<u>Focus on Development</u>

Board of Directors Evaluation

It Is Called Cooperative Living
You Enjoy Living And Home Cooperative

Skills Development Course

By Richard Berendson

BOARD PERFORMANCE

INTRODUCTION

The Management Performance Evaluation Task Force found itself with a large and complex job when it decided to develop procedures for evaluating the management of a co-op. It was hard to choose where to begin since so many aspects of co-op functioning can be reviewed. The task force was also faced with deciding whom to evaluate: the on-site manager. The management agent? Maintenance personnel? HUD? After considering all these options, the task force decided to take a different direction and focus first on the board of directors' performance. Why the board and not the management agent? The board has the primary responsibility for overseeing the management of the co-op. The board determines the co-op's management needs, selects a management firm, signs the management agreement, and works with the managing agent to ensure that the co-op is managed well. The board evaluates the managing agent's performance and decides whether to renew the agent's contract.

The board must function well in effectively playing its part of the management role. In this session, we will discuss the essential components of board performance. These areas include board meetings, planning and policy making, management contract, management reports, committees, and communication with members.

By participating in this session, each of you will become better able to evaluate how your board functions. We hope you will share what you learn with your b and develop more effective ways of functioning. Your board will take its first step toward evaluating management performance in your cooperative.

BOARD PERFORMANCE CHECKLIST

Six major areas of board performance have been identified as critical to effective performance:

(1) board meetings,
(2) planning and policymaking,
(3) the management contract,
(4) management reports,
(5) committees, and
(6) communications.

For each topic, a series of questions has been developed regarding how your board performs. These questions have been incorporated into a Board Performance Checklist, which follows on the next three pages.

Please fill out the checklist by marking "yes" or "no" for each question, answering according to how your board currently functions. If you are a management agent, please fill out the checklist for a commission you are familiar with.
See the form in the appendix.

Board Performance Checklist

		Yes	No
Board Meetings			
1. Are you on time for the board meeting	1		
2. Do you attend three out of four board meetings?	2		
3. Does the board follow an agenda?	3		
4. Are meetings conducted in an orderly manner?	4		
5. Do you have someone taking minutes?	5		
6. Are board decisions made by motion or vote?	6		
7. Do you support board decisions you disagree with?	7		
8. Do you take the time to explain the background of a question to directors?	8		
9. Is time set aside for coop members to speak at the board meeting?	9		
10. Do you keep personal information about members confidential?	10		

Planning and Policy Making			
1. Does the board has stated written goals for the coop?	1		
2. Has the board set priorities for its needs?	2		
3. Does the board periodically review progress in meeting its goals?	3		
4. Does the board keep an updated file of its policy?	4		
5. Are board policies clear and understandable?	5		
6. Does management follow board policies?	6		
7. Does the board present its directives to the manager in writing?	7		
8. Does management carry out board directives in a timely fashion?	8		
9. Do you provide board members with an opportunity to attend Coop workshops and seminars?	9		
10. Do you spend time outside of board meetings training	10		
		Yes	No

Board Performance Checklist

Yes No

Management Contract

1. Does the board have a copy of the management contract and plan? 1
2. Are all board members familiar with the provisions of the contract? 2
3. Is the contract reviewed at least quarterly to ensure Management
   Compliance with all provisions? 3
4. Does the board have a copy of the management bond naming the coop
   As the oblige? 4
5. Does the management agent pay all expenses in the contract? 5
6. Can the board terminate the management contract within Days? 6
7. Does the contract provide a clear statement of services and fees? 7
8. Is the manager on site as often as the contract requires? 8
9. Is the contact tailored to fit the coop's needs? 9
10. Does the contract call for written monthly management reports? 10

Management Reports

1. Are management reports up to date to the day before the meeting or
   To the end of the month for financial data? 1
2. Do the directors receive the monthly managers' report on the days before
   The board meeting? 2
3. Do the board members read the reports before the meeting? 3
4. Do the management reports include information about vacancies, move
   Outs, move move-in delinquency, and maintenance? 4
5. Does the manager report to the board on actions taken to carry Board directives? 5
6. Does the management report include a monthly cash flow report? 6
7. Is the management representative who attends board meetings 7
   Responsible for the contact of the report?
8. Does the management report show sales contracts and the number of units sold? 8
9. Does the manager review the report with the board? 9
10. DO board members understand the monthly reports? 10

Yes No

Board Performance Checklist

Yes No

Committees

1. Do you have standing committees? 1
2. Is there a fair and objective procedure for selecting committee members? 2
3. Are your committee members representatives of your cooperative 3
   (Young, Minority, male, Female) ?
4. Does the board provide each committee with written directives? 4
5. Does each committee make written recommendations to the board? 5
6. Does the board make the final decisions on committee recommendations? 6
7. Does the board give praise and credit for committee performance? 7
8. Do the from directing maintenance, office, and management? 8
9. Do the committee know applicable HYD guidelines and rules? 9
10. Does the board prepare the committee for its role by providing the necessary 10
    Background information?

Communication

1. Does your coop have a monthly newsletter? 1
2. Are applicants oriented to coop living before move-in? 2
3. Are coop members kept up to date on the board policies by the newsletter 3
4. Are coop members notified of board meetings? 4
5. Do coop members have a copy of the occupancy agreement, bylaws
   i. And regulatory agreement? 5
6. Does the board authorize one person to give the manager direction between 6
   i. Meetings?
7. Do individual board members abstain from making special requests of 7
   management?
8. Is there a drop box for member complaints and suggestions? 8
9. Does management keep personal information confidential? 9
10. Do you promote new board members with an information package 10
    Describing board functions, procedures, policies, powers,

And responsibilities?

