

## PRE-MEETING ASSIGNMENT

In advance of the May 25 session, we request that you read all materials in this Session Three packet:

- Finalize your notes on the Executive Limitations policies worksheet (Document 3.1). Notice that policies in the first three pages have been modified to reflect discussion from the April 27 meeting; all others appear exactly as presented in the Session Two packet.
- Read, contemplate and make thorough notes on the Board-Executive Delegation policies worksheet attached as Document 3.2.
- Call or write A.B. Orlik if you get stuck in your preparation: 608.334.9097 or abo@writingbarefoot.com.

File Documents 3.0, 3.1 and 3.2 behind Tab 3 in your binder.

Also find in this packet:

- The board's provisionally approved Board Process policies and Expectations of Board Members for filing behind Tab 9 in your binder.
- "The Principles of Policy Governance Explained," an article of interest to be filed with reference materials behind Tab 6 in your binder.

As with each session, please bring your binder and, if you are absent, expect 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 TWO

In Session Two we provisionally adopted Board Process policies and Expectations of Board Members after recommending the following content changes:

- BP - 2A: The word "decisions" replaces "values" at the end of item 2.
- BP - 2D: Item 1 has been extended to include, "When their duty as alders has the potential to conflict with their loyalty to the ownership of the Madison Water Utility, alders will conduct themselves consistent with the section on Alders Serving on the Water Utility Board in the adopted Expectations of Board Members, retained as an attachment to these policies."
- Throughout these policies, the category "Board-Executive Delegation" replaces "Board-Executive Relationship" for consistency with other documents.
- In Expectations of Board Members, the first paragraph pertaining to Alders Serving on the Water Utility Board has been edited to read, "The Water Utility Board has, by ordinance, up to two seats assigned to alders. As eyes and ears of the Council..."

The document in your packet labeled "Provisional Water Utility Board Policy Manual" contains these changes and is designed to be filed after Tab 9 in your binder.

We used the remainder of Session Two to begin creating Executive Limitations policies. The first three pages of Document 3.1 have been modified to reflect the work done during that session. The remainder of Document 3.1 replicates the draft policies originally contained in Document 2.3. We will pick up with these policies in Session Three.

### CONTEXT FOR SESSION THREE

In Session Three we will complete our work 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*. Your task in Session Three is to continue to discern and enunciate the board’s shared values about these limitations.

We will then turn to Board-Executive Delegation policies.

Recall that under Policy Governance, the relationship between the board and the chief executive is of utmost importance because the chief executive (in this case, the General Manager) is the only legitimate link between the board and the organization as a whole.

Except for a relatively few unique functions of the board, almost all organizational activities of the Madison Water Utility are performed by staff under authority delegated by the General Manager. The board does not “run” the utility day-to-day. Instead, the board delegates to the General Manager the authority to manage the utility – and then holds the General Manager accountable.

Under the Policy Governance model, the General Manager is accountable to the board for:

- Achievement of its Outcomes (*Ends*) policies
- Not violating its Executive Limitations (*Means*) policies

That’s the long and the short of the job. By this definition, the General Manager is accountable to the whole board for no less than the entire product and behavior of the utility. All staff accountability accumulates upward to the General Manager.

This highly focused job description is viable only when the board does its job and describes its expectations in clear, unambiguous policy terms. The board’s job, in this context, is to define the General Manager’s *accountabilities* (not *responsibilities*) through policy. The roles and job products of the board and its chief executive are therefore truly separate and distinct. In fact, Carver’s circles (here represented as a rectangle) delineate these roles.

On the left are two categories of **board** means. Accountability for adhering to these policies falls to the chief governance officer – in this case, the **Board President**.

On the right are **staff** outcomes and means. Accountability for adhering to these policies falls to the chief executive officer – in this case, the **General Manager**.

<b>Board Process</b>	<b>Outcomes</b>
<b>Board-Executive Delegation</b>	<b>Executive Limitations</b>

We have defined half of the role and job products of the board in provisionally approved Board Process policies. We will complete the other half when we create Board-Executive Delegation policies in Session Three.

We will complete half of the General Manager’s accountability in Session Three by creating the remainder of our Executive Limitations policies. We will return to the other half when we create Outcomes policies in Session Four.

Your assignment in advance of Session Three is to read, contemplate, and make thorough notes on the Board–Executive Delegation policies worksheet attached as Document 3.2.

