

PRE-MEETING ASSIGNMENT

In advance of the April 27 session, we request that you read all materials in this Session Two packet:

- Prepare for provisional adoption of Board Process policies and Expectations of Board Members attached as Documents 2.1 and 2.2. Make note of anything with which you disagree strongly enough that you would openly resist or sabotage its implementation. In the interest of time, we will take up only these issues at the April 27 meeting.
- Read, contemplate, and make thorough notes on the Executive Limitations policies worksheet attached as Document 2.3. Don't worry about precise language or placement at this point. Use the worksheet to explore and express your values about *unacceptable* management behaviors, practices, situations, activities and decisions.
- Call or write A.B. Orlik if you get stuck in your preparation: 608.334.9097 or abo@writingbarefoot.com.

These materials go behind Tab 2 in your binder. Please bring your binder to the April 27 session.

FULL PARTICIPATION

We greatly appreciate the presence and participation of all board members during Session One. Should anyone be absent from Session Two, we will arrange for a catch-up call shortly after the meeting. If you know in advance that you will not be at this or a future meeting, please notify Amy Robb or A.B. Orlik as soon as possible so we can schedule your catch-up call.

RECAPPING SESSION ONE

Recall that four major groups of board policies are necessary to implement the Policy Governance model. The Water Utility Board will address each in this series of board education sessions:

- Board Process, March 23
- Executive Limitations, April 27
- Board-Executive Delegation, May 25
- Outcomes, June 22

In Session One we refined Board Process policies. These policies and the related Expectations of Board Members, included as Documents 2.1 and 2.2, will be submitted for provisional approval at Session Two. These documents have been redesigned for inclusion in the board's policy manual. The following content changes also are highlighted in your packet:

- BP - 1: The utility's three accountabilities are listed separately for readability and "provide" replaces "yield" in the last line of the policy.
- BP - 2D: #8 has been added to solidify board members' right and responsibility to champion the utility and advocate for water quality.
- Expectations of Board Members has been expanded to include a section addressing the responsibilities of alders serving on the board. This new language likely will undergo additional development following provisional approval on April 27.

Discussion of Board Process policies prompted questions and concerns regarding other policy types. These issues, deferred to future meetings, are summarized in the table below. The table mimics the circle Carver uses to illustrate the four types of board policies and includes the intention of each type as well as the “parking lot” issues emerging from our sessions together.

<p>Board Process</p> <p>Board means—what is expected, acceptable, and unacceptable in the conduct of the board’s own operation</p> <p>From the parking lot (for the phase of implementation following these initial meetings):</p> <ul style="list-style-type: none"> > Specific owner input processes > Board calendar / required items 	<p>Outcomes</p> <p>Staff ends—what benefits (or difference or outcomes) the Madison Water Utility is to produce for whom at what cost or relative worth</p> <p>From the parking lot (for Session Four):</p> <ul style="list-style-type: none"> > Defining ownership > Defining “appropriate results for appropriate persons at appropriate cost”
<p>Board-Executive Delegation</p> <p>Board means—how the board delegates to the General Manager and monitors proper use of delegated authority</p> <p>From the parking lot (for Session Three):</p> <ul style="list-style-type: none"> > Defining peer utilities > Independent verification of GM’s policy performance 	<p>Executive Limitations</p> <p>Staff means—proscriptive description of situations, behaviors, actions, practices and conditions unacceptable to the board even if effective</p> <p>From the parking lot (for Session Two):</p> <ul style="list-style-type: none"> > Budgeting/financial management > Staff/media relationships

CONTEXT FOR SESSION TWO

In Session Two we will focus on Executive Limitations policies – those that spell out for the General Manager specific situations, behaviors, actions, practices and conditions (*Means*) that would be unacceptable to the board *even if they were effective*. These policies enable the board to withdraw safely from most details of operation.

With boundaries established through careful Executive Limitations policy articulation, the board allows the General Manager to use “any reasonable means” within those boundaries to achieve board-specified Outcomes. The notion of “any reasonable means” will be discussed in Session Three as we create Board-Executive Delegation policies. Outcomes policies (*Ends*) will be crafted in Session Four.

PROSCRIPTIVE LANGUAGE

The draft Executive Limitations policies in Document 2.3 make use of phrases such as “The general manager shall not cause or allow...” and “The General Manager shall not fail to...” This choice of language strikes many initially as awkward and negative. Consider that the impact of such proscriptive policies can be very positive. With this choice of wording, the executive recipient knows from the start which of his/her prerogatives are restricted and how. The General Manager knows, for example, that if strategic plans, programs, or other operational decisions are not in violation of Executive Limitations policies, they are automatically board-authorized. This approach empowers your General Manager to exercise his judgment, skills and creativity to achieve the desired Outcomes as long as board limits are not violated and elevates his accountability, since he has clear and broader decision-making authority.

This approach also frees the board from the pressure of having to think of *everything*. With clear Executive Limitations policies and Outcomes policies (Session Four) in place, the board is free to spend more time linking to the ownership, monitoring results against policy expectations, and looking to the future.

The board's task in Session Two is to discern and enunciate its shared values about the boundaries of prudence and ethics to which it commits the utility and the executive prerogative restriction it feels necessary to act out those values.

Your assignment in advance of Session Two is to read, contemplate, and make thorough notes on the Executive Limitations policies worksheet attached as Document 2.3. Don't worry about precise language or placement at this point. Use the worksheet to explore and express your values about unacceptable management behaviors, practices, situations, activities and decisions. The best approach during this drafting stage is also to set aside any concern for how policy compliance will be monitored or evaluated. Simply take for granted that monitoring will be done acceptably.

NOTES FROM CARVER

Here we highlight brief excerpts from the writings of John Carver and his associates that might be particularly useful and relevant in preparation for Session Two.

Boards have had a very hard time knowing what to control and how to control it. Policy Governance provides a key conceptual distinction that enables the board to resolve this quandary. The task is to demand organizational achievement in a way that empowers the staff, leaving to their creativity and innovation as much latitude as possible.

