

## GLOSSARY OF HOA TERMS

**Act in Good Faith:** An intangible and abstract quality that encompasses an honest belief or intention to abstain from taking any advantage of the situation. See Fiduciary responsibility.

**Accrual Method of Accounting:** A complex way to keep track of financial activities, revenue earned, and expenses incurred. This method is a more accurate way to track the current and past finances of a HOA, including its capital reserves credits and deficiencies. FDL accounting is done by First Service Management Co. Monthly reports submitted to BOD and reviewed and analyzed by FDL Finance Committee.

**Administration:** Internal workings of the HOA including operations, collections, location of meetings being held, etc. Delegated to Management Company at FDL.

**Administrative fees:** A HOA pays an administrative fee to a HOA management company for administrative costs such as paperwork, phone bills, staffing, or other costs that an office might incur. Administrative fees are also paid to third-party vendors for professional services rendered outside the scope of their maintenance tasks such as Landscaping, Audits, Legal, etc.

**Alteration of Improvements:** Physical modifications to the owner's exteriors of the property such as solar panels, satellite dishes, repainting, window tinting, balcony modifications, etc. All HOAs regulate exterior improvements in accordance with their HOA's architectural standards defined in governing documents. Homeowners need to get approval from ARC before they can proceed with any modifications. See ARC.

**Appreciation:** Refers to the increase in the resale value of a property over time.

**ARC:** Architectural Review Committee. Any Request for alterations or modifications by owners to change their unit must be pre-approved by this committee as specified in CC&Rs Section 8.2. Currently FDL has a form for this and an online submission procedure (see Forms heading on Governing Documents page. Also available on FDL Portal.

**Articles of Incorporation:** This document is required to identify the HOA as a nonprofit corporation. Developer creates and files with the Secretary of State and will usually contain the registered address, purpose and powers, membership voting rights, liability of directors, and dissolution clauses. See FDL's on Governing Documents page.

**Assessment (Maintenance Assessment or Fee):** Charge to owners for the purpose of administering community and keeping common property in good condition. FDL's assessment is required by law to be equal for all units, regardless of unit size. Before 2022, previous BODs had erroneously charged fees based on unit size. Details in Historical Documents (BOD HOA Meeting Minutes). See current budget and HOA Reserves on FDL Portal.

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**Association Manager:** Advises the HOA BOD in matters that concern administrative, managerial, and operational processes. A manager can have many duties, but FDL does not currently have one as FDL has an Association Management Company. See CAM.

**Association Management Company:** Is hired by the HOA BOD to provide a variety of services defined in a contract. First Service is currently under contract for FDL. See Contracts under Gov. Docs tab.

**BOD, Board of Directors:** Is made up of five elected owners who are responsible for the conduct and management of the HOA. This excludes financial aspects which MUST be handled by an outside institution, which in FDL's case is delegated to our Management Company. Some of the BOD's responsibilities can be turned over to a management company. An owner is not required to be a resident. Terms are alternated for continuity.

**Board Member or Board Director:** Owners who volunteer, go through the established election process and are elected to the HOA Board. The BOD may chose from those elected to occupy one of four officer positions: President, Vice President, Secretary, and Treasurer. The FDL elected members decide officer positions.

**Budget:** Part of the HOA financial plan which estimates income, expenses, and reserves for a specific period of time, e.g., an annual budget. See FDL for current budget.

**ByLaws:** After being formed, the Association adopts a set of bylaws. Bylaws are important. They describe how the Association is run, sets out voting rights and procedures, and contains rules for such things as how to call a meeting and how often meetings must be held. The bylaws may also lay out procedures for creating the annual budget, determine assessment amounts and describe the Association's rights and responsibilities. For example, the Association is typically responsible to enforce the rules and regulations and to collect assessments. Bylaws allow associations to be run by a BOD made up of a certain number of members (owners) elected by membership (all owners) during periodic elections. The bylaws set forth the length of terms for board members and procedures for elections. Reviewing bylaws provides an understanding of how the HOA functions, its powers, and its restrictions.

