet on the management company, a job description for each position assigned to Nepenthe, a current resume for each employee assigned to Nepenthe, and the names and contact information for the company's chain-of-command.
  - m. A list of current vendors, including the bank, attorney and CPA

- n. A list of committee chairs and members.
  - o. A fact sheet on any organization to which the Association pays membership dues.
2. Within 15 days following the annual board election, each new Board member is expected to review the Board minutes for both regular sessions and executive sessions for at least the previous 12 months. Copies will be provided at no cost if requested.
  3. Within 15 days following the annual Board election, the manager will meet with new Board members to explain the management company's operations and to answer questions. Other Board members may attend the meeting, which may be held concurrently with the Organizational Meeting prescribed in the Bylaws and/or the training session provided below in this section.

**P. Board training**

1. As few homeowners have experience running associations, and as the operation of associations becomes increasingly complicated, the Board will budget annually for the training of Board members. At the very least, the Board will see that inexperienced Board members receive training in the fundamentals of association leadership. That training will take place within 15 days following the election or appointment of the new Board member(s) and may be held concurrent with the Organizational Meeting prescribed in the Bylaws.
2. Further, any Board member may request additional training he or she requires for the performance of his or her duties as defined by statute, the governing documents and the Board. The cost of training must be approved in advance by the Board, which may set terms and conditions, such as requiring the trainee to prepare, upon completion of the training, a written or verbal report for the edification of other Board members.
3. Training of new Board members will be conducted by the Community Associations Institute, by the Association's manager or management company, or by another entity or person recognized by the Board as an authority on the operation of homeowner associations. The cost of the training will be borne by the Association, subject to approval in advance by the Board. All other Board members will be given the opportunity to participate in the training but will not be required to participate.
4. Unless a participating Board member objects, other homeowners may be invited to observe, but not to participate in, the training.
  - a. In that event, and if space is limited, preference will be given to homeowners in the following order: (a) those interested in running for the Board, (b) committee chairs, (c) committee members (d) homeowners who have in the Board's judgment made significant contributions to the Association and (e) any other homeowners.
  - b. If there is time at the end of the training session, observers may be allowed to ask questions of the trainer and/or to offer comment.
5. It is advisable, though not required, that the Board make a record of any training so that it may be shared with future Board members and others.
6. Whether homeowners are permitted to observe the training or not, they will be informed in general of any training that is provided at Association expense.

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<sup>i</sup> *Davis-stirling.com says this about the duties of directors:*

*“When it comes to managing common interest developments, boards of directors are responsible for the following:*

- 1. Maintenance. Maintain and repair the common areas, and prepare reserve studies.*
- 2. Rules Enforcement. Enforce the governing documents via warnings, hearings, fines, suspension of privileges, and litigation.*
- 3. Financial Management. Prepare budgets, levy and collect assessments, pay bills, review financial records, and prepare year-end financial statements.*
- 4. Operational Management. Manage the day to day operations of the association. This includes retaining (as needed) management services, legal services, landscape vendors, pest control, operating amenities (pools, tennis courts, clubhouses, equestrian facilities, golf course, etc.), purchasing insurance, etc.”*

*Item 1.2 may require an amendment of the CC&Rs.*