In engaging with Documents 3.1 and 3.2 you may find yourself uncovering and articulating deeply-held values about the utility’s purpose, responsibility, structure, and future. That’s perfect. In many organizations these values go unexpressed, and activity proceeds (or not) by default. Examining the unexamined foundation of the board and utility is one of the intentions of this work.

## PARKING LOT

Session Two raised no new group-wide issues or concerns deferred to future meetings. The table below contains the “parking lot” issues emerging from previous sessions.

<p><b>Board Process</b></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"> <li>&gt; Specific owner input processes</li> <li>&gt; Board calendar / required items</li> </ul>	<p><b>Outcomes</b></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"> <li>&gt; Defining ownership</li> <li>&gt; Defining “appropriate results for appropriate persons at appropriate cost”</li> </ul>
<p><b>Board-Executive Delegation</b></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"> <li>&gt; Defining peer utilities</li> <li>&gt; Independent verification of GM’s policy performance</li> </ul>	<p><b>Executive Limitations</b></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"> <li>&gt; Budgeting/financial management</li> <li>&gt; Staff/media relationships</li> </ul>

Now let’s move on to the remaining documents for use at the May 25 meeting:

- Document 3.1: Executive Limitations Policies (for discussion)
- Document 3.2: Board–Executive Delegation Policies (for discussion)

At the far end of this packet you will find:

- The first portion of your Provisional Water Utility Board Policy Manual – Board Process policies and a procedural guideline regarding Expectations of Board Members. File this document behind Tab 9.
- A brief excerpt from Caroline Oliver’s book *The Policy Governance Fieldbook*. Consider this an optional recommended reading for the curious. File it behind Tab 6.

**Board Education  
Session Three – May 25  
DOCUMENT 3.1**

**WORK BEGUN AT SESSION TWO—TO BE FINALIZED AT SESSION THREE**

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

The General Manager shall not knowingly cause or allow any practice, activity, decision, or organizational circumstance that is unlawful, unethical, or contrary to commonly accepted public administration principles and professional ethics; shall not fail to conduct all endeavors with integrity and mutual respect; and shall not jeopardize sustainable operation of the utility.

**WORK BEGUN AT SESSION TWO—TO BE FINALIZED AT SESSION THREE**

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

With respect to customers and consumers, the General Manager shall not cause or allow conditions, procedures, or decisions that are unsafe, untimely, or undignified, or that fail to provide appropriate confidentiality or privacy.

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

1. 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.
2. Fail to maintain a process for accessible, fair, efficient and unbiased handling of complaints and issues, including a grievance process for those who believe they have not been accorded a reasonable interpretation of their rights under this policy.
3. Discourage opportunities to inform and educate consumers and customers about water and water utility services, events, research, or developments (like construction).
4. Fail to notify consumers immediately/timely of substances where acute exposure may be unsafe.

**WORK BEGUN AT SESSION TWO—TO BE FINALIZED AT SESSION THREE**

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

With respect to interactions with staff, the General Manager shall not cause or allow conditions, procedures, or decisions that:

1. Violate the City’s staff treatment policies.
2. Fail to periodically assess the organizational climate and promote activities that enhance the organizational climate.
3. Discourage staff members from communicating with the board at a scheduled meeting.

## WORK FOR SESSION THREE

NOTE: The draft policies in the remainder of this document are identical to those originally distributed in Document 2.3.

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

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).

<b>DRAFT Water Utility Board Policy</b>	
Provisionally Adopted:	Title: <b>Financial Condition and Activities</b>
Adopted:	Policy Number: <b>EL - 2D</b>
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.



<b>DRAFT Water Utility Board Policy</b>	
Provisionally Adopted:	Title: <b>Emergency General Manager Succession</b>
Adopted:	Policy Number: <b>EL - 2E</b>
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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<b>DRAFT Water Utility Board Policy</b>	
Provisionally Adopted:	Title: <b>Asset Protection</b>
Adopted:	Policy Number: <b>EL - 2F</b>
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.

<b>DRAFT Water Utility Board Policy</b>	
Provisionally Adopted:	Title: <b>Infrastructure</b>
Adopted:	Policy Number: <b>EL - 2G</b>
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.

<b>DRAFT Water Utility Board Policy</b>	
Provisionally Adopted:	Title: <b>Communication and Support to the Board</b>
Adopted:	Policy Number: <b>EL - 2H</b>
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.