**Cash Method of Accounting** tracks income and expenses only as payments are made. Financial reports in this simple system only reflect cash transactions.

**Capital Reserves aka Reserve Funds:** See below for HOA Reserves Account and HOA Reserve Study.

**Charters:** FDL HOA BOD creates or dissolves Committees at their discretion. Each established Committee has its own Charter, BOD approved, defining the duties and responsibilities for that

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particular committee. FDL Committee charters are listed in Governing Documents under Charters heading.

**CIC – Common Interest Community:** a state law designation for FDL type HOA.

**Common Area:** The common area of a development covers everything that is located within the community except for the grounds that individually owned units occupy. Examples of common areas include sidewalks, roads, community building and amenities inside, entrance and exit gates, development walls, gardens, landscaping, lawns, and pools.

**Community Association Manager or CAM** represents the HOA management company around the community, at meetings, administers operations, and reports on all fees collected and expenses accounting per contract. (Contract on FDL Portal.) CAMS work closely with the HOA BOD to advise and assist them with their functions. They also help respond to resolve any complaints or issues that come up.

**Contracts:** Agreements for products or services signed by parties involved See FDL Portal for current Contracts.

**Covenants, Conditions & Restrictions (CC&Rs or Declaration)** define the contractual obligations of the HOA. CC&Rs form part of the association's governing rules and are the most important guide for HOAs. It states how the HOA and its BOD should govern to protect the interest of its members. The CC&Rs also contain guidelines on the members' obligations as well. They contain the most comprehensive, most important information about the development and its operations and win out over any conflicting provisions. The Declaration of CC&Rs is a lengthy document setting up the general structure of the development and describes what land is subject to the governing documents as well as what parts of the development are common areas owned by the Association. The CC&Rs also contain restrictions on the use of each owner's property as well as of the common areas. They specify the Association's authority and obligations and define the rights and responsibilities of members (owners). Every owner must abide by all the rules, restrictions, terms, and conditions found in the CC&Rs. A copy is provided to each owner, and it is very important for owners to be familiar with them.

NOTE: Generally, CC&Rs are written by and for the developer of the PUD. Consequently, they are often nebulous and favorable to best enable sales of properties before the PUD is turned over to the Association. CC&Rs should be re-written and legally submitted before the Association first accepts responsibilities from the Developer who will usually set up transfer without doing this. Unfortunately, unknowing BOD members accept this document without realizing the ramifications, thus providing many problems for the HOA once Developer is out of picture and necessity for updating becomes apparent—as is now with FDL CC&Rs. Despite the obvious need, past FDL BODs have been unable to update our 2003 CC&Rs. This has

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resulted in a history of problems and involved huge legal fees, never solving the basic problem of outdated CC&Rs.

**Declarant, Declarants** are used when the first owners of the HOA, typically the builders or developers, are transferring power of the community over to a board of committee members. These transfers are usually created once a majority of the homes or plots have been sold.

**Directory:** A list of owners. This list is available to the public by visiting the county recorder's office website: [recordmar@washoecounty.us](mailto:recordmar@washoecounty.us). Ironically, HOAs are forbidden by law to issue a Directory of residents or owners without individual permission.

**Executive Session:** Means a HOA Board of Directors session that is closed to the membership because discussion items are regulated by state statutes. Ironically includes things like Liens that are a matter of public record.

**FDL Portal:** Established and maintained by current management company mainly to provide secure access to owner accounts. Also contains current association records that an HOA is required to keep and be made available to owners. All owners have access. Instructions to access are provided to all owners via Welcome Page for new owners. Accessing in personal help is available in clubhouse from on-site management.

**Fiduciary Responsibility** refers to the ethical and moral obligation that Board members have when making decisions for the benefit of everyone in the community. Board members must take care to ascertain majority wishes while putting aside their own personal agenda or beliefs. Being elected to a Board does not automatically mean you know what is best for everyone.