Policy Governance strengthens the governing role, but does not undercut legitimate chief executive prerogatives which are more clearly and rationally derived. It is not about the board controlling more or less. It's about the board controlling the right things appropriately. This is a question of what and how to control, but it is equally a question of how much authority can be safely given away.

Under Policy Governance, the communication rule from the board to the CEO is simply this: "We will take responsibility for using the words we mean, recognizing that all words are open to interpretation. We will take care to use words that define our meaning sufficiently so that we can entrust our words to you. We demand only that the organization perform in a way that reflects a reasonable interpretation of our words. If that yields a performance we don't like, we'll take responsibility for our error and change our words for clarity of future understanding. However, if you are unable to demonstrate that organizational performance is a reasonable interpretation of our words, you will be considered to have violated our policies."

Now let's move on to the remaining documents for use at the April 27 meeting:

- Document 2.1: Board Process Policies (for provisional approval)
- Document 2.2: Expectations of Board Members (for provisional approval)
- Document 2.3: Executive Limitations Policies (for discussion)

At the far end of this packet you will find John Carver's article titled *When Board Members Act as Staff Advisors*. Consider this an optional recommended reading for the curious.

**Board Education
Session Two – Apr 27
DOCUMENT 2.1**

Water Utility Board Policy	
Provisionally Adopted:	Title: Global Board Process Policy
Adopted:	Policy Number: BP - 1
Revision #/Date:	Category: Board Process

The purpose of the board, on behalf of the residents of Madison and the utility’s other stakeholders (the ownership), is to see to it that the Madison Water Utility:

- Achieves appropriate results for appropriate persons for an appropriate cost (as specified in board Outcomes policies);
- Avoids unacceptable actions and situations (as prohibited in board Executive Limitations policies);
- And is prepared to continue to **provide** owner-centered, valued results into the future.

Water Utility Board Policy	
Provisionally Adopted:	Title: Governing Style
Adopted:	Policy Number: BP - 2A
Revision #/Date:	Category: Board Process

The board will govern lawfully with an emphasis on (a) outward vision, (b) encouragement of diversity in viewpoints, (c) strategic leadership more than administrative detail, (d) clear distinction of board and General Manager roles, (e) collective rather than individual decisions, (f) future orientation, and (g) proactivity rather than reactivity.

1. The board will adopt and hold to the highest standards of ethical conduct in applying due diligence in all aspects of its guidance of, decision-making for, and leadership of the Madison Water Utility.
2. The board will cultivate a sense of group responsibility. The board will work in partnership with the General Manager. The board will be the initiator of policy, not merely a reactor to staff initiatives. The board will use the expertise of individual members to enhance the understanding of the board as a body, but will not substitute individual judgments for the board's collective values.
3. The board will lead and inspire the Madison Water Utility through the careful establishment of broad written policies reflecting the ownership's values and perspectives. The board's major policy focus will be on intended long-term benefits (as stated in Outcomes policies) and the limitation of risk (through Executive Limitations policies), not on administrative or programmatic means of attaining those effects.
4. The board will hold itself accountable to govern with excellence. This self-discipline will apply to matters such as attendance, preparation for meetings, policymaking principles, respect of roles, and ensuring the continuity of governance capacity.
5. The board will not allow any officer, individual, or committee of the board to hinder the fulfillment of its commitments or be an excuse for not fulfilling those commitments.
6. Board development will include ongoing education for existing and new members regarding the board's governance process. The board periodically will discuss and evaluate its process and performance to assure continuous improvement.
7. Although the board can change its Board Process and Board-Executive Relationship policies at any time, it will observe them scrupulously while in force. The board will monitor its performance by comparing actual activity and discipline to policies in the Board Process and Board-Executive Relationship categories.

Water Utility Board Policy	
Provisionally Adopted:	Title: Board Job Description
Adopted:	Policy Number: BP - 2B
Revision #/Date:	Category: Board Process

Specific job outputs of the board as an informed agent of the Madison Water Utility’s ownership are those that ensure appropriate performance of the Madison Water Utility. These are:

1. A credible and authoritative linkage between the ownership and the Madison Water Utility.
2. Written governing policies that realistically address the broadest levels of all organizational decisions and situations.
 - a. Outcomes: Expected organizational performance desired by owners framed in terms of benefits, recipients of those benefits, and their relative worth in cost or priority.
 - b. Executive Limitations: Constraints on executive authority that establish the prudence and ethics boundaries within which all executive activity and decisions must take place.
 - c. Board-Executive Relationship: How power is delegated and its proper use monitored; the General Manager’s role, authority, and accountability.
 - d. Board Process: Specification of how the board conceives, carries out, monitors, and ensures long-term competence in its own tasks.
3. Assurance of successful performance of the Madison Water Utility on Outcomes and Executive Limitations.

Water Utility Board Policy	
Provisionally Adopted:	Title: Agenda Planning to Achieve Board Outputs
Adopted:	Policy Number: BP - 2C
Revision #/Date:	Category: Board Process

To accomplish its job products with a governance style consistent with board policies, the board will follow an annual agenda that (a) completes a re-exploration of Outcomes policies annually, (b) updates Executive Limitations policies as needed to ensure sufficient protection from risk, and (c) continually improves board performance through board education, rich input, and deliberation.

1. The annual cycle will start each year in April with the board’s development of a master agenda intended to guide the board throughout the next year. This master agenda will include a provisional plan for gaining ownership input and a provisional schedule for governance education and education related to Outcomes determination (presentations by demographers, advocacy groups, staff, and so on). The Board President’s final adjustments to each meeting agenda before publication will provide flexibility to respond to emerging issues, requests from individual board members, and required public comment periods.
2. The cycle will conclude each year on the last day of March so administrative planning and budgeting can be based on accomplishing a one-year segment of the board’s most recent statement of long-term Outcomes. The board will establish its governance capacity budget for the next fiscal year during the month of April.
3. Throughout the year, the board will attend to consent agenda items as expeditiously as possible.
4. General Manager monitoring will be on the agenda if reports have been received since the previous meeting.
5. An annual review of the General Manager’s performance based on monitoring reports received in the last year will be conducted as soon as practical during the first quarter. The results of this review will be forwarded to the Mayor’s office for consideration.

