



A T T O R N E Y S

NEW LAWS

Association Finances (AB 2912) – Amends Civil Code §§ 5500 and 5380; Adds Civil Code §§ 5501, 5502, and 5806.

- The new law takes effect on January 1, 2019 and significantly changes the review and management of common interest developments' financials in California.
- Under the new law, managing agents' authority to transfer association funds has been limited. The new law prohibits electronic transfers of funds greater than \$10,000 or 5% of an association's total combined reserve and operating account deposits, whichever is lower, from the association's operating or reserve accounts without prior board approval.
- Further, while existing law requires quarterly review of associations' financial statements, this bill amends Civil Code Section 5500 to require review on a monthly basis. Fortunately, the new law will not require monthly board meetings. Instead, the bill provides that monthly review may be met "when every individual member of the board, or a subcommittee of the board consisting of the treasurer and at least one other board member" reviews the financial information independent of a board meeting.
- In addition, under the new law, associations must maintain fidelity bond coverage for its directors, officers, and employees. The fidelity bond must be in an amount that is equal to or more than the combined amount of the reserves of the association and total assessments for three (3) months.

Association Governance (SB 261) – Amends Civil Code §§ 4040 and 4360.

- SB 261 changes technical requirements associations must follow regarding document delivery and operating rules.
- Effective January 1, 2019, Civil Code § 4040 will permit delivery by electronic means if the recipient has consented in writing or by email. Currently Civil Code § 4040, allows association to deliver documents by electronic means when the recipient has consented in writing but does not specify that consent may be given by email.
- Effective January 1, 2019, associations will be required to provide general notice of a proposed rule change 28 days before adoption of the rule. Civil Code § 4360 currently requires associations to provide general notice of a proposed rule change at least 30 days before adoption of the rule.

VETOED BILLS

Association Elections (SB 1265)

This bill would have ended the practice of depriving members the right to vote or run in an association election because of disputes between the member and Board of Directors. If passed, SB 1265 would have voided most director qualifications, increased



A T T O R N E Y S

technical requirements concerning elections, and unnecessarily exposed members to breaches of their privacy.

Association Governance (SB 1128)

This bill was intended to increase efficiency and reduce costs to associations with respect to document delivery, noticing requirements, and uncontested elections. Most notably, with some limitations, SB 1128 would have permitted elections by acclamation for uncontested elections.