

Homeowners Association Board of Directors Manual

This is a reference for HOA Board Members, Officers, and homeowners to help understand the process of running an HOA. This does not include every aspect of HOA management. The association Bylaws, CC&Rs, and state law should be referenced for more information.

Statements that use the words **will** or **must** reference things that are required, either by state law or the association Bylaws.

Statements that use the word **should** reference things that are highly recommended but not necessarily required. The HOA should have a good reason for not following these items.

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What is a Homeowners Association?

A Homeowners Association (HOA) is a self-governing body that manages the common interest of a community made up of homeowners. Any development that has shared common areas, roads, sidewalks, parks, or other facilities needs a way to manage and maintain those common interests. HOAs also provide some structure and help neighbors to work through conflicts or other issues that may arise.

By Washington State law any development with common interests in which members are required to pay dues to cover taxes, insurance, maintenance, or other improvements must have an HOA.

HOA leadership

The leadership of the HOA is made up of individual homeowners. Serving on your HOA Board is an important part of living in an HOA and gives you the opportunity to guide the direction of the association and support your neighbors.

Each HOA must have a Board of Directors which should consist of 3-5 members. Board members are elected by the association members at the annual meeting, with terms that are typically two years in length. It is best to stagger Board terms to avoid full turnover every two years. This can be done by having some Board members start with one-year terms.

The officer roles will be filled by Board members and include President, Vice President, Secretary, and Treasurer. The Vice President role can be omitted if there are only 3 Board members. If needed, the roles of Secretary and Treasurer can be filled by the same person, however no other two roles can be combined.

The responsibilities of the Board include Common Area maintenance and improvements, budget and finances, administration, enforcement of CC&Rs, maintaining insurance of common area property and Directors and Officers, and to ensure all Homeowner assessments are collected. The Board will also be responsible for helping to settle neighborhood conflicts when they come up.

The HOA may also decide to include other duties in the Board member roles; this could include Road Manager, Common Space Manager, Community Liaison, Party Planner, etc.

Board Meetings

The Board should hold quarterly meetings, or as necessary. The purpose of these meetings is to review finances and spending, discuss agenda items for the annual member meeting, and check-in regarding neighborhood rules compliance. A majority of the board members must be present for a decision-making vote to occur, and minutes must be kept. By law, Board meetings can be observed by any member of the HOA, with some exceptions.

HOA Officers

President

The President maintains the overall leadership of the Board, facilitates meetings, and ensures the HOA is in compliance with CC&Rs, HOA bylaws, and state laws.

Duties include:

- Create meeting agendas
- Schedule and facilitate meetings
- Work with the Secretary to prepare the annual budget
- Oversee HOA Rules education and enforcement
- Provide resources to homeowners regarding conflict resolution
- Submit a Washington Secretary of State annual report, with assistance from the Treasurer

Vice President

The Vice President acts as a substitute for the President when needed and assists in many of the President's duties. This is a possible candidate to be the next Board President.

Duties include:

- Fill in for the President, if needed
- Assist with HOA Rules education and enforcement and conflict resolution

Secretary

The Secretary is responsible for managing records, organizing meetings, and other clerical tasks.

Duties include:

- Send meeting notices to all HOA members and MHT
- Take minutes and record vote counts at Board and HOA meetings and share with members
- Maintain a list of homeowners and their contact information
- Retain written record of any homeowners who authorize the use of email or other means of communication from the HOA Board
- Maintain records on the terms of Officers
- Ensure adequate insurance coverage

Treasurer

The Treasurer is responsible for the finances of the HOA. This includes creating and managing the annual budget, ensuring bills are paid, and reporting to the Board and general membership on the HOA finances.

Duties include:

- Collect mail from the PO Box
- Store and reconcile bank statements
- Maintain financial records
- Pay invoices for services, insurance, etc.
- File 1120H tax form
- Prepare the budget for HOA approval
- Prepare financial reports for the board
- Share a balance sheet with HOA members at the annual meeting

HOA Functions

Minimum Requirements

- Annual meeting
 - The HOA will hold at least one annual meeting in which all members are invited, and minutes are recorded
 - Notice to all homeowners will be between 14 and 50 days before the meeting
 - Notice will be by mail, or email if the homeowner has authorized in writing the use of email
- Annual Report filed with the Washington Secretary of State
 - The due date is the end of the month in which the HOA was incorporated in Washington State. Contact MHT staff for the exact due date, if needed.
- Annual tax filing with the IRS (form 1120H)
 - This form is the income tax return for the HOA. This will allow the HOA to take advantage of tax benefits that will exempt income (dues) from being taxed.
 - Must be filed by April 15 each year.
- Accounting Method
 - Accounting will be done using the accrual method, which means all revenue and expenses are recorded when the transaction occurs, as opposed to when the money exchange happens. For example, member dues for December of 2022 are recorded on the books for the 2022 year, even though the money might not be deposited into the account until January 2023.
- Financial Records
 - The HOA will keep a detailed record of all financial transactions
 - A financial report will be made annually that details all income and expenses as they relate to the budget. This will be shared with all HOA members and MHT.
- Insurance
 - The HOA must have liability insurance for all common property as well as Director and Officer (D&O) insurance.
 - The Secretary will renew insurance annually and confirm adequate coverage

Annual Meeting

The HOA will have at least one meeting of the members per year. If only one meeting is held, it should be scheduled in the last quarter of the year to align with necessary budget approval for the following year.