Yes No

SCORING THE CHECKLIST

When you have completed the checklist, count the number of "yes" responses for each of the sections on the score sheet that f the next page, and put the number of "yes" answers in the column across from each team. Then, for each section, the number of "yes" answers times ten. Suppose, for example, that in the section on board meetings, six "yes" answers were given. Six times ten equals sixty. Convert this number to a percentage–60 percent. This number then gives your score for that section. Repeat the same procedure for each section method of scoring is to be used for everyone. If the board wants to find its group score, divide the number of °yes" items for that section by the number of persons completing the checklist. For example, on Board Meetings, if five directors have a total of forty-five "yes" answers, forty-five would be divided by five for a score of nine and a percent of ninety.

For each section, the percentage score can then be related to a level of performance:

Level of Performance	Percent
Excellent	90-100%
Very Good	80-89%
Good	70-79%
Average	60-69%
Poor	Below 60%

If a co-op receives a score of 60 percent on Board Meetings, its level of performance would be average on this scale. Find the level of performance for your co-op for each section of the questionnaire and record it on the scoring sheet.

Take special note of those items on the checklist with asterisks, for example, question 5 on Board Meetings: "Do you have someone taking minutes?" These items are essential to effective board performance. A co-op board should make sure that it can answer "yes" to these questions especially.

SCORING SHEET

BOARD PERFORMANCE CHECKLIST

Number of	Level see	Yes Answers	Percent Performance	
Board Meetings	x	10	=	
Planning & Policy Making	x	10	=	
Management Contract	x	10	=	
Management Reports	x	10	=	
Committees	x	10	=	
Communications	x	10	=	

Level of Performance	Percent Score
Excellent	90-100%
Very Good	80-89%
Good	70-79%
Average	60-69%
Poor	Below 60%

In the appendix, other co-ops' ratings of their board performance are presented. By checking your co-op's scores against the results given in the directory, you can learn how your co-op compares with others on various aspects of board performance.

THE DIRECTORS' PERFORMANCE

BOARD MEETINGS. Before the board can assess and evaluate any part of the co-op's operation or management, it has to do some self-evaluation. The board has the central ae in determining how the co-op functions. If the board performs poorly, the co-op's management will suffer. On the other hand, if the board functions we work, the overall management of the co-op will be enhanced.

In assessing directors' performance in board meetings, the significant areas of significance are (1) punctuality, (2) attendance, (3) procedures, (4) minutes, (5) agenda, (6) decision making, (7) member participation, (8) quality of information, (9) unity, and (10) confidentiality.

For each of these areas, questions were given in the checklist. A board should be able to answer 'yes" to all of these questions. Special attention should be given to item 5. Board d performance is suffering in the areas checked "no," and attention should be given to improving performance in those areas.

In the following section, the importance of each area of board performance is discussed.

1) <u>Are you on time for board meetings?</u>
   Being on time to board meetings sets the pace for the board to function efficiently and effectively. By starting promptly, the board can cut down on the length of meetings; sessions will not be wasted waiting for members. If some members are late, the energies of those who come on time are wasted since they must wait for the others. If the meeting starts without the late arras, directors may find themselves having to cover the same material again when the late members come.

   Chronic lateness of board members can be related to a general morale problem among board members. The morale problem can worsen if directors continue to come late. A board should set the policy that all directors will be on time for meetings, and it should then be sure to f the policy.

2) <u>Do you attend three out of four meetings?</u>
   A good attendance record is directly related to the quality of each director's participation and involvement in co-op affairs if several directors attend board meetings only infrequently. In that case, they are challenging for the board to maintain continuity and a sense that it is functioning as a whole to meet its responsibilities. Members who’s Absent from members are included in the decision-making process will hamper the board's effectiveness. A board should set guidelines. Members who were Absent member called and told what happened during the meeting. At the same time, their intentions to come to the next meeting should be confirmed. Some boards also request that their members inform the president in advance when they will be unaccommodating. Some co-ops publish records of board meeting attendance in the co-op newsletter.

3) Does the board follow an agenda?

An agenda provides the mechanism for the board to consider its business in an orderly way. In planning the agenda, the board considers which issues are essential. The board should organize its agenda in terms of its priorities. In this way, the board can be sure to deal with the most important business first. A board should also agree on how the agenda will be established. There are several possible approaches. One involves the board in planning the agenda for the next meeting at the end of each previous meeting. This alternative would require a way of adding additional items to the agenda; essential issues will come up during the month. This allows the board to determine the next plan while the schedule is still aware of which problems are critical. It also allows the board to consider the continuity between the meeting just completed and the following meeting. One preparation that is not constructive is to use a standard agenda outline that lists only general categories such as "Old Business," "New Business," and "Approval of Minutes," without specifying exactly which topics will be considered. This type of agenda is not helpful because it does not list the key topics the issues should cover.

4) Are meetings conducted in an orderly and businesslike manner?

The board has many responsibilities for ensuring that the cooperative functions well. To have many responsibilities, the board must conduct its meetings in a businesslike manner, just as any formal organization would. Meeting participants should systematically consider the agenda topic from some topic to another. Similarly, board meetings should focus on the business matters of the cooperative and not involve discussion of other, unrelated cases. Each issues member should personally behave in a businesslike way.

5) Do you have someone taking minutes?

The minutes provide a record of what the board has accomplished. The minutes are a means of documenting what has occurred, focusing on the motions. It is essential for the board to review its past decisions regarding new demands. Without the documentation, the co-op will be unable to refer back to its past actions.

The secretaries are very imported essential to ensure that accurate minutes are kept. Some boards tape-record their meetings, allowing the secretary to review the tapes while writing up the minutes. Other boards hire a recording secretary to take minutes during the session. Minutes of meetings should be published so the co-op members can read them and become familiar with board actions.

6) Do Motion and vote make board decisions?