<b>DRAFT Water Utility Board Policy</b>	
Provisionally Adopted:	Title: <b>Quality and Performance Improvement</b>
Adopted:	Policy Number: <b>EL - 2I</b>
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:

□

## POLICY WORKSHEET

### Board–Executive Delegation Policies

In creating Board–Executive Delegation policies, the board explicitly defines the essential elements of its relationship with the General Manager. Specifically, these policies address how the board:

- Provides direction to the General Manager
- Delegates authority to the General Manager
- Monitors the General Manager’s compliance and performance

These are board means policies, so ensuring their accomplishment falls to the chief governance officer – in this case, the Board President.

### The worksheet

The following pages contain possible Board–Executive Delegation policies. In addition to a draft global policy, the worksheet includes sample policies regarding:

- Unity of Control
- Accountability of the General Manager
- Delegation to the General Manager
- Monitoring the General Manager’s Performance

To make the best use of our time together on May 25, we ask that before Session Three you:

- Review the worksheet in its entirety.
- Make thorough notes in these pages reflecting your values and 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.

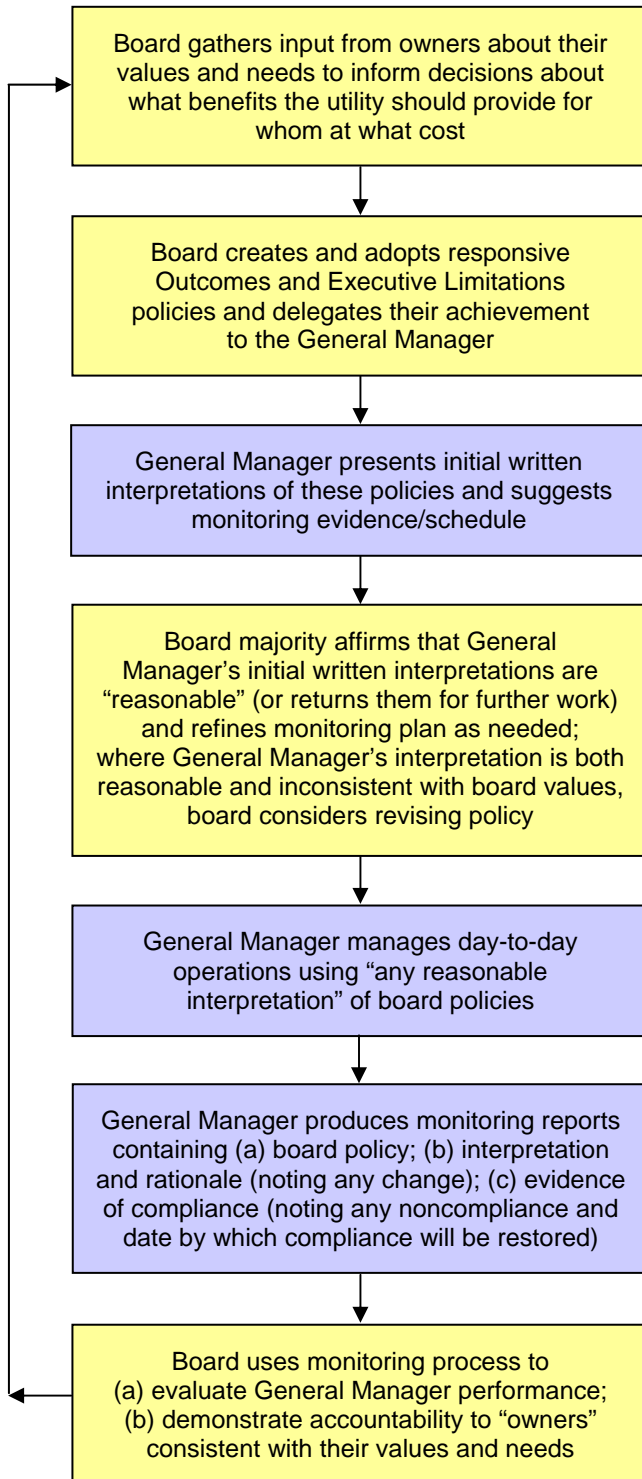
### Looking ahead: Notes about monitoring

If the board chooses to adopt the policies it creates through this series of educational sessions, the General Manager will be accountable to the board from then forward for achievement of its Outcomes (*Ends*) policies and not violating its Executive Limitations (*Means*) policies. Monitoring the General Manager’s achievement of Outcomes and compliance with Executive Limitations, therefore, will be central to the board–General Manager relationship.

