

Date: May 24, 2011

To: Madison Water Utility Board

From: Greg Harrington

Re: Items to consider when evaluating monitoring reports

We are only in our second meeting in which we are using monitoring reports to hold ourselves and the general manager accountable for our policies. This will take practice and due diligence by board members before we are comfortable with the way this works. Due diligence includes self-education – reading the chapters provided with our agenda for today’s meeting is a good starting point. I have summarized what I perceive to be the key points for monitoring on the rest of this page.

The board has two responsibilities:

1. Deciding if the general manager has made a reasonable and useful interpretation of the policy
2. Deciding if the general manager has complied with the policy

Thus, each of our monitoring reports will require two votes from the board, to match the two responsibilities.

How do we decide if the general manager has made a reasonable and useful interpretation of policy? Here are some things to consider when deciding to vote yes or no on the first vote:

- The interpretation should not be a repeat or rephrasing of the policy statement
- The interpretation should not simply be a statement of good intent
- The interpretation should yield a measurable, operational definition
 - My personal bias – it should also show how the Madison Water Utility compares with other water utilities
- The board should be open-minded and fair in judging whether a “flaw” in interpretation is a flaw with the interpretation or a flaw with the policy. If the board believes the latter is the problem, it should revise the policy at the next meeting (to comply with open meetings law).

There are three types of monitoring reports:

1. Internal monitoring reports (e.g., reports produced by the general manager)
2. External monitoring reports (e.g., a third-party audit)
3. Direct board inspection

Thus far, we have stated a reliance on internal monitoring with the following two exceptions:

- We acknowledge that an annual external audit of financial processes is performed in our annual calendar.
- We acknowledge that an external review of board process policies be conducted on a quarterly basis.
- As a future agenda item, we will need to consider whether other external audits should be brought to the board’s attention (e.g., the DNR’s annual inspection report)

Remember, we are still moving up the learning curve on the implementation of this governance approach. We should not expect to be completely comfortable with the process for another 2 to 3 years. Expect that interpretations and policies will be refined routinely through this time period.