By using motions to state possible decisions, a board formalizes its decision-making processes in a way that makes them clear to all members. In making a motion, a board member raises a possible decision for discussion. The board should be careful not to formulate its motion prematurely. Some boards prefer that motions be put in writing before the meeting. It is then easier to make any necessary alterations to the action. Each activity must be discussed before a vote. This discussion period allows the members to consider the possible decision carefully. After the discussion, the board should decide to vote on the motion. The formal vote then constitutes a decision as to whether or not to implement the action. The move should best fit the feeling of the most significant number of board members. Motions that pass by a slight margin should be avoided because decisions, once made, should be supported by the entire board.

7) Do you support board decisions you disagree with?
Once the board has agreed to a particular decision, all board members must be committed to keeping it, even if they voted against it. An individual director should also avoid conveying to the co-op members that although the board decided on a particular course of action, they, did not support it. A lack of support for board decisions can cripple the board's efforts to function as a whole. If a panel finds that certain members continually disagree with conclusions, it should review its decision-making process. Perhaps the board is making decisions too hastily, without trying to get directors to reach a
consensus.

8) Do you take the time to explain the background of a question to directors?
For effective performance, the board must ensure that all directors participate fully in board discussions. Sometimes, a commission may have new members or members who are lacking complete information about board actions. If a director raises a question or indicates that they do not understand the discussion, the board should take adequate time to give necessary background information. This will allow the board member to prepare to participate in the debate adequately. Board members should also be aware of the issues that may be difficult for other board members to understand. For example, some members may feel less knowledgeable about financial, or management reports the board reviews. Others may not understand the implications of maintenance decisions.

Still, other board members may have problems understanding the legal aspects of board decision making. In each case, the board must ensure that all directors have a good understanding of the issues under discussion.

9) Is time set aside for co-op members to speak at board meetings?
These meetings provide a rare opportunity for co-op members to contact the board of directors. Since the board is essentially responsible to the co-op members, it must have a mechanism for listening to them. At the same time, the board must also have time to accomplish its work at hand. A board will usually decide to set aside a particular specified time for members to speak. At this time, directors should be open to hearing the needs and opinions of co-op members.

10) Do you keep personal information about members confidential?
The board is in a position to receive personal information about co-op members. Improper handling of personal information can result in severe problems for the co-op member. It is essential that the directors treat this information as confidential and not discuss it outside of its meetings with other co-op members who are not on the board. Co-op members and management must trust that the information they share will be handled confidentially by the board.

PLANNING AND POLICY MAKING.
Most boards of directors actively participate in ensuring sound management of their cooperative. The board's role involves making decisions, establishing policies, and determining procedures that affect both the direction of the co-op and the lives of the co-op members. The board must plan for the co-op's overall welfare and establish policies that are in the best interest of the cooperative. Areas in which the board's policy-making role is critical include membership selection and orientation, collections and delinquencies, member relations, and management.

A board must periodically review its past policies regarding its current needs. To accomplish this review effectively, it is essential to have procedures organized and categorized in a way that allows them to be effectively reviewed by the board.

The Board Performance Checklist touched on several key areas in planning and policy-making, which will now be discussed in more detail.

1) Does the board have clearly stated written goals for the co-op?
   Some co-ops are in such severe financial trouble that they are constantly dealing with immediate problems as though they were emergency measures, hoping to stay one step ahead of disaster. Yet, even in the most severe cases, a board of directors needs to take some time to sit back and look at its long-term goals. These goals should be set down on paper, and they should be reviewed periodically. To proceed without a clear idea of goals is like taking a long walk in the wilderness with no thought as to where one is headed, what the weather may be like, or what clothes to wear. Written goals provide a map and guide. If, after some time, they seem unrealistic, they can be modified. By writing down both short and long-term goals, the board at least knows where it plans to go, and board members will not blindly wander off in several directions.

2) Has the board set priorities for its needs?
   In listing the needs of the co-op, the board must set priorities. What is the most crucial goal for the co-op? To get the General Operations Reserve fully funded or to buy a new truck? Should efforts be put into fixing the community room, or is it more important to clean the furnaces? Does the co-op need a daycare center, or should it concentrate on filling the vacant units? Most boards see so many things that need doing in the community that they hardly know where to start. And each member will have different ideas as to what is most important. The board should try to get a consensus on what should be prioritized and what is secondary by reviewing the money and workforce available.

3) Does the board periodically review progress in meeting its goals?
   Having set its goals and established its priorities, the board must periodically review whether these goals are being met. If not, why not? If the manager is not carrying out instructions, check to see if those instructions are clear and in writing. Find out if money was a problem or lack of workforce. Did the board rely too heavily on volunteers who failed to produce? Were the goals unrealistic in the first place? Should they be modified? The board will feel great satisfaction if a program is proceeding as planned and may wish to outline further steps and procedures.

4) Does the board keep an updated file on its policies?

As a co-op grows older, it is precious for the board to have a policy file available for review by management and new board members. A simple file of minutes is beneficial, but even more helpful would be a card index of policies established by the board. This may be organized by subject: "Vehicles and Parking," "Pets," "Grounds," and "Maintenance." It could also be a simple consecutive file by date. Each card should state the policy as it was written in the minutes, including the motion number and the date. Cards of different colors may be used to indicate tabled and defeated motions.

5) Are Board policies clear and understandable?

Board policies must be written in a way that allows them to be clearly understood by board members, management, and the membership. They are often vague and uncertainly worded, so management has to must the board for clarification. Members quickly see loopholes in unclear policies and may challenge the board on such "hot" issues as pet and parking policies. Here's a good rule to follow in writing policy: Keep it short and simple. Lengthy, elaborately worded policies are the hardest to understand and carry out.

6) Does management follow board policy?

Board policies have to be implemented by management. The board must check to *see* that this is done. If procedures are not carried out, the Board must determine if this is the manager's fault or the policy. Has the manager ignored the board's instructions? If so, the board must ask why. Has the manager attempted to carry out the policy but been prevented by some unforeseen problem? For example, boards occasionally order the manager to do things that may be illegal. Or they may ask the manager to do something impossible within the time limit allowed. The manager should be asked to explain why a policy directive has not been followed; the board must then evaluate whether the explanation is acceptable.