This kind of monitoring is as complex as it is important. Boards often need time, patience, learning and experience to develop a system in which they are monitoring enough of the right thing without

creating overwhelm or misunderstanding. The system should provide appropriate and necessary reporting with sufficient and timely information to determine compliance under the General Manager’s “reasonable interpretation” policy feature of Policy Governance.

**Snapshot of Accountability Delegation**



The process of delegating and monitoring accountability for results begins with the board crafting and adopting Executive Limitations and Outcomes policies based on the values and needs of the utility’s owners. A provisional set of these policies will be drafted by the end of Session Five.

Next, the General Manager develops and presents for board approval his initial written interpretation of each policy and the nature and extent of “evidence” he will present on a scheduled basis in monitoring reports. When the majority of the board agrees that these initial interpretations are reasonable, the General Manager has room to move forward. If the board considers an interpretation both reasonable *and* inconsistent with the board’s intention or values, the board may, at its discretion, revise the policy.

The board may adopt or modify the General Manager’s monitoring recommendations, and may choose to supplement the General Manager’s monitoring reports with special reports from independent parties (e.g., financial audits or DNR sanitary surveys) and even direct inspection in those relatively rare instances where the board itself must be involved in gathering needed information. Together these reports become the primary basis by which the board monitors and evaluates the General Manager’s performance and demonstrates accountability to “owners.”

To document monitoring agreements, the board may wish to list the type, source, and frequency of monitoring with each policy in the policy manual. As a complement to formal policy statements, the board also may wish to establish procedural guidelines containing a big-picture monitoring schedule or calendar.

The draft policies contained in this worksheet anticipate this unfolding process.



<b>DRAFT Water Utility Board Policy</b>	
Provisionally Adopted:	Title: <b>Global Board-Executive Delegation Policy</b>
Adopted:	Policy Number: <b>BED - 1</b>
Revision #/Date:	Category: Board-Executive Delegation

Pursuant to Madison General Ordinance 13.01, the Water Utility Board is charged with management and operation of the Madison Water Utility.

All authority and accountability delegated by the Water Utility Board to the staff of the Madison Water Utility shall be delegated through the General Manager.

<b>DRAFT Water Utility Board Policy</b>	
Provisionally Adopted:	Title: <b>Unity of Control</b>
Adopted:	Policy Number: <b>BED - 2A</b>
Revision #/Date:	Category: Board-Executive Delegation

Only decisions of the board acting as a body are binding on the General Manager.

*Ask: Is this language sufficient?*

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

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

- a. Decisions or instructions of individual board members, officers or committees are not binding on the General Manager unless the full board has authorized the exercise of such authority.
- b. The General Manager retains the authority to refuse requests from individual board members or committees for information or assistance made without specific board authorization.

<b>DRAFT Water Utility Board Policy</b>	
Provisionally Adopted:	Title: <b>Accountability of the General Manager</b>
Adopted:	Policy Number: <b>BED - 2B</b>
Revision #/Date:	Category: Board-Executive Delegation

The General Manager is the board’s only link to the utility’s achievement and conduct. Thus, as far as the board is concerned, all authority and accountability of staff is the authority and accountability of the General Manager.

*Ask: Is this language sufficient?*

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

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

- a. Neither the board as a body nor individual board members will give instructions to persons who report directly or indirectly to the General Manager.
- b. The board as a body and individual board members will refrain from evaluating (formally or informally) the overall job performance of any staff other than the General Manager.

<b>DRAFT Water Utility Board Policy</b>	
Provisionally Adopted:	Title: <b>Delegation to the General Manager</b>
Adopted:	Policy Number: <b>BED - 2C</b>
Revision #/Date:	Category: Board-Executive Delegation

The board will instruct the General Manager through written policies which prescribe the organizational Outcomes to be achieved and which describe organizational situations and actions to be avoided, allowing the General Manager to use any reasonable interpretation of these policies.