Water Utility Board Policy	
Provisionally Adopted:	Title: Board Members' Conduct
Adopted:	Policy Number: BP - 2D
Revision #/Date:	Category: Board Process

The Board commits itself and its members to ethical, professional, and lawful conduct, including proper use of authority and appropriate decorum when acting as board members. The board shall have the authority and responsibility to interpret and apply these standards of conduct.

1. Members should demonstrate unconflicted loyalty to the ownership of the Madison Water Utility. This accountability supersedes any conflicting loyalty to other advocacy or interest groups, and membership on other boards or staffs. It also supersedes the personal interest of any board member who is also a Madison Water Utility customer or stakeholder.
2. Members must avoid any conflict of interest with respect to their fiduciary responsibility.
3. Members shall not attempt to exercise individual authority over the Madison Water Utility except as explicitly set forth in board policies.
 - a. Members' interactions with the General Manager and staff must recognize the lack of authority vested in any individual board member to give direction except when explicitly authorized by the board.
 - b. Members' interactions with the public, the press, or other entities must recognize this same limitation and the lack of authority of any board member to speak for the board except to repeat explicitly stated board decisions.
 - c. Members shall not publicly make or express individual judgments about General Manager or staff performance. Judgments of General Manager performance will be made only through board deliberation about whether the General Manager has achieved any reasonable interpretation of board policy.
4. Members will maintain the confidentiality appropriate to issues of a sensitive nature, respectful of applicable public body open meeting requirements.
5. Members will properly prepare themselves for board deliberation.
6. Members will support the legitimacy and authority of the final determination of the board on any matter, without regard to the member's personal position on the result.
7. Members will conduct themselves consistent with adopted Expectations of Board Members, retained as an attachment to these policies.
8. Nothing in this section is intended to limit board members' ability to serve as champions of the water utility and advocates for water quality.

Water Utility Board Policy	
Provisionally Adopted:	Title: President's Role
Adopted:	Policy Number: BP - 2E
Revision #/Date:	Category: Board Process

The President of the board is responsible for ensuring the integrity of the board's process and, secondarily, representing the board as needed to outside parties.

1. The President shall ensure that the board behaves consistently with the board's policies in the Board Process and Board-Executive Relationship categories and those rules legitimately imposed upon it from outside the organization.
2. The President will chair board meetings with the commonly accepted powers of that position (for example, preparing agendas, ruling, recognizing) and:
 - a. Ensure that meeting discussions consists solely of issues that, according to board policy, clearly belong to the board (not the General Manager) to decide or to monitor.
 - b. Ensure that deliberations are fair, open, and thorough, but also timely, orderly, and kept to the point.
 - c. Ensure that there is an opportunity for input from individuals and organizations, including staff and affiliated organizations, that have expertise and interests specifically related to board decisions and board policies.
3. The President represents the board to outside parties in announcing board-stated positions and in stating the President's decisions and interpretations in the area delegated to him or her.
4. The President has no authority to make decisions about policies created by the board within the Outcomes and Executive Limitations areas and, therefore, have no authority to supervise or direct the General Manager.
5. The President may use any reasonable interpretation of the provisions in these policies.
6. The President may delegate any part of this authority while remaining accountable for its use.

Water Utility Board Policy	
Provisionally Adopted:	Title: Vice-President's Role
Adopted:	Policy Number: BP - 2F
Revision #/Date:	Category: Board Process

The Vice-President shall serve in the absence of the President and perform such other duties as may be assigned by the President or the board.

Water Utility Board Policy	
Provisionally Adopted:	Title: Secretary’s Role
Adopted:	Policy Number: BP - 2G
Revision #/Date:	Category: Board Process

The Secretary’s purpose is to ensure the integrity of the board’s documents.

1. In seeing to it that all board documents and filings are accurate and timely, the Secretary will:
 - a. Ensure that all policies are current in their reflection of board decisions. Decisions upon which no subsequent decisions are to be based, such as consent agenda decisions, motions to adjourn, and staff or board member recognitions, need not be placed in policy.
 - b. Ensure that policies rigorously follow Policy Governance principles.
 - c. Make known to the board all Madison General Ordinances and other elements necessary for legal compliance and for consistency with the principles of Policy Governance.
 - d. Make known to the General Manager all requirements for format, brevity, and accuracy of board minutes.

2. The Secretary may delegate any part of this authority while remaining accountable for its use.

Water Utility Board Policy	
Provisionally Adopted:	Title: Board Committee Principles
Adopted:	Policy Number: BP - 2H
Revision #/Date:	Category: Board Process

Board committees, when used, will be assigned so as to reinforce the wholeness of the board’s job, not to interfere with delegation from board to General Manager.

1. Board committees are to help the board do its job, never to help or advise the staff. Committees ordinarily will assist the board by preparing policy alternatives and implications for board deliberation. In keeping with the board’s broader focus, board committees normally will not be involved with staff operations.
2. Board committees may not speak or act for the board except when formally given such authority for specific and time-limited purposes. Expectations and authority will be carefully stated in order not to conflict with authority delegated to the General Manager.
3. Board committees cannot exercise authority over staff. Because the General Manager works for the full board, she or he will not be required to obtain approval of a board committee before an executive action.
4. Board committees will not be used to monitor organizational performance.
5. Board committees will be used sparingly and ordinarily in an ad hoc capacity.
6. This policy applies to any group that is formed by board action, whether it is called a committee or not and whether the group includes board members or not. It does not apply to committees formed under the authority of the General Manager.