Repeated failure to carry out board policy for no good reason should signal the board to review the manager's contract.

7) Does the board present its directives to the manager in writing?

All instructions should go to the manager in writing, with copies to all board members. Even if your manager takes notes at your board meeting, they may, after hearing all discussion, miss the final thrust of the board's decision. Furthermore, if there is no written record, it is easy for a manager to forget an unwelcome directive conveniently. Written instructions protect the conscientious manager and the board from unintentional mistakes, and they serve as evidence in proving the inadequacy of a careless or unsatisfactory manager.

8) Does management carry out board directives in a timely fashion?

In setting policies for the manager, boards should set reasonable time deadlines for completing tasks. For example, if the board wants new sidewalks installed, it will not want to wait until mid-winter to have it done. If pet owners are fined for littering, the board will not like the bills sent out five months after the offense. Sometimes a task may take longer than anticipated, and the manager may reasonably ask for an extension. Continuing, unreasonable delays are, however, a sign of management inefficiency.

9) <u>Do you provide board members with an opportunity to attend co-op workshops and seminars?</u>
Newly elected co-op board members come from all walks of life and have a wide range of knowledge and expertise. It is safe to say that few of them know much about directing co-ops. By attending workshops and seminars sponsored by regional cooperative housing associations and other groups, they can learn what problems they share with other co-ops and discover solutions others have tried. They will know that they are not alone and that there are organizations with the expertise to help them. At workshops and seminars, board members may also meet professionals (lawyers, auditors, and managers) who may be able to help them. The small amount of money budgeted for board education is money well spent.

10) <u>Do you spend time outside of board meetings training board members?</u>
The more experienced board members must pass on their expertise to newcomers. Besides seeing that new directors attend educational meetings, experienced board members should spend time with newcomers explaining policies and the reasoning that went into them and helping them understand decisions that may be mystifying. This kind of training can be informal, over a beer or cup of coffee, or a formal preparation class conducted after the election. Either way, it is of invaluable help to the cooperative.

THE BOARD AND MANAGEMENT ROLE PLAY.

"As the Co-op Turns" is a role play designed to illustrate board functioning in a board meeting. The role-play is interrupted periodically to allow you in the audience to point out excellent and problematical aspects of board performance and to suggest alternative behavior that would facilitate good board functioning. The play's primary focus is to illustrate the board's role in reviewing and making decisions based on management reports. After each section, you will be asked to write your comments on what you observed about the board's functioning.

Characters

President, I.M. Supreme
Vice President, S. Dis Interested
Secretary, Si Lent
Treasurer, Newly Elected
Manager, Mr. Chesley

Part 1

Pres. Supreme, it's 7:30, and we have a quorum. The meeting is called to order. The minutes of the last meeting were distributed to all board members last week. I assume you have all read them. May I have a motion to approve this?

S. Dis Interested (addresses the president) I haven't had time to read them. Did you find anything that needed correcting?

Pres. Supreme No, I didn't.

S. Dis Interested I move we approve the minutes (yawns).

Newly Elected Second.

Pres. Supreme Moved and seconded that we approve the minutes. All in favor say, "Aye."

(pause for audience participation.)

<u>Comments on Part 1:</u>

What did you observe about the board's performance?

Part 2

Pres. Supreme	Approval of the financial report is next on the agenda. I have read it thoroughly and found all in order. May I have a motion to approve?

Newly Elected, I have a question.

S. Dis Interested	(addresses manager) Do you have an extra copy? I forgot to bring mine.
Mr. Chesley,	here you are, S. Dis Interested (hands him a copy).
Pres. Supreme	(bored) What's your question, newly?
Newly	(slowly) We are already into the seventh month of this fiscal year. I would like Mr. Chesley to explain how low income and expense figures are.
Mr. Chesley	(stumbling, looking at the report) These figures represent three months, January, February, and March. Since you are new to the board, you probably don't realize your financial report is for the calendar year, January through December. Your fiscal year is October through September. All you have to do is add the last three months of last year to today's figures to get the fiscal year to date.

(pause for audience participation)

Comments on Part 2:

What did you observe about the board's performance?

Part 3

Pres. Supreme The delinquency report is next. That report is self-explanatory, so if there are no questions.

Newly Elected, I have a question.

Mr. Chesley (Aside from the audience) Here we go again.

S. Dis Interested (to manager) Do you have an extra copy? I forgot to bring mine.

Mr. Chesley (handing him a copy, aside from audience) Now that's the kind of board member I can get along with. He doesn't read the reports before he comes to the meetings and doesn't bring them with him either.

Newly Elected The delinquency report lists over $2,000 outstanding as of March 31st. This is April 23rd. Can you tell us if any of these members have paid by now, and if not, what action has been taken?

Mr. Chesley (aside from the audience) Who elected this guy, anyway? (to Newly) I'm sure some, if not all, have paid by now. I asked my secretary to update the list this week, but she has been home with the flu for two days, and when she returned, she had a pile of work waiting for her. She hasn't had time to get to this. We will have it for you next month.

Newly Elected, and I'm not willing to wait until next month. This $2,000 delinquency worries me. Payment is due on the first, and when is the $10 late charge put on?

Mr. Chesley After the tenth of the month.

Newly Elected If the occupancy charges haven't been paid after that, when do we send a quit notice, according to board policy?

Mr. Chesley, The policy states that short notice is sent on the seventeenth of the month if payment has not been received.

Newly Elected, as I understand it, court action following ten days after the quit notice if full payment is not received. This is a good Policy that is strictly enforced. We may lose a member or two, but if they aren't making payments, we are better off getting someone in that unit which is paying. (To Chesley) If you are available next Wednesday afternoon, I would like to come into the office to discuss the enforcement of the policy and get updated figures for the board.

(Pause for audience participation)

Comments on Part 3

What did you observe about the board's performance?