### **Goals for a successful HOA Community:**

1. Put the community first. ...
2. Get homeowners involved. ...
3. Respect final decisions. ...
4. Have a vision and mission. ...
5. Have Board and Committee members who work together as teams. ...
6. Run it like a business. ...
7. Collaborate with a property manager. ...
8. Communicate well.

**Governing Documents** regulate the community as they apply to the HOA. Main Governing documents include state laws, Declaration of Covenants (CC&Rs), Master Deed Conditions and Restrictions (Double Diamond HOA is Master HOA), Plats of Survey and Easement Agreements.

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**Hierarchy of Authority:** In Nevada, the hierarchy of authority is laid out in Nevada Revised Statute 116 (NRS 116). These typically include:

1. Recorded map or plan
2. Declarations, CC&Rs, master deed, proprietary lease, or occupancy agreement.
3. Article of incorporation
4. Bylaws
5. Rules and regulations
6. Any other items necessary to the community.

**HOA or Homeowners Association** The HOA has the authority to enforce the CC&Rs and to manage the common areas and amenities within the development. It is a non-profit corporation and subject to laws that govern homeowners and non-profits.

HOAs starts as a legal entity formed by a real estate developer for the purpose of developing, managing, and selling a community of homes. Once a predetermined number of units have been sold, ownership of the HOA is usually transferred to a HOA. This transition period is invariably chaotic as homeowners comprising the initial HOA BOD naively accept developer's CC&Rs without having them re-written for a HOA to function smoothly and efficiently.

An established HOA should function as a voluntary association of homeowners working together to maintain the community, protect their property values, and to improve the neighborhood. Doing this without updated CC&Rs makes this extremely difficult and that is the situation at FDL. See CC&Rs.

**HOA Maintenance Checklist:** Yearly inspections on common area roofs, pools, HAAC systems, water heaters, building exteriors, hardscapes, pest control, storm drains, gutters and downspouts, irrigation and other major systems offer opportunities for sound preventive maintenance and prolong life of the systems. Inspections and maintenance fall under two different categories:

Frequent inspections, maintenance, and janitorial checks performed by property management

Periodic inspections and maintenance performed by expert service contractors. Monthly maintenance status reports to owners are called for in our CC&Rs pg. 40, Article 9, Section 9.2: Inspection Responsibilities of Association.

**HOA Reserve Account also known as Reserve Funds, Capital Reserves, or Reserves:** These reserves make up a source of funds that the Board can use to repair and replace major capital facilities, buildings, and equipment of the HOA. The HOA BOD makes a study to enumerate all HOA items with dates for repair or replacement, then plans accordingly for a gradual accumulation of capital reserve funds through a reserve account, funded via HOA fees.

**HOA Reserve Study** is a planning report used for managing the HOA reserve fund. It is a "working document" assessing the current status of the HOA Reserve Account. From it Finance

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Committee proposes a funding plan to build it up for later use. HOAs are required to obtain a Reserve Study audit using outside independent source at least once every five years. See Historical Records for these. See FDL Portal for current Reserve reports issued monthly.

### **Insurance:**

**Community Association:** Policy existing with Menath, Ron Wright agent, Associations Insurance Broker. Policy renews yearly after review by Finance Committee. See FDL Portal for 2022 FDL Insurance Q&A dated 1/7/22 listed as “Insurance Questions Regarding Current CAU Policy”

**Directors and Officers (D&O) Insurance** policies protect the Board and its officers in the event of claims against them. D&O insurance usually covers protection against claims of wrongful acts done on behalf of the Association.

**General Liability Insurance:** protects an HOA from personal injury and property damage claims that may arise.

**Vendor Insurance:** Some contracts should specify FDL HOA as “additional insured” under vendor’s contract which means that FDL HOA is included in this vendor’s insurance policy for the length of the contract.