Water Utility Board Policy	
Provisionally Adopted:	Title: Board Committee Structure
Adopted:	Policy Number: BP - 2I
Revision #/Date:	Category: Board Process

At this time the board authorizes no committees. Should the board create committees in the future, the board will create policies for each committee specifying the product(s) each committee is to produce and the authority (in terms of organizational resources) each committee is granted.

Water Utility Board Policy	
Provisionally Adopted:	Title: Governance Capacity
Adopted:	Policy Number: BP - 2J
Revision #/Date:	Category: Board Process

Because poor governance costs more than learning to govern well, the board will invest sufficient resources in leadership development for its members and fulfillment of its governance charge. The board will regularly plan and monitor the participation of board members in self-education, outreach, and other activities associated with governance, including the cost of such activities.

**Board Education
Session Two – Apr 27
DOCUMENT 2.2**

Water Utility Board Procedural Guideline	
Provisionally Adopted:	Title: Expectations for Board Members
Adopted:	
Revision Date:	Number: GUIDE – 1

The following expectations are not Board Process policies. They comprise a key part of the board job description and are incorporated into policy by reference.

ORIENT TO THE UNIQUE ROLE OF A BOARD MEMBER

1. **Think upward and outward more than downward and inward.** You are not a board member to listen to routine reports or tackle short-term, concrete matters. You are a board member to make governance decisions. There will be great temptation to focus on what goes on with management and staff instead of what benefit the utility should make in the city and in the lives of its residents. The latter is a daunting task for which no one feels really qualified, yet it is the board member’s job to tackle these more complex issues. In many cases, these big decisions are made by default through board inaction.
2. Do not tolerate the making of big decisions by the timid action of not making them. **Keep the conversation about benefits, beneficiaries, and costs of the benefits alive at all times.** Converse with staff, other board members, and the public about these matters. Ask questions, consider options, and otherwise fill most of the board consciousness with issues of outcomes/ends.
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.
4. **Use your special expertise to inform the board’s wisdom, but never to substitute for it.** If you work in accounting, law, construction, or another field, be careful not to take your colleagues off the hook with respect to board decisions about such matters. To illustrate, an accountant board member shouldn’t assume personal responsibility for assuring fiscal soundness. She or he may, however, help board members understand what fiscal jeopardy looks like or what indices of fiscal health to watch carefully. With that knowledge, the board can pool its human values about risk, brinkmanship, overextension, and so forth, in the creation of fiscal policies.
5. Even if your expertise and comfort lie in some subpart of the Madison Water Utility’s challenge, the subpart is not your job as a board member. Do not expect agendas to be built around these areas or interests. **Agendas will be carefully constructed to accomplish the board’s job of governing.**

6. No matter how considerable your expertise or how well you can do a staff job, as a board member you are not there to do it or even to advise on it. You may offer your individual expertise to the General Manager, should he or she wish to use it. But in such a role, accept that you are being a volunteer consultant and leave your board member hat at home.

BE RESPONSIBLE FOR GROUP BEHAVIOR AND PRODUCTIVITY

7. **Be prepared to participate responsibly.** Do your homework, come prepared to work (sometimes the work is to listen), engage with curiosity and a commitment to understanding diverse points of view, agree and disagree as your values dictate, and accept the group decision as legitimate even if not – in your opinion – correct.
8. **Register your honest opinion on issues the board takes up.** Consider this an obligation of board service that applies to you and each of your colleagues. To foster this essential exchange of ideas, speak for yourself and listen with resilience. Encourage your colleagues to express their opinions without allowing your own to be submerged by louder or more insistent voices. Avoid making grand pronouncements or characterizing the views of others in a critical spirit. Ask clarifying questions to check your assumptions. Don't try to represent a whole group or ask others to represent, defend or explain an entire group.
9. While doing your own job as an individual board member is important, it does not complete your responsibility. **You must shoulder the potentially unfamiliar burden of being responsible for the group.** That is, if you are part of a group that does not get its job done, that meddles in administration, or that breaks its own rules, you are culpable. Regular evaluation and improvement of actual board activities compared to the board's Governance Process and Board-Management Relationship policies is an essential component of fulfilling this accountability.
10. Although the board as a whole is responsible for its own discipline, it will have charged the chair with a special role in the group's confronting its own process. **Support the chair in board discipline.** Don't make the chair's job harder; rather ask what you can do to make it easier.

SPEAK WITH ONE VOICE

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.
12. **Squelch your individual points of view during monitoring.** Your own values count when the board is creating policies. But when the General Manager's performance is monitored, you must refer only to the criteria the board decided, not your opinion about those criteria. In other words, the General Manager must be held accountable to the board's decisions and in fairness cannot be judged against your opinion. You should present any opinion you may have about amending the policies, of course, but not so as to contaminate the monitoring process.

ALDERS SERVING ON THE WATER UTILITY BOARD

The Water Utility Board has, by ordinance, two seats assigned to alders. As eyes/ears/hands of the Council and constituent representatives, alder board members may be called upon to deviate from the standard board member expectations.

The following expectations of alder board members are designed to address those situations.

13. **Alert the board when you are changing roles during board deliberations.** In board meetings, always assume the role of a board member first. If you experience the need to reach beyond the non-alder board role during a board meeting, announce to the board that you are about to step out of the standard board role and assume your role as alder. Request time to provide an explanation and allow other board members to discuss any concerns. Limit these occasions as much as possible without compromising your duty as an alder.
14. **Be clear about staff interactions.** If an issue before the board requires further conversation from an aldermanic standpoint (for example, if it concerns your district), inform the board that you will be pursuing details at a meeting with relevant water utility staff. When interacting with staff outside of board meetings, clarify that you are acting as an alder, not a board member.
15. **Be clear with the media.** When approached by the media about a board issue or action, unless you are the board president, be clear with the media representative that you are speaking as an alder, not a board member.

POLICY WORKSHEET

Executive Limitations Policies

Executive Limitations policies specifically highlight critical areas of performance, so violation of an Executive Limitation should be a serious matter for the board.