Part 4

Pres. Supreme	Excellent idea, Newly. I would appreciate seeing those figures when you have them.
Mr. Chesley	(aside from the audience), I've got to eliminate this Newly. He even has the president thinking.
Pres. Supreme	The last agenda item is the riding mower. Mr. Chesley, the previous month you reported to the board on the poor condition of our riding mower and recommended the purchase recommended a new one. Do you have the three estimates?
Mr. Chesley,	I was going to get three estimates as you asked, but then a friend of mine told me about this dealer who was having a "going out of business" sale. It was the last day of the sale and the last chance for us to get a mower at a terrific price. To save the co-op a lot of money, I bought it. The maintenance staff is very pleased.
S. Dis Interested	(to Chesley) My brother is pleased too. (to the president) Mr. President, we have a dinner engagement with Mr. Chesley.
Newly Elected	What was this terrific price, exactly?
Pres. Supreme	(to S. Dis Interested) Was that a motion to adjourn?
S. Dis Interested	Second.
Newly Elected	Wait a minute.
Pres. Supreme	Meeting is adjourned. See you next month, newly. Goodnight, Si.

(pause for audience participation)

Comments on Part 3:

What did you observe about the board's performance?

Part 4 completes the role play. While most boards and managers function better than portrayed here, the play helped point out common deficiencies. Co-ops can correct these problems if they occur in their board meetings.

> **After completing this section, you may turn to the appendix to compare your observations on the role play with other observers' comments.**
>
> **How many of the observations listed in the appendix were those you noticed?**
>
> **What did you observe that was not listed in the appendix?**

MANAGEMENT CONTRACTS.

Sometimes it seems a board member must be a master of all things. The board must make decisions about legal documents, insurance, maintenance of buildings and grounds, collections policies, tenant laws, tax structures, and other matters. Control of a co-op is in the hands of the board, but directors can be aided in their decision-making by close cooperation with a manager. The management plan and agreement are suitable bases for building that cooperation.

The management agreement is the legal document signed by the co-op, management, and HUD. No one contract form suits all co-ops, and for that reason, many boards modify the agreement by detailing additional services or specifying specific procedures. The management plan usually explains the management firm's operating procedures in accounting, staffing, resales, delinquencies, maintenance, and resident activities. The board should feel free to write its management plan or modify it to meet its needs. The board should have copies of the contract and review it quarterly to ensure management provides services as contracted.

This section reviews questions concerning the board's role in the management agreement and plan. Evaluating a manager begins with assessing how well the committee does its job in drawing up the management agreement and management plan. The board should be willing to strengthen its performance. Directors should also be willing to work with the manager to enhance their performance.

1) Does the board have a copy of the management contract and management plan?
   The board should have a copy of the contract and management plan to refer to during board meetings and when meeting with its managing agent. Many boards are unaware of the contractual obligations of the board and the management firm. Directors cannot be aware of the co-op's management procedures if they are not familiar with unfamiliar contracts and plans.

2) Are all board members familiar with the provisions of the contract?
   The management contract involves one of the most significant financial commitments the board makes. It binds the co-op for a considerable time to the procedures the agent will use and specifies the management areas the manager will especially emphasize. The contract needs careful review and discussion by the entire board so that all directors are aware of its contents. Through thorough examination, the board can then identify any changes it might want to make in the contract.

3) Is the contract reviewed quarterly to ensure management compliance with all provisions?
   It is the board's responsibility to develop procedures that ensure that the manager complies adequately with the contract requirements. The contract specifications usually require the manager to report at monthly board meetings. The board should be aware that it can request a periodic review of specific elements of the contract by the management agent. The functioning of the maintenance department, the resales program, the financial situation of the co-op, and problems with members are some areas that can profit from at least a quarterly review.

4) Does the board have a copy of the management bond naming the co-op as the obliged?
   The board should protect the co-op from financial loss caused by manager negligence or fraud, and the management bond should be used to protect the co-op's finances. The co-op must be obliged if the bond is to protect the co-op. The board should have a copy of a properly made out bond. Payment for the bond is an obligation of management.

5) Does the management agent pay all expenses called for in the contract?

The board should know the expenses the management firm has contracted to pay. If the board is unaware of these expenses, it may find itself paying for payments as part of operating costs that the management fee should cover.

6) Can the board terminate the management contract within sixty days or less?

Some contracts have a mutual consent clause that requires both the management firm and the co-op to agree to terminate the contract. The board could modify this clause so that it can terminate without the management agent's agreement and arbitration. Termination should not depend on the managing agent agreeing to cancellation. The board should have the right to cancel the contract if it is in the cooperative's interest. If the committee believes cancellation would benefit the co-op, the time needed for cancellation should be thirty to sixty days. A more extended period might be detrimental to the best interests of the cooperative.

7) Does the contract provide a clear statement of services and fees?

The board should have a good idea of what costs the management agent will pay through the management fee and what costs, such as on-site office expenses, the co-op will be expected to pay. A management fee that may look reasonable may not cover the co-op's on-site management office expenses. The contract should specify whether resale fees will go to the co-op or the management agent. The contract should specify the co-op and management firm's costs for management-related personnel, such as on-site managers and maintenance staff. Knowing how much service the management agent will provide is also important. The board should know how many hours of on-site management will be included and how much time the property manager will spend at the cooperative. The contract should specify the methods of accounting to be used by the manager. The co-op may incur high audit fees if the manager does not keep the books by HUD requirements. The contract should also specify that the board has ready access to the co-op's financial records. Directing management agents may be tricky if the firm is reluctant to turn over the books.

8) Is the manager on site as often as the contract requires?

The contract should specify what services the management agent will provide. Many agents point out that they work for the cooperative even when not on site. Although this is true, a cooperative may find that it requires a certain amount of on-site management. The board should be sure the manager is providing the contract's on-site time.

9) Is the contract tailored to fit the co-op's needs?

