



Madison Water Utility Board Governance System Review

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Overview

Our overall assessment of your governance system and its implementation is that you have made great progress but that you also have several areas to consider for improvement. Every board using this system of governance (Carver Policy Governance[®]) is on an evolutionary path and all of them have areas where improvement could be made. The goal is to always get better in seeking excellence.

The review began with a pre-review survey to understand how you all assessed your progress, Next we looked at your Policy Manual, minutes from three Board meetings, a sampling of Monitoring Reports and a casual viewing of two of your Board meetings as recorded on video, all of which were observed in light of current best practice standards.

In general, it appears that you are well on your way. Minutes indicate that you are covering the important job processes at least at some level. The Manual shows a standard form overall but has several policies with weaknesses. The Monitoring Reports range from perfectly completed to not quite meeting the most recent level of expectations within the PG community. Your meetings appeared consistent with most, though strategic dialog was less evident than expected.

Below you will find more detail about what was found in