*Ask: Is this language sufficient?*

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

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

- a. The board will develop policies instructing the General Manager to achieve certain results for certain recipients at specified costs. These policies will be developed systematically from the broadest, most general level to more defined levels, and will be called Outcomes policies.
- b. The board will develop policies that limit the latitude the General Manager may exercise in choosing organizational means. These policies will be developed systematically from the broadest, most general level to more defined levels, and will be called Executive Limitations policies.
- c. Upon receipt of any new or modified board-approved Outcomes policy or Executive Limitations policy, the General Manager will submit his or her initial written interpretation of that policy for board approval.
- d. As long as the General Manager makes any *reasonable interpretation* of the board's Outcomes and Executive Limitations policies, the General Manager is authorized to make all decisions, take all actions, establish all practices, and develop all activities for the successful achievement of the board's Outcomes policies within the boundaries of its Executive Limitations policies.
- e. The board may change its Outcomes and Executive Limitations policies, thereby shifting the boundary between board and General Manager domains. By doing so, the board changes the latitude of choice given to the General Manager, but as long as any particular delegation is in place, the board will respect and support the General Manager's choices.

<b>DRAFT Water Utility Board Policy</b>	
Provisionally Adopted:	Title: <b>Monitoring the General Manager's Performance</b>
Adopted:	Policy Number: <b>BED - 2D</b>
Revision #/Date:	Category: Board-Executive Delegation

Systematic and rigorous monitoring of the General Manager's performance will be based solely on her or his only expected job outputs: the utility's accomplishment of the board's Outcomes policies and operation within the boundaries established by the board's Executive Limitations policies.

*Ask: Is this language sufficient?*

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

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

- a. Monitoring data are simply those data used to determine the degree to which board policies are being met. Other types of data the board may review to develop policy or increase knowledge regarding the utility will not be considered monitoring data.
- b. The board will acquire monitoring data by one or more of three methods:
  - By internal report, in which the General Manager discloses compliance information to the board
  - By external report, in which an external, disinterested third party selected by the board assesses compliance with board policies (includes reports from the City Auditor)
  - By direct board inspection, in which a member or members of the board delegated by formal action of the board assess compliance with appropriate policy criteria
- c. All policies that instruct the General Manager will be monitored at a frequency and by a method chosen by the board. The board can monitor any policy at any time by any method, but will ordinarily depend on a routine schedule. *(This schedule could be detailed further in a procedural guideline.)*

# Provisional Water Utility Board Policy Manual

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<b>Water Utility Board Policy</b>	
Provisionally Adopted: April 27, 2010	Title: <b>Global Board Process Policy</b>
Adopted:	Policy Number: <b>BP - 1</b>
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.

<b>Water Utility Board Policy</b>	
Provisionally Adopted: April 27, 2010	Title: <b>Governing Style</b>
Adopted:	Policy Number: <b>BP - 2A</b>
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 decisions.
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 Delegation 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 Delegation categories.



<b>Water Utility Board Policy</b>	
Provisionally Adopted: April 27, 2010	Title: <b>Board Job Description</b>
Adopted:	Policy Number: <b>BP - 2B</b>
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 Delegation: 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.

<b>Water Utility Board Policy</b>	
Provisionally Adopted: April 27, 2010	Title: <b>Agenda Planning to Achieve Board Outputs</b>
Adopted:	Policy Number: <b>BP - 2C</b>
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.

<b>Water Utility Board Policy</b>	
Provisionally Adopted: April 27, 2010	Title: <b>Board Members' Conduct</b>
Adopted:	Policy Number: <b>BP - 2D</b>
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. When their duty as alders has the potential to conflict with their loyalty to the ownership of the Madison Water Utility, alders will conduct themselves consistent with the section on Alders Serving on the Water Utility Board in the adopted Expectations of Board Members, retained as an attachment to these policies.
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.

<b>Water Utility Board Policy</b>	
Provisionally Adopted: April 27, 2010	Title: <b>President's Role</b>
Adopted:	Policy Number: <b>BP - 2E</b>
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 Delegation 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.

<b>Water Utility Board Policy</b>	
Provisionally Adopted: April 27, 2010	Title: <b>Vice-President's Role</b>
Adopted:	Policy Number: <b>BP - 2F</b>
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.

<b>Water Utility Board Policy</b>	
Provisionally Adopted: April 27, 2010	Title: <b>Secretary's Role</b>
Adopted:	Policy Number: <b>BP - 2G</b>
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.

<b>Water Utility Board Policy</b>	
Provisionally Adopted: April 27, 2010	Title: <b>Board Committee Principles</b>
Adopted:	Policy Number: <b>BP - 2H</b>
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.

<b>Water Utility Board Policy</b>	
Provisionally Adopted: April 27, 2010	Title: <b>Board Committee Structure</b>
Adopted:	Policy Number: <b>BP - 2I</b>
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: April 27, 2010	Title: <b>Governance Capacity</b>
Adopted:	Policy Number: <b>BP - 2J</b>
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.