The management agreement provided by HUD is a model contract form. Like any contract form, it is usually modified by both parties to fit their particular needs. The management firm will usually have altered the management agreement to hold its requirements. The board should likewise adjust the standard contract form to meet its needs. Boards frequently change Section 10 of the contract to correspond with the co-op's resales procedure and to state whether applications are to be taken on-site or at the manager's office. Section 11 is often changed because many boards prefer a separate checking account in the co-op's name rather than the management agent's name. Section 13 is often modified to specify the amount the management agent is authorized to spend on maintenance without prior approval. Section 28 should be adjusted to allow the board to terminate the contract without the management agent's consent.

10) Does the contract call for written monthly management reports?

The monthly reports the manager provides are the board's way of determining the health of the cooperative and knowing how well the co-op is being managed. The board must receive specific reports that allow it to assess how the co-op is functioning. The contract should specify which words are to be submitted. The contract should also state when the monthly reports are due and when and how the manager will present the monthly reports. A statement several months old is of little value to the board.

MANAGEMENT REPORTS.

While all board responsibilities are essential, one of the most critical is a review of the manager's reports. The board must oversee the operation of what is, in many cases, a multi-million-dollar trust. Boards often find it very difficult to determine if the management is carrying out the terms of its contract. Most board members simply do not have the time to observe their managers as they work, keep track of vacant units, or review member accounts. Management reports are one way of enabling the board to keep track of what management is accomplishing. By requiring specific reports regularly, the board is in a better position to evaluate the condition of the cooperative and to judge whether, under the present contract, the co-op's management is improving, remaining static, or deteriorating.

The monthly management reports are the primary means of reviewing management performance and the co-op's needs. Much of the joint work between the board and the managing agent centers on a review of these reports. Based on the study, the board can establish policies and give directives for more effective co-op management. This section discusses several questions concerning the board's role in reviewing management reports.

1) Are our management reports updated to the day before the meeting or the end of the preceding month for financial data?

   Some reports, such as the delinquency reports, ideally should be updated the day before the board meeting. This allows the board to see progress in collecting past-due accounts and institute legal action. Likewise, it is more beneficial for the board to *see* a report of vacant units that shows the current status rather than the situation at the end of the preceding month. Wherever possible, directors should require the latest information to be available to them at the board meeting.

2) Do the directors receive monthly management reports at least three days before the board meeting?

   Information is worthless to the board if directors receive it on the day of the board meeting. They will have time only for a quick review, or they may spend the meeting reading instead of participating in the discussion. The board should instruct the manager to have the reports in the hands of the directors by a specific date, at least three days before the board meeting.

3) Do board members read reports before the meeting?

   It is not unusual for a conscientious manager to provide all materials to the board well in advance of the meeting, but for the board, or some of its members, to come to the meeting unprepared. Directors must set an example of preparedness by taking the time to review the management reports ahead of their appointment. Directors who regularly come to meetings impromptu should be censured by the board president privately or, if necessary, publicly.

4) Do monthly management reports include information about vacancies, move-outs, delinquencies, and maintenance?

All these topics should be covered in a complete management report. The manager should be questioned about any information not supplied and asked to report on it in writing in the future. The board should work with the manager to create a format for this material that can be easily understood by all.

5) Does the manager report to the board on actions to carry out board directives?

The board should ask the manager to report, preferably in writing, on the directive they received at the previous meeting. Explanations should be sought if progress has not been made in some areas. The manager should be taken to task for being slow or inadequate in carrying out directions and complimented on satisfactory performance.

6) Does the management report include Form 93211, HUD's monthly cash flow report?

HUD requires all co-ops to report their financial status monthly on Form 93211. This reporting form is easy for the board to understand. Other reporting formats may be confusing to the board and may indicate that management is not using the HUD-required reporting methods. While the board may also request other financial reports, these should be used in addition to the 93211. Failure by management to keep the accounting records in the prescribed manner may result in costly audit fees later.

7) Is the management representative who attends board meetings responsible for the content of the reports?

The board should insist on having somebody who understands and explains the management reports attend board meetings. The management representative should be able to explain the reports and be thoroughly acquainted with all their aspects. The representative should not avoid taking personal accountability for the management report by claiming someone else is responsible for it.

8) Do the management report show sales contacts and the number of units sold?

This vital indicator is essential to any co-op with a vacancy problem. Even co-ops with strong waiting lists can develop problems, so the board needs to be aware of turnover statistics, and the number of applications received.

9) Does the manager review the monthly reports with the board?

The monthly reports have limited value unless someone is present who can explain them and answer questions. This is a management responsibility. The board and manager must review the messages and discuss their meaning for co-op functioning.

10) Do board members understand the monthly reports?

Directors should never feel embarrassed if they do not understand all or part of a report. Chances are, someone else feels the same way. Ask for explanations, and, if necessary, ask for more detailed information that is easier to grasp. Insist on seeing something the average person can understand, and do not sit back and accept a mess of meaningless numbers. Work with your manager to achieve an understandable format. Ask other co-ops to show you their reports so you can get an idea of different ways to design pieces for maximum clarity.

THE BOARD AND THE MEMBERSHIP

The board must be able to delegate job assignments and get ideas across to applicants, co-op members, committees, or other board members. In evaluating board performance, communications and committee functioning are of central importance.

COMMITTEES are important to co-ops since a board cannot do all the co-op's work by itself. Delegating certain responsibilities to committees enhances membership participation, shortens board meetings, and allows for the presentation of a broader cross-section of views.

1) Do you have standing committees?

   Committees allow the board to lighten its workload by delegating some work to other co-op members. Committees are the primary means of getting members involved in accomplishing co-op tasks. Committees generally help the board in three areas of concern: members, finances, and property. Commonly used standing committees include membership, orientation, finance, building and grounds, activities, newsletter, and pets. The number and type of committees required will depend on the co-op's current needs and member involvement.

2) Is there a fair and objective procedure for selecting committee members?