**Local Laws and Regulations:** Nevada counties and cities have their own codes, laws, and services depending on the municipality. These have a profound impact on the HOA’s annual budget and need to be incorporated into the HOA assessment. The community manager helps determine what local laws must be complied with and how to fold them into HOA assessments. Examples: installation of sprinkler systems to meet fire codes, water testing of swimming pools, required annual filings, etc.

**Member:** A homeowner (or unit) owner. Membership in a HOA is automatically given when becoming an owner of a property in a Nevada PUD.

**Membership:** All Owners except Declarant entitled to one vote for each unit owned.

**Nevada Department of Business and Industry Nevada Real Estate Division (RED):** State entity responsible for HOAs. Issues Newsletters; provides updated guidance, info, calendars, and providers. A wealth of info available at their site (<https://red.nv.gov/>), File a Complaint, Request Public Records, see Statutes and Regulations, Compliance and FAQs. RED has created an office of the Ombudsman for Owners in CICs to assist homeowners and board members to better understand their rights and obligations under the law and their governing documents. An Ombudsman’s Office is created for use of FDL HOA homeowners.

**Ombudsman: See RED.** Duties include assistance to understand rights and responsibilities, in processing claims submitted to mediation or arbitration, investigate disputes, etc. see <https://red.nv.gov/>

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**Policy:** These resolutions affect owners' rights and regulations and address items including common areas, architectural provisions, and enforcement procedures.

**PUD or Development:** Planned Urban Development, a community legally established

**Record, Record Keeping** are receipts, contracts, meeting minutes and other documents that need organizing and storage. Most are defined by laws.

**Recorded Map or Plan:** This document shows the location of every lot in the community along with the common areas. This is to clearly identify the title to property, determine which party is responsible for maintaining a specific part of the community, and to define the proper location of every piece of property. This document filed with the Washoe County recorder and assessor's office, available to the public.

**RFI, RFQ, RFP:** Which to use when?

**RFI** is a request for information. It educates. Used when looking for info or unsure best solution. Responses explore how a vendor proposes solving a problem or filling a need

**RFQ** is a request for quotation. It quantifies. Used when it is known exactly what is wanted and why but need to explore financial details. Questions what it would cost to meet the known requirements. Responses provide the cost of meeting a specified need.

**RFP** is a request for proposal. It compares. Used when ready to shop around and evaluate many factors before making a choice. Contains specific detailed questions about the service, product vendor provides. Responses evaluate the merits of each vendor compared to others.

**Rules & Regulations:** Although general rules and regulations may be contained in CC&Rs, the Association typically also adopts separate rules and regulations that are usually lengthier and more specific. These are easiest to change as the BOD has wide discretion to adopt them (of course, they cannot violate any federal or state laws or conflict with CC&Rs). Rules and regulations can cover anything because their purpose is to do what is best for the COMMON GOOD and value of the PUD, regardless of whether all individual owners agree.

**Resolutions** are adopted by the HOA BOD and they outline rules and regulations that apply community-wide. By law, arriving at resolutions should happen in accordance with Roberts Rules of Order unless previous bylaws dictate otherwise (OURS DO NOT). These need to be kept easy to find and organize.

**Robert's Rules of Order:** a text that defines parliamentary procedures.

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**Scope of work and warranty:** RFPs, RFQs, and or Vendor Contracts should contain detailed specifications of the services and materials being provided as well as when documentation is needed by professionals, such as an engineer. Be sure to also include a clause on when warranties are expected, and for how long, for all services and materials.

**Vendor Contracts** should always include scope of work and warranty, insurance and licensure, and exclusions.

**Vendor Exclusions.** Determine whether or not our HOA can contract with vendors who are also homeowners or are in any way affiliated with a board member.

**Violations or Enforcement Issues:** occur when owners are found to be in violation of any community rules and regulations. There does not appear much about management violations and management seems to have delegated much enforcement to owners to report.