Because of this, Executive Limitations policies should be developed only where the board feels there is a compelling case for specifically limiting the General Manager's actions to protect the interests of the ownership. Note that we haven't yet defined "ownership." We will do so in Session Four. For now, include anyone who relies on Madison Water Utility water.

According to Carver, the best way for a board to identify the chief executive "means" it wants to limit/control via Executive Limitations policies is to ask itself:

"What management situations, activities or decisions would be unacceptable to us ... even if they worked? What risks, ethical violations, and improprieties does the board want to put off limits (in its Executive Limitations policies)?"

The worksheet

The following pages contain an array of possible Executive Limitations policies. To make the best use of our time together on April 27, we ask that before Session Two you:

- Review the worksheet in its entirety.
- Use the worksheet to explore and express your values about *unacceptable* management behaviors, practices, situations, activities and decisions.
- Make thorough notes in these pages reflecting your preferences – whether to adopt a draft policy as written; edit it to better express your values; eliminate those that, in your opinion, are overly specific or do not apply to the utility; and write new ones in areas not covered.
- Refer to the statutes and ordinances behind Tab 6 in your binder, if these are helpful.
- Avoid worrying about precise language or placement at this point.
- Set aside any concern about how a particular policy will be monitored and instead design the best policy, assuming monitoring will be done satisfactorily.

Take heart. Among Carver's four policy types, **this is likely the longest and most detailed set of policies you will develop.** If we do not finish our work on April 27, we will do so in the following session.

The first step: A global policy

Carver notes, “Most of the problems that arise in board–chief executive situations result from violations of the board’s global executive constraint policy.”

Your task in crafting a global Executive Limitations policy on the following page is to select language “of sufficient breadth to include all possible actions the board would find unacceptable. Breadth is the point here, not depth. ...We must first have a foundational policy statement of sufficient integrity and inclusiveness to support” any subsidiary policies to follow.

Below you will find language typical of a global Executive Limitations policy. Reflect on and note which words or phrases you prefer and why. We will use your reflections in Session Two.

DRAFT Water Utility Board Policy	
Provisionally Adopted:	Title: Global Executive Constraint
Adopted:	Policy Number: EL - 1
Revision #/Date:	Category: Executive Limitations

The General Manager shall not knowingly cause or allow any practice, activity, decision, or organizational circumstance that

[check one or neither of these two similar options]

- is unlawful
- violates any applicable and relevant requirements of the U.S. or Wisconsin Constitutions, laws, court decisions, administrative regulations and requirements, city ordinances, or binding contracts

[check one or more (or none) of these related options]

- is imprudent
- is unethical
- is contrary to commonly accepted business principles and professional ethics
- violates commonly accepted standards of business and professional ethics and prudence

A board could conceivably adopt this global policy as its *only* Executive Limitations policy. It is more realistic to treat it as a foundational and “fall-back” safeguard in case additional subsidiary policies are not sufficient to deal with some unanticipated circumstance.

Ask: Is this statement sufficiently broad to cover most if not all General Manager actions we would find unacceptable? Does it have sufficient integrity and inclusiveness to support subsidiary policies?

If so, you’re done. If not, keep tinkering. When you answer “yes,” move on to the next section.

Crafting subsidiary policies

With additional detail, the board is spelling out specific situations, behaviors, actions, practices and conditions (*Means*) that would be unacceptable to the board *even if they were effective*.

If you choose to go into more detail, consider this:

The global Executive Limitations policy does not lose its breadth simply because the board chooses to enumerate some of the ways it would further limit the [General Manager's] range of interpretation. The board may wish to expand upon the global prohibition only in, say, two subtopics, but not in all. Having done so would not mean the board is prohibiting only those aspects it has chosen to define further ...

Enumeration of further limitations at any level does not limit the scope of any foregoing level.

Failing to cover a topic at [the next, more detailed] level does not mean the board will have no control over this topic. It simply means that the control over that topic will be the broader control about that topic imposed by the proscriptive language in your global EL – 1 policy.

Subsidiary policy topics we present for exploration in the following pages include:

- EL – 2A Treatment of consumers
- EL – 2B Treatment of staff
- EL – 2C Financial planning/budgeting
- EL – 2D Financial condition and activities
- EL – 2E Emergency General Manager succession
- EL – 2F Asset protection
- EL – 2G Infrastructure
- EL – 2H Communication and support to the board
- EL – 2I Quality and performance improvement

DRAFT Water Utility Board Policy	
Provisionally Adopted:	Title: Treatment of Consumers
Adopted:	Policy Number: EL - 2A
Revision #/Date:	Category: Executive Limitations

With respect to interactions with consumers or those applying to be consumers, the General Manager shall not cause or allow conditions, procedures, or decisions that are unsafe, untimely, undignified, or unnecessarily intrusive, or that fail to provide appropriate confidentiality or privacy.

Ask: Can we accept any reasonable interpretation of these words from our General Manager?

If so, you're done. If not, consider the following options for additional detail.

Adopt, modify, add, or discard to suit your preference.

[Recall that the General Manager is already bound by EL - 1 to be lawful, prudent and ethical in his treatment of consumers. The following detail is only necessary if you feel bound to specify additional requirements in this category.]

Accordingly, the General Manager shall not cause or allow conditions, procedures, or decisions that:

- a. Elicit information for which there is no clear necessity.
- b. Use methods of collecting, reviewing, transmitting, or storing personal information that fail to protect against improper access to the material.
- c. Fail to ensure that pricing practices are consistent with established Outcomes policies.
- d. Fail to maintain a process for accessible, fair, efficient and unbiased handling of customer complaints regarding utility service or proposed utility service that provides for resolution at the lowest level.
- e. Fail to establish with consumers a clear understanding of their rights and what may be expected from the services offered by the Madison Water Utility.
- f. Fail to inform consumers of this policy or provide a grievance process for those who believe they have not been accorded a reasonable interpretation of their rights under this policy.
- g. Fail to operate and maintain consumer-accessed facilities that provide appropriate privacy, safety, access, and functionality.