   It is helpful for the board to have written procedures for selecting committee members. Persons capable of serving on a committee should have an opportunity to do so. It might be helpful for the board to specify what qualifications are needed by members of particular committees. It is beneficial to have persons with skills related to the purpose of the committee, for example, an accountant on the finance committee. Boards vary in the ways they select committee members. Other times, the whole committee is appointed by the board. Often, volunteers may be recruited. Perhaps the primary criterion for selection is willingness to work on the committee.

3) Does the management report include Form 93211, HUD's monthly cash flow report?

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8) Do committees abstain from directing maintenance, office, and management personnel?
   There is often an overlap in the responsibilities of the committee and co-op employees. For example, a co-op will have a finance committee and a bookkeeper. As committee members become more involved with their duties, they may tend to participate in the actual operation of the coop. They must be reminded that their role is one of policy making and planning for operations rather than actual implementation of procedures or supervision of staff.

9) Do committees know applicable HUD guidelines and rules?
   The committee may function in an area where HUD has exercised its regulatory powers. For example, the membership committee must be sure to follow HUD guidelines on the eligibility of new members. Similarly, the finance committee will be involved in many matters for which HUD requires that a specific form of reporting be used. For example, HUD guidelines specify that Form 93240 be used in preparing the annual budget and that Form 93211 be used in reporting monthly income and expenses.

10) Does the board prepare the committee for its role by providing the necessary background information?
   When a board establishes a new committee, it has specific reasons for doing so. These reasons are closely related to the committee's purpose and what the council hopes the committee will accomplish. This background information will be beneficial to the committee. When the board appoints new members to an ongoing committee, it should be sure to provide them with the relevant materials that have been previously developed or used for reference. This helps the committee avoid focusing on preparing materials or doing work that may have already been accomplished and gives members an idea of what approach has been tried in the past.

COMMUNICATION is the key to successful co-op functioning. Not only must the management and the board communicate, but the board must have good communication with the membership. Review your answers to the "Communication" checklist. "No" answers need particular attention, indicating potential problem areas.

1) <u>Does your co-op have a monthly newsletter?</u>
   One of the most valuable vehicles for board communication is the monthly newsletter. It can provide a means of sharing information on critical meetings held by the board, committees, and other groups within the co-op. It gives a way to report board and committee decisions to the co-op members. It is also a means of keeping the membership aware of important management issues and of explaining new policies and procedures. For the majority of co-op residents, the newsletter will provide the only means of communication from the board. A newsletter helps make members feel they are a part of the community. Board policies or minutes of meetings can be published in the newsletter, and member complaints and concerns may be aired. A newsletter offers a quick way of creating community spirit in an uninvolved membership.

2) <u>Are applicants oriented to co-op living before move-in?</u>
   Co-ops are different from other types of housing, and members must be prepared for their role as co-op members. Orientation provides a primary means of introducing the new members to co-op living. Orientation gives the member an understanding of how the housing cooperative functions, what is expected from the members, and what the member can expect from the co-op. Orientation also provides a way of explaining board policies and co-op procedures. It is a perfect time to explain the importance of paying monthly housing charges when they are due.

3) <u>Are co-op members updated onboard policies through newsletters, special notices, and new member orientation?</u>
   Each time a board decides or takes action, it acts on behalf of the members. Often the board's actions directly affect the members. Members cannot be expected to follow rules they don't know about. For this reason, the board must keep members up to date on its policies through the newsletter, special notices, and through its orientation program. While the newsletter is an excellent way of spreading the word about new approaches, special flyers may sometimes be needed. The orientation committee should update new policies to inform new members correctly.

4) <u>Are co-op members notified of board meetings?</u>
   To help members understand how the co-op functions and keep up to date on board decision-making, the board should notify co-op members in advance of all board meetings. Boards usually use bulletin boards in critical locations to post notices of meetings. The co-op newsletter is also a suitable means of notification. Failure to inform members of meetings can quickly cause trouble for directors. They may be accused of secrecy, and their decisions may be subject to questioning. The board should not be afraid of member participation at meetings. Members can offer valuable contributions to board decisions, and those who regularly attend attendee the board's right hand in reporting on member attitudes and desires. Huge attendance does not occur unless a "hot" issue is coming up for discussion. Nevertheless, notification should be given so that all members have a chance to attend. Members then cannot complain if they choose not to participate.

5) <u>Do co-op members have copies of the occupancy agreement, the by-laws, and the regulatory agreement?</u>

Since these documents provide the basis by which the co-op operates and endures members must follow the law, it is extreme that every member must have each. These are usually supplied to new members when units are sold. Most will never read them. Nevertheless, the resales person should give the governments at move-in time and offer to answer questions about them. Many co-ops provide a handbook that includes copies of these documents. Some co-ops review these documents as part of the orientation program. A careful explanation should be given at the orientation meeting of how they affect members and what they require from the members. This approach may save the co-op from future legal difficulties: judges have dismissed suits in which co-op members claimed they did not receive copies of the essential documents.

6) <u>Does the board authorize one person to give the manager direction between meetings?</u>

The board as a whole is responsible for directing the manager. At the same time, it must appoint a member to be in charge of all board communications to the manager. Having more They are having one person responsible could lead to confusion and contradictory directives. Specifying a particular member also helps to ensure that communication does take place. It cannot be assumed that the manager knows of a board action unless one person explicitly communicates with the manager. Between meetings, it is usually that the president usually runs and interprets directions. If other board members attempt to assume that responsibility, the manager must refer them to the president, and the board must act on the problem. This does not mean, however, that individual board members may not make reasonable requests of the manager for information.

