

Date: December 17, 2010
To: Water Utility Board Members, Tom Heikkinen
From: Greg Harrington
Re: Homework for December 21, and some reminders of board member expectations

We will continue policy development by revisiting our first draft outcomes policies on Tuesday. Our outcomes policies are being based on the ten attributes of effective utility management (www.WaterEUM.org). As with our previous policies, Tom Heikkinen will participate in policy development. As noted before, outcomes policies are called “ends policies” by John Carver. Attached are the three book chapters you used for the October and November meetings, in case you have trouble locating them. Also, **remember that outcomes policies are focused on benefits and costs to our owners, not on benefits and costs to our customers.** Please use the attached materials as references for your homework assignment.

Before getting into the homework assignment, let’s remind ourselves what we’ve accomplished:

1. We wrote and provisionally-adopted a global outcomes policy.
2. Subunits of the board have written first draft language of 2nd-level and 3rd-level outcomes policies for all ten attributes.

These accomplishments were vital in taking the first step towards establishing our core values. Remember, we are supposed to be the initiators of utility policy, not merely reactors to staff initiatives (BP-2A). Thus, it is important to clearly state what we want for outcomes before we get substantive staff input.

Here are the remaining tasks and expected completion schedule:

1. Develop final language of the 2nd-level and 3rd-level outcomes policies
 - a. Need input from the entire board
 - b. Need input from utility staff (per guidance from the Policy Governance Fieldbook). At the last meeting, I proposed a facilitated board/staff “retreat” to be held in January 2011 to reach final language. A proposed meeting for January 11 is on the board agenda for a decision.
 - c. If the retreat produces a provisionally approved set of final outcomes policies, we can approve our final outcomes policies at the January 2011 board meeting. If not, we can expect approval at the February 2011 board meeting.
2. Develop annual calendar, to include the following (first draft of outcomes review calendar at December 2010 board meeting, first draft of calendar for review of remaining policies at January 2011 meeting, completion of calendar at February 2011 board meeting)
 - a. Review of utility performance on outcomes policies, to include policy revisions as needed
 - b. Review of utility performance on executive limitations policies, to include policy revisions as needed
 - c. Annual performance review of general manager and utility, with report submitted to mayor and council
 - d. Review of board process and board-executive delegation policies, to include policy revisions as needed

Your homework assignment is as follows:

1. Visit www.WaterEUM.org, review the ten attributes of an effectively managed water utility, and review how these attributes can be measured.
2. Review the first draft of our outcomes policies and, for each Level 2 outcomes policy, consider the following:
 - a. Does the policy meet the spirit of the corresponding attribute at WaterEUM?
 - b. Is there anything in the first draft that you cannot live with?
 - c. Is there anything missing in the first draft that you cannot live without?
 - d. How often do you want the board to review utility compliance with the policy? For example, we can review compliance monthly, quarterly, or annually. This will help us construct our annual calendar.
 - e. How do you want to measure utility compliance with the policy?
3. For the January 2011 board meeting, review our executive limitations policies. For each Level 2 policy, consider the following:
 - a. How often do you want the board to review utility compliance with the policy?
 - b. How do you want to measure utility compliance with the policy?
4. For the January 2011 board meeting, review our board process and board-executive delegation policies. For each Level 2 policy, consider the following:
 - a. How often do you want the board to review board compliance with the policy?
 - b. How do you want to measure board compliance with the policy?

For this meeting, we will not likely break up into groups. Our results will reflect the board’s core values. I look forward to moving ahead with this important work.

Using my “special role in the group’s confronting its own process,” I will move this memo into a set of reminders. You are all likely communicating with small subsets of our ownership in one way or another, possibly by email, in a CAP meeting, or at holiday

parties. These owners can and should express their opinion about board policy or utility management, and you can and should thoughtfully listen to their opinion. However, it is important to remember that their opinion may or may not be representative of the majority of the ownership. When responding to their opinions, it is also important to support the board's choice and the process used to reach that choice. You are welcome to express your disagreement with the board's choice, but please have the courtesy to refrain from speaking on behalf of another board member and from presenting another board member's position in a manner that can be taken out of context. Better yet, please invite or urge the owner to attend our board meetings so the owner can see our process in action and so the exchange of information is transparent to the entire ownership. The relevant items in our policy manual are as follows (see GUIDE 1 – EXPECTATIONS FOR BOARD MEMBERS):

3. You may tend to understand and personally identify with one or more constituencies more than others. That provincial streak is natural in everyone, but your civic trusteeship obligation is to rise above it. If you are a teacher, you are not on the board to represent teachers. If you are a private businessperson, you are not there to represent that interest. **You are a board member for the broad public purpose served.** There is no way that the board can be big enough to have a spokesperson for every legitimate interest, so in a moral sense you must stand for them all. Think of yourself as being from a constituency, but not representing only it.

11. Support the board's final choice. While diversity and dialog are essential to the process of policy development and adjustment, once a policy is in place every board member must support and not undermine it. **No matter which way you voted, you are obligated to support the board's choice.** This obligation doesn't mean you must pretend to agree with that choice; you may certainly maintain the integrity of your dissent even after the vote. What you must support is the legitimacy of the choice that you still don't agree with. For example, you must support without reservation that the General Manager follows the formal board decision, not yours, and you must not speak publicly in a way that undermines the legitimacy of the board's decision.

When at a board meeting, please be sure to actively engage in discussion based on your personal and professional experience. Do not be afraid to play devil's advocate, even if the devil's advocate position does not match your own position. Yes, there is a possibility that your discussion and position may be improperly communicated to some owners by a fellow board member or by an owner in the audience. Do not let this possibility/reality deter you. A discussion of many perspectives will allow for better-informed policy making and will improve the governance and management of the utility. After all is said and done, this is what we are here to do.

I will finish this by saying that I greatly appreciate every ounce of energy you put into making this a better board and a better utility. I wish you all the best in the coming new year.