DRAFT Water Utility Board Policy	
Provisionally Adopted:	Title: Treatment of Staff
Adopted:	Policy Number: EL - 2B
Revision #/Date:	Category: Executive Limitations

With respect to interactions with staff, the General Manager shall not cause or allow conditions that are unsafe, undignified, disrespectful, or unprofessional.

Ask: Can we accept any reasonable interpretation of these words from our General Manager?

If so, you're done. If not, consider the following options for additional detail.

Adopt, modify, add, or discard to suit your preference.

[Recall that the General Manager is already bound by EL - 1 to be lawful, prudent and ethical in his treatment of staff. The following detail is only necessary if you feel bound to specify additional requirements in this category.]

Accordingly, the General Manager shall not cause or allow conditions, procedures, or decisions that:

- a. Violate the City's staff treatment policies.
- b. Fail to maintain written department-specific work rules that clarify personnel guidelines for staff, and provide an employee notification and comment process before promulgation of any changes to the department-specific work rules.
- c. Fail to periodically assess the organizational climate concerning business and personnel practices.
- d. Fail to acquaint staff with their rights under this policy.
- e. Prevent staff members from communicating with the board with regard to assertions that board policies have been violated or that board policies do not adequately protect their human rights.

DRAFT Water Utility Board Policy	
Provisionally Adopted:	Title: Financial Planning/Budgeting
Adopted:	Policy Number: EL - 2C
Revision #/Date:	Category: Executive Limitations

The General Manager shall not cause or allow financial planning to deviate materially from the board's Outcomes priorities, risk financial jeopardy, or fail to be derived from a multiyear plan.

Ask: Can we accept any reasonable interpretation of these words from our General Manager?

If so, you're done. If not, consider the following options for additional detail.

Adopt, modify, add, or discard to suit your preference.

[Recall that the General Manager is already bound by EL - 1 to be lawful, prudent and ethical in financial planning/budgeting. The following detail is only necessary if you feel bound to specify additional requirements in this category.]

Accordingly, the General Manager shall not cause or allow conditions, procedures, or decisions that:

- a. Fail to provide the board and mayor with a budget document designed to be understood by the media and the public that contains, at a minimum,
 - o credible projection of revenue and expenses
 - o separation of capital and operational items
 - o cash flow
 - o disclosure of planning assumptions
- b. Allow budgeting which would risk incurring those situations or conditions described as unacceptable in the Financial Condition and Activities policy (EL - 2D).
- c. Allow budgeting which would provide less for governance capacity building during the year than established by the board according to the Agenda Planning to Achieve Board Outputs policy (BP - 2C).

DRAFT Water Utility Board Policy	
Provisionally Adopted:	Title: Financial Condition and Activities
Adopted:	Policy Number: EL - 2D
Revision #/Date:	Category: Executive Limitations

With respect to the actual, ongoing financial condition and activities of the Madison Water Utility, the General Manager shall not cause or allow the development of fiscal jeopardy or a material deviation of actual expenditures from board priorities established in Outcomes policies.

*Ask: Can we accept any reasonable interpretation of these words from our General Manager?
If so, you're done. If not, consider the following options for additional detail.
Adopt, modify, add, or discard to suit your preference.*

[Recall that the General Manager is already bound by EL - 1 to be lawful, prudent and ethical in his dealings with the utility's financial condition and activities. The following detail is only necessary if you feel bound to specify additional requirements in this category.]

Accordingly, the General Manager shall not cause or allow conditions, procedures, or decisions that:

- a. Exceed total appropriations for the fiscal year.
- b. Use any dedicated reserves for purposes other than those for which they are designated, unless directed to do so by the board.
- c. Allow the utility to enter into any grant or contract arrangement that fails to emphasize primarily the production of Outcomes and, secondarily, the avoidance of unacceptable means.

DRAFT Water Utility Board Policy	
Provisionally Adopted:	Title: Emergency General Manager Succession
Adopted:	Policy Number: EL - 2E
Revision #/Date:	Category: Executive Limitations

To protect the board and utility from sudden loss of General Manager services, the General Manager shall not fail to ensure that at least two other executives are sufficiently familiar with board and General Manager issues and processes that either would be able to take over with reasonable proficiency as an interim successor.

*Ask: Can we accept any reasonable interpretation of these words from our General Manager?
If so, you're done. If not, create additional detail.*

[Recall that the General Manager is already bound by EL - 1 to be lawful, prudent and ethical in this area. The following detail is only necessary if you feel bound to specify additional requirements in this category.]

Accordingly, the General Manager shall not cause or allow conditions, procedures, or decisions that:

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DRAFT Water Utility Board Policy	
Provisionally Adopted:	Title: Asset Protection
Adopted:	Policy Number: EL - 2F
Revision #/Date:	Category: Executive Limitations

The General Manager shall not cause or allow utility assets to be unprotected, inadequately maintained, or unnecessarily risked.

Ask: Can we accept any reasonable interpretation of these words from our General Manager?

If so, you're done. If not, consider the following options for additional detail.

Adopt, modify, add, or discard to suit your preference.

[Recall that the General Manager is already bound by EL - 1 to be lawful, prudent and ethical in this area. The following detail is only necessary if you feel bound to specify additional requirements in this category.]

Accordingly, the General Manager shall not cause or allow conditions, procedures, or decisions that:

- a. Fail to comply with City policies regarding asset protection.
- b. Fail to optimize water resources.
- c. Use or permit the use of water by others outside the Madison Water Utility's existing water service area, unless in compliance with Madison General Ordinances and the City of Madison's Master Plan.
- d. Fail to support annual professional development opportunities for the General Manager and staff that are well focused and appropriate to Outcomes or specifically designed to improve professional skills.