7) <u>Do individual board members abstain from making special requests of management?</u>

By Board Members on board, directors are in a more powerful position than the average co-op member. Since the board holds the power of hiring and firing, it is like the agent will likely responsive to board members' requests for individual services. Directors should not demand special treatment from the manager or maintenance because of their position. Individual board members should, of course, feel free to request information from management, but they must refrain from giving instructions or from demanding great deal of management time for their specialists. The best way to avoid undue pressure on management and possible board conflict is for directors to communicate in writing with the manager, with copies to the entire board. This way, if one board member oversteps what is reasonable in terms of demands upon the manager, the other directors may step in and set standards for board behavior. The board should be especially sure to avoid putting the manager in the middle when disagreements arise between directors.

8) <u>Is there a drop box for member complaints and suggestions?</u>

A drop box can ensure a free flow of member comments and suggestions and provide the board with continuous feedback means members can relate incidents that disturb them. At the same time, members may have suggestions that performance could be improved. Some boards prefer to make a policy of considering only signed communications. If the co-op has a drop box, the board should be sure that it reviews members' responses in a regular newsletter, or a board meeting might help to for the plans and discuss suggestions. The board might then want to report its decisions in the newsletter.

9) Does management keep members' personal information confidential?

Both the board and the managing agent are in a position to learn personal details about members' lives. Members provide information when they apply to the co-op and during the process of collections, recertification, and handling complaints. It is the responsibility of both the board and the manager to keep this information strictly confidential and not to convey it to other members. All co-op employees and all directors must understand theimportance of confidentiality and the members' right to privacy. Breach of confidentiality should be cause for dismissal or reprimand. All member records should be kept locked, with access only to authorized persons. This is especially important where committee members have access to the office facilities.

10) Do you provide new board members with an information package describing board functions, procedures, policies, powers, and responsibilities?

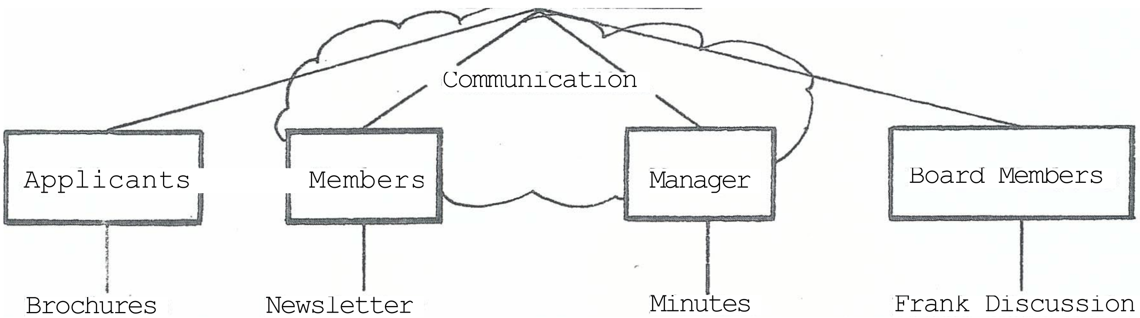
In orienting new board members, these topics are of crucial import crucial. Few new directors understand what is expected of them. To adequately, directors must understand their roles and responsibilities. The information package should provide all the necessary background about how the board functions. The new board member should receive assistance from experienced directors and management. It might be helpful for professionals to review each piece of information with the new director and to discuss each document’s implication necessary that new board members have all the information they need to begin participating actively in meetings.

Board of Directors

Sales Person Orientation Written Directives Questioning
Flyers 1 Copies of
Discussion Management Reports
By-Laws Contact with President
Membership
Committee

SUMMARY

In this session, the reader has reviewed the key areas of board



performance. The board's responsibilities in board meetings, planning and policymaking, the management contract and management reports, and communications and committees have been presented. For each of these areas, a series of critical responsibilities were outlined, and the Board Performance Checklist was used to evaluate the board performance. By using the information in this session, a board of directors will be better prepared to assess its performance and improve areas of critical importance to the overall functioning of the cooperative.

Appendix

Observations on Role Play on Board Performance and Management

In the first part of the role-play, the following aspects of board functioning should be noticed:

1) The president notes there is a quorum. Board business cannot be conducted without a quorum.

2) Board members have the minutes in advance.

3) Not all board members read the minutes.

4) Board members rely on the president's judgment of the accuracy of the minutes rather than their judgment.

The second part of the role play emphasizes the role of the financial report in board meetings. The group should note that:

1) Copies of the financial report were available to members before the meeting.

2) Not all members read the report.

3) The president closes off rather than encouraging review.

4) No process for reviewing the report is regularly used.

5) The report is not current.

6) The report does not include the 93211 form. If it did, the board members would have fiscal-year figures.

The third part of the role play illustrates an involved member’s positive role in improving board performance. The group should note that:

1) The board member makes constructive requests and asks for board action.

2) The board member is aware of management obligations.

3) The manager does not review the report with the board.

4) The president pronounces board actions but does not make them by formal motion. It is unclear whether management directives are recorded.

The fourth role-play section illustrates the importance of monthly management reports on delinquencies. The significant points to notice are:

1) The manager does not take responsibility for the content of messages.

2) The reports are not up to date.

3) The manager does not follow board directives.

4) Manager review of reports is not routinely done.

5) Some board members are not well informed.

The last section illustrates the importance of board follow-up to the manager's directives. The group should note that:

1) The president is aware of board demands for three estimates by the manager when purchasing.

2) The manager does not follow board directives.

3) The board does not require the manager to follow board directives.

4) The manager makes a significant purchase without board approval.

5) Board meetings are not conducted in a business-like way.

6) Board business is conducted outside of board meetings.

BOARD PERFORMANCE QUESTIONNAIRE*

Average Percentage for Co-op Groups

	Board Meetings	Planning and Policy Making	Management Contracts	Management Reports	Committees	Communication
13 Co-ops	86%	61%	63%	80%	54%	62%
20 Co-ops	88%	68%	78%	69%	64%	65%
My Co-op**	___	___	___	___	___	___

*The Board Performance Questionnaire was administered on two separate occasions to groups of co-ops.

**Please fill in the blanks for your co-op.