What may be included in the annual meeting

- Financial report from the Treasurer
- Approval of the budget for the next year
- Election/removal Board Members
- Votes on any changes in HOA dues
- Votes on any changes to the HOA Rules
- Votes on changes to CC&Rs or Bylaws (changes must be approved by MHT)
- Common area improvement proposals

- Other items that may be on the agenda

Prior to the meeting

- The Board should meet to discuss finances, annual meeting agenda, and any other items that may concern the rest of the homeowners
- The HOA President will send a notice to all homeowners of the upcoming annual meeting which will include
 - Date, time, and location of the meeting
 - Meeting agenda
 - Information that would relate to a proposed change in HOA dues, CC&R/Bylaws changes, neighborhood rules, or the potential removal of a Board Member

Meeting notice must be delivered at least 14 days before the meeting date, but not more than 50 days before. Notice will be delivered in person or by mail unless a homeowner has given written approval to send by email or other means.

During the meeting

- The annual meeting should be facilitated by the President of the HOA and follow the agenda shared in the meeting notice.
- There must be a quorum for a vote to occur. The number of voting members needed for a quorum will be outlined in the HOA bylaws.
- The meeting should follow some sort of structure that is shared with all members. This could be a form of Robert's Rules or other type of meeting structure.
- The meeting should be facilitated by the President, whose job is to keep to the agenda, ensure all voices are heard, call for votes, and keep the meeting to the time scheduled.
- Meeting minutes must be recorded.

How to hold a vote in a meeting

There are many ways in which to hold a vote. A common method is based on Robert's Rules and is outlined below. The HOA may choose to use a different structure, as long as it is understood by all and is clearly documentable in the minutes.

1. The item to be voted on is explained in detail
2. There is adequate time for questions, modifications, and clarifications
3. Someone other than the person bringing the issue to the group motions to vote on the issue
4. Someone else seconds the motion
5. A vote is held, with all the Yea and Nay votes recorded along with anyone who abstains
6. The results of the vote are announced and recorded in the minutes

Committees

The HOA Board may form committees to tackle any number of projects or ongoing tasks. This could include HOA rules formation and enforcement, common area maintenance and improvements, garden maintenance, or anything else where a small group would be the most effective way to accomplish a task. Committees should always have at least 1 Board member.

Budget and Finances

Income

This will include all assessments (HOA fees) on current and planned future homeowners.

Expenses

All anticipated expenses for the year. This can mostly be based on the previous year, with any estimated changes. It can be a good idea to reach out to providers (snowplow, garbage, landscapers, etc..) of any services to see if they expect prices to change for the following year.

Compare the current year's budget to actual expenses to see if there are changes to regular expenses that would be appropriate.

At the end of the year, the Treasurer will create a financial report that summarizes the expenses and income from the year and any deficit or surplus in the budget.

If there is a surplus, the HOA will either pay back each homeowner or provide credit toward future assessments. The HOA Board can also vote to decide if surplus funds will be deposited into the reserve account.

If there is a deficit, the HOA Board will need to come up with a plan to pay all expenses. This is most likely done through a Special Assessment.

Special Assessments

If an HOA decides to take on a one-time project, such as building a fence, a Special Assessment can be used. This is a one-time increase in homeowner assessments to cover the cost of the project. Once the project is paid for, homeowner assessments return to normal. A Special Assessment may be for only one month, or they may be spread out over a longer period of time as needed.

Special Assessments can also be used to cover unexpected repairs or other expenses that are beyond the balance of the reserve account.

Special Assessments can either be planned in the budgeting process and voted on by the entire HOA, or implemented by the Board after the budget has already been approved.

Reserve Account

The HOA will have a reserve account to fund major maintenance, repair, or replacement of common elements that are too large and infrequent to include in the annual budget. This could include major road maintenance and repair, HOA owned structure maintenance or repair, etc. The reserve account can also fund improvement projects such as playground equipment, garden irrigation, fencing, etc.

Regular, anticipated maintenance should be built into the operating budget, not the reserve budget.

The Board should work together to estimate an appropriate reserve account balance to cover these costs. The amount needed will be unique for each neighborhood and may change over time. MHT HOAs do not need to conduct outside reserve studies if the HOA owned assets are minimal or if the cost of a reserve study would exceed 5% of the annual assessments.

The Reserve Account must be separate from the operating funds of the HOA. The operating funds may be in a checking account while the reserve funds are in a savings account.

Facilitating a Healthy Community

One of the most important jobs of the HOA Board is to ensure the HOA community is functioning in a healthy and productive way.

Some things the HOA Board can do to facilitate this include

- Organize social get-togethers
- Organize work parties to care for the common areas or to help out a neighbor who needs it
- Encourage communication between all homeowners
- Make meetings inviting by providing food and drinks

HOA Rules Enforcement

One important job of the HOA Board is to ensure the HOA rules are being followed. Ensuring that everyone follows the rules, and they are enforced equally, is important to maintaining buy-in and respect for the rules. The enforcement actions should be clearly outlined in the HOA Rules that are created by the HOA.

At some point it may come to the attention of the Board that a rule isn't being followed. There are multiple steps that can be taken. The exact course of action by the Board will be unique to each situation and should be carefully thought out beforehand. Below are some basic points.

- Listen to and document any complaints from homeowners regarding someone's breaking of the rules
- Don't take sides, regardless of your relationship to or history with either party
- Meet with other Board members to discuss a plan to address the issue
- Talk to the homeowner who is breaking a rule, in person if possible (avoid text message)
 - Ask questions to ensure that they understand the rule(s) in question
 - Talk through potential solutions
 - Try to agree on a plan moving forward, including a timeline
 - Take notes on the meeting and share them with the homeowner afterward
- If there is no change, the Board may decide that further action is warranted. Next steps should be detailed in the neighborhood rules and/or CC&Rs.