DRAFT Water Utility Board Policy	
Provisionally Adopted:	Title: Infrastructure
Adopted:	Policy Number: EL - 2G
Revision #/Date:	Category: Executive Limitations

The General Manager shall not cause or allow conditions, procedures, or decisions that prevent the Madison Water Utility from meeting its obligation to serve current and future customers within the City of Madison and its authorized service areas, or use inappropriate financial methods that do not share between existing and future customers the capital costs of the utility systems necessary to provide services.

*Ask: Can we accept any reasonable interpretation of these words from our General Manager?
If so, you're done. If not, consider the following options for additional detail.
Adopt, modify, add, or discard to suit your preference.*

[Recall that the General Manager is already bound by EL - 1 to be lawful, prudent and ethical in this area. The following detail is only necessary if you feel bound to specify additional requirements in this category.]

Accordingly, the General Manager shall not cause or allow conditions, procedures, or decisions that:

- a. Fail to assure that required rates fund all expenditures for timely and prudent capital improvements to existing utility systems, and that those capital improvements are driven by reliability, operational or regulatory requirements, replacement of aging infrastructure, utility relocations for public works and road projects, or extension of the life of existing systems.
- b. Fail to identify and plan for resource and infrastructure needs for the provision of water service to customers within the City of Madison and the Madison Water Utility's service areas consistent with a reasonable planning period for that service.
- c. Fail to coordinate Madison Water Utility activities and policies with the City of Madison's Master Plan and other relevant guidelines for community development.
- d. Fail to consider participation with other governmental or private entities on regional major water infrastructure projects.

DRAFT Water Utility Board Policy	
Provisionally Adopted:	Title: Communication and Support to the Board
Adopted:	Policy Number: EL - 2H
Revision #/Date:	Category: Executive Limitations

The General Manager shall not cause or allow the board to be uninformed or unsupported in its work.

Ask: Can we accept any reasonable interpretation of these words from our General Manager?

If so, you're done. If not, consider the following options for additional detail.

Adopt, modify, add, or discard to suit your preference.

[Recall that the General Manager is already bound by EL - 1 to be lawful, prudent and ethical in this area. The following detail is only necessary if you feel bound to specify additional requirements in this category.]

Accordingly, the General Manager shall not cause or allow conditions, procedures, or decisions that:

- a. Fail to submit monitoring data required by the board (see Board-Executive Delegation policies) in a timely, accurate, and understandable fashion, directly addressing provisions of board policies being monitored, and including General Manager interpretations consistent with the Board-Executive Delegation policies.
- b. Allow the board to be unaware of any actual or anticipated noncompliance with any Outcomes or Executive Limitations policy of the board regardless of the board's monitoring schedule.
- c. Allow the board to be without such information as may be required periodically for fully informed board deliberations and choices, including internal and external data as well as staff and external opinions and points of view.
- d. Allow the board to be unaware of any significant incidental information it requires including
 - o relevant trends
 - o anticipated [adverse] media coverage
 - o significant public reaction
 - o threatened or pending lawsuits
 - o unusual or exceptional purchases
 - o material internal and external changes, particularly those that affect the assumptions on which previous board policies have been established
- e. Present information in unnecessarily complex or lengthy form or in a form that fails to differentiate among three information types:
 - o monitoring – includes regularly scheduled monitoring data as well as notices of actual or anticipated noncompliance with Outcomes or Executive Limitations policies

- decision preparation – includes information required for fully informed board deliberations
- other – includes significant incidental information as outlined above
- ❑ f. Fail to submit to the board a consent agenda containing items delegated to the General Manager yet required by law, regulation, or contract to be board-approved, along with such monitoring assurance as may be relevant.
- ❑ g. Fail to provide, or delay the provision of, negative information regarding the utility's performance, staff, or image.
- ❑ h. Fail to advise the board if, in the General Manager's opinion, the board is not in compliance with its own policies on Board Process and Board-Executive Delegation, particularly in the case of board behavior that is detrimental to the work relationship between the board and the General Manager.
- ❑ i. Fail to deal with the board as a whole.
- ❑ j. Fail to provide a workable mechanism for official board, officer, or committee communications.

DRAFT Water Utility Board Policy	
Provisionally Adopted:	Title: Quality and Performance Improvement
Adopted:	Policy Number: EL - 2I
Revision #/Date:	Category: Executive Limitations

In all aspects of utility performance, the General Manager shall not fail to demonstrate continuous monitoring and needed improvement.

*Ask: Can we accept any reasonable interpretation of these words from our General Manager?
If so, you're done. If not, create additional detail.*

[Recall that the General Manager is already bound by EL - 1 to be lawful, prudent and ethical in this area. The following detail is only necessary if you feel bound to specify additional requirements in this category.]

Accordingly, the General Manager shall not cause or allow conditions, procedures, or decisions that:

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JOHN CARVER

ON BOARD
LEADERSHIP

SELECTED WRITINGS FROM
THE CREATOR OF THE WORLD'S
MOST PROVOCATIVE AND
SYSTEMATIC GOVERNANCE MODEL

JOHN CARVER

FOREWORD BY SIR ADRIAN CADBURY

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Using Valuable Board Expertise—Without Undermining Governance

When Board Members Act as Staff Advisors

BOARD LEADERSHIP, NUMBER 9, SEPT.-OCT. 1992

ONE OF THE CRITICAL features of the Policy Governance model is that a governing board enjoys its authority only as a group. Invariably, in my presentations on governance, someone will ask about board members acting individually as advisors to staff.

Can board members advise staff members if they have expertise to offer? Is it possible to do so without “chain-of-command” confusion? On the one hand, can the board’s authoritative position and its obligation to its constituency be maintained if it gives advice that, by definition, need not be heeded? On the other hand, do staff members put their jobs in jeopardy by ignoring or even firing volunteer advisors?

In this article I will give you a simple way to keep governance and advice from endangering each other. All the foregoing quandaries can be resolved in such a way that a board can discharge its responsibility as an official body yet give the staff access to board members’ individual skills. Board members can be a rich source of advice to a staff. Their special strength is that they care, and because of their volunteer motivation, they’re inexpensive! It would be wasteful not to take advantage of what board members have to give.

Board members can be a rich source of advice to a staff. Their special strength is that they care, and because of their volunteer motivation, they’re inexpensive!

Protecting the Board-CEO Relationship

The board-CEO relationship must be properly designed to be sure this valuable resource does not confuse board-staff delegation. The secret is not in the advice, the advisors, or the advisees. The secret is in the fundamental relationship of board to CEO.

Good board-staff delegation is characterized by two simple rules: (1) The board will express its instructions and expectations only as a full group, not as individuals or committees, and (2) the board will express its instructions and expectations only to the CEO, never to persons who work for the CEO. As long as the board defines the board-CEO relationship appropriately, advice to staff from any source is workable.

Let's look at how advice from individual board members can work. Because the board can only instruct the CEO when it does so with a group (not necessarily unanimous) voice, individual board members have no authority over staff. Nothing an individual board member says—in or out of a board meeting—can have instructional authority. In other words, advice or counsel from a single board member is fine, but commands or requirements are not. Thus, a personnel expert on the board can appropriately make his or her advice available to the CEO or to the personnel director. However, the CEO or personnel director has no obligation to take the advice or even to take time to hear it. When a board officially commits itself to this principle, advice from individuals can be considered by staff on its merits alone.

Avoiding Committee Confusion

FAQ →

Why shouldn't the accountant, personnel professional, and marketing expert on the board chair the finance, human resources, and marketing committees, respectively?

Board committees sometimes also have the assigned task of advising staff. Traditionally, a board may constitute a committee to advise staff on personnel, program design, public relations, or any one of many topics. Thus, a board's desire to advise can become manifest in the official governance structure. But creating an official board organ to give advice belies the unofficial nature of the advice. In fact, it is difficult for staff to believe that advice from an official board committee is truly only advice. It is equally hard for committee members to remember that their deliberations are merely advice.

So it is that *board committees created to advise staff are unintentionally harmful*. Given the long years of conventional practice on this matter, my admonition may seem a strange one: Although a board should certainly create any committees that help in getting the board's own job done, *a governing board should never, never have board committees to advise or help staff with anything!*

When the line between instructing (which only the full board can do) and advising (which anyone can do) is even slightly blurred, the unintended result is that the staff ends up working not for the board per se but for various sources of "advice," which they can never be completely sure is really only advice. Moreover, because board committees commonly fill the instructive vacuum left by the board, board committees in many organizations are the major source of board direction. Typically, staff members either take committee suggestions as instructions, expend energy appearing to follow the committee's suggestions, or manipulate the committee process so that committees advise what the staff wants to do anyway.

It is difficult for staff to believe—and for committee members to remember—that advice from an official board committee is truly only advice.

Giving Staff Control

The trap can be easily avoided: The board should allow the staff total control over all processes—including committees—intended to advise them. After all, people who need advice are more capable of working out what they need and whom they trust to give it than are the would-be advisors. But even more important, it is the CEO, not the advisors, who is then held accountable for meeting board-stated expectations.

Because the way the staff gets advice is not board business at all, mechanisms of advice should always be in the hands of the advisees, not in the hands of the would-be advisors. In the former case, the advisory process works. In the latter, you cannot be sure whether it works or not. Staff members are not inclined to tell board committees that their advice is unhelpful or that the staff time required for committee meetings is more costly than the advice is worth. Moreover, the advisors a staff member would assemble on some topic are rarely the same persons that a board would put on a committee to advise staff on that same topic. The message is starkly evident!

Mechanisms of advice should always be in the hands of the advisees, not in the hands of the would-be advisors.

Please remember that my remarks about board committees giving advice to staff do not apply to board committees that help the board in its own decisions. Board committees that assist the board itself legitimately belong to the board and are never to be controlled by staff. Again, the issue is simply a matter of keeping each hat in its rightful place.

Ask Your CEO

- Do you or your staff members ever wonder whether the comments of individual board members or committees are to be taken as instruction or as take-it-or-leave-it advice?
- If so, is the confusion related to a particular member or committee, or is it a general phenomenon?
- If you could choose your own advisers on a given topic, would you assemble the skills, experience, and helpfulness you need more effectively or efficiently yourself than if the board did it for you?

CEO and staff can put together any advisory arrangements they wish. They may choose advisors as they wish. They may keep or discharge advisors as they deem fitting. And the CEO, through it all, is accountable to the board for performance—no matter where advice to staff comes from. For example, whether advice to conduct affairs a certain way came from a group of board members, from a very vocal board member, or from a passerby is immaterial to the board's assessment of CEO performance; it neither hurts nor helps.

FAQ →

If board members feel that they have useful advice for staff, should they offer it directly?

This framing of the phenomenon of advice is as freeing for board members who have advice to give as it is for staff who need advice. Board members can advise with as much gusto as they feel, having no need to soft-pedal due to conscientious fear of meddling. Staff members can be as critical of board members' advice as they would be of anyone else's.

Clarifying Roles

It is up to the board to be sure that each of its own members and the CEO understand that the board hat is worn by board members only in session doing board work. The board hat is never to be worn when giving advice. And if a conflict ever arises between fulfilling the mandate to govern and fulfilling the desire to advise, let there be no mistaking that governing comes first. Does this separation of hats require discipline? Is maturity needed to play separate roles well? Yes, of course, on both counts. But no more discipline and maturity is needed than most board members exercise every day

in pursuing their occupations, in parenting, or even in playing games by rules.

So go ahead and make board member advice available to staff. Don't force it, of course, for then it is something other than advice. The board as a body might even encourage its individual members to

make advice or other help available. An inventory of board members' expertise, experience, and abilities potentially useful to the staff would be a fine gift. But an even greater gift is the confidence that the board is committed to keeping governing and advising clearly separated.

The board hat is worn by board members only in session doing board work. The board hat is never to be worn when giving advice.