<b>Water Utility Board Procedural Guideline</b>	
Provisionally Adopted: April 27, 2010	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, up to two seats assigned to alders. As eyes and ears 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.

**FOREWORD BY JOHN CARVER**

**AUTHOR OF BOARDS THAT MAKE A DIFFERENCE**



# **THE POLICY GOVERNANCE FIELDBOOK**

Practical Lessons, Tips, and Tools from  
the Experiences of Real-World Boards

**CAROLINE OLIVER, GENERAL EDITOR**

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# THE PRINCIPLES OF POLICY GOVERNANCE EXPLAINED

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This book is intended for those who already understand the Policy Governance model. The purpose of the following explanation of Policy Governance principles is to refresh that understanding.

## 1. The Trust in Trusteeship

Because board members act as trustees on behalf of a larger group (which is called the “moral ownership”) and because the board is a subset of that group, the board must do the following things: (1) clearly identify who that larger group is and (2) make certain that the organization achieves what that group wants it to achieve. This requires the board to communicate (or link) with its owners.

## 2. The Board Speaks with One Voice or Not at All

Although unanimity is not required, the board’s group decision must be unambiguous, recorded in policy, and upheld by all members of the board as if it had been a decision that each made individually. No member has the authority to speak for the board unless specifically authorized to do so by the whole board. The board’s policies are the board’s voice.

### **3. Board Decisions Should Be Policy Decisions**

Because the board's voice is expressed in its policies, board decision making is always an amendment of, or an addition to, existing policy.

### **4. Boards Should Formulate Policy by Determining the Broadest Values Before Progressing to Narrower Ones**

By "nesting" policies, boards can delegate details and concentrate on why those details matter. For example, instead of deciding that staff members should receive a certain number of vacation days each year, the board could decide that fair and competitive staff treatment is a board value. Board members can then leave it to the chief executive officer (CEO) to interpret their words, or they can go to the next level of specificity:

### **5. A Board Should Define and Delegate Rather Than React and Ratify**

If a board truly chooses to govern, then it must not be led by staff members or by its own committees. The board itself should work incessantly, continually, and obsessively to define the results the organization is to produce (Ends policies) and to define the "acceptable boundaries" (Executive Limitations policies) within which it can delegate the achievement of those results to the CEO. If truly governing, the board should not be simply reacting to and ratifying staff or committee ideas.

### **6. Ends Determination Is the Pivotal Duty of Governance**

On behalf of the moral ownership (which cannot conveniently assemble on a regular basis), the board must paint the target toward which the staff should shoot in terms of the benefits to be produced, the people to be served, and the cost of meeting these goals. There is no greater governance job than this, and it cannot be delegated.

### **7. The Board Can Best Control Staff Means by Limiting, Not Prescribing**

Although boards often try to develop complete "to do" lists for CEOs, for other staff members, or for committees, boards cannot oversee all the detail involved. It is easier, and in fact more complete, for a board to tell the CEO what should be achieved on behalf of the moral ownership (in Ends policies) and then to allow the CEO to use his or her expertise and experience to determine how best to get there within the limits of law, prudence, and ethics (Executive Limitations policies).

### **8. A Board Must Explicitly Design Its Own Products and Processes**

Because the board's governance function is distinct from the staff's management function, the board must determine its own definition of governance and then decide how it will actually govern. All board members should clearly understand why the board exists; the purpose is not to oversee staff but rather to define the future on behalf of the moral ownership and to ensure that that future is achieved in a legal, ethical, and prudent manner.

### **9. A Board Must Form an Empowering and Safe Linkage with Management**

Role clarity means that the board clearly knows its own role and the staff's role and that the staff has a similar understanding. If both understand each other's roles, if these roles do not overlap, and if both parties agree to adhere to these roles, then staff members can function freely yet be fully aware of their limitations. Board members essentially tell staff members, "We will not interfere if you can achieve the Ends without violating Executive Limitations."

### **10. CEO Performance Must Be Monitored Rigorously but Only Against Policy Criteria**

In a fair contest, contestants are only judged if they know the rules. Similarly, in Policy Governance the board judges the staff only according to the board's own rules, and the staff will know those rules because they have been stated in policies.

These principles have been abridged from *CarverGuide 1: Basic Principles of Policy Governance*. See Resource C, "Further Reading and Resources," for details.