

## **Being Prepared is a Prudent Policy for Board of Directors**

**By Associated Property Management**

Board of Directors can have all good intentions when running their association, but there will be times, unforeseen circumstances and events that will occur that will disrupt and test well run associations. It is just a fact of life in an association that there will be challenges for the Board of Directors to deal with. In a well run association these challenges are dealt with in way that lessens the impact on the residents.

Just in the last 10 years, associations have had to deal with runaway cost/price increases, hurricanes, and inadequate insurance settlements. Currently, associations are trying to handle a huge drop in real estate values, a mortgage/foreclosure crisis and the resultant drop in revenues that is severely testing the ability of all associations to survive. It is as if associations are being “whip sawed” back and forth between man-made events and natural forces.

Is there anything an association can do to prepare for this now and in the future? I don't think that there is much we can do to prevent these types of events from occurring. I do believe that we can be prepared as well as possible to meet these problems head on when they do happen. The following are some ideas and thoughts that will help associations meet these disruptions:

1. Does your association have proper insurance coverage and for adequate amounts that will provide the necessary protection in case some event does happen with your association? In addition, does the association have a procedure in place that ensures that all contractors, sub-contractors, independent contractors and vendors have adequate liability and workmen's compensation insurance? We even have some clients that obtain a “General Workmen's Compensation” policy... just in case someone out of their control gets hurt on the property.
2. Does your association have amounts set aside for insurance deductibles? This should be set up on your balance sheet and if unused, carried over from year to year. Currently, Chapter 718 allows associations to require their owners to have casualty and liability insurance on their units. Does your condominium have this policy? At some point, this may be repealed, but this may be a good policy to have and made a part of your documents.

3. Does your association have a proper operating budget, with adequate and realistic reserves, provisions for bad debt and amounts built in for contingencies? Has your association secured a line of credit for emergency cash needs? During a catastrophe, you don't want to start breaking up CD's and taking a hit with interest penalties.

4. Has your association conducted a Hazard Analysis of your buildings and common areas? This is being proactive as the elimination of any hazards can reduce accidents, and therefore, claims.

5. In addition to conducting a Hazard Analysis for your association, have there been any recent insurance appraisals performed? The appraisal may show value amounts that are presently inadequate, which would surely create liabilities and problems if a loss were to occur. Reserve Studies should also be made to ensure that amounts are adequately reserved (or at least disclosed to the membership, in the case of associations that waive reserves), from year to year.

5. Does your association have a written Disaster Preparedness Plan in place? A policy such as this lessens loss of property and helps to eliminate injuries and loss of life. The county and state have websites to help you formulate a disaster preparedness plan, with policies and procedures for your association.

6. Has your Board formulated a written Policies and Procedures Program in conjunction with an Association Operating Guide that sets forth all suggested guidelines for operating your association? These suggested procedures provides consistency to all future boards to follow, no matter who is on the board and what their background and experience is or is not.

7. Does your association have a Communications Policy that disseminates information to the owners (even to the tenants)? I am not talking about the occasional newsletter, but rather in different ways to your community, such as through a Website, TV Channel, Facebook, Twitter, Email, Bulletin Board, and written newsletters? Everyone is connected in different degrees and I believe that we need to be flexible in how we get our association news, information and association policies to our owners.

8. Does your Board have an annual review with all of your professionals, contractors and employees as to what level of service is expected from each? In other words what was good last year may not be sufficient this year, as problems, people's needs and the overall dynamics of a community changes from year to year. The idea is to get everyone on the same page, working towards a common goal, for the good of the association. If this is not formulated, agreed to and communicated from the Board to everyone, how would anyone know what is expected of them?

During this review, it is a great time to find out what people thinks will happen, how the industry is changing and what can be done to make their job or service better.

This is no time to be shy or to stick your head in the sand! We are all in this together trying to do a good job for our association.

9. Is there a transition policy in place that encourages former boards to help new board members get in place and up to speed as quickly as possible? Is there cooperation between the two entities or is there animosity? This is no time for people to be fighting or being uncooperative with each other. We need to work together to get things done, preserve what we have achieved or to regain what we have lost. It is time to put our egos aside and to work for the common good.

These suggestions and policies will not prevent associations from experiencing negative events. However, these suggestions, if instituted will help associations to meet these events head on, with a minimal amount of disruption and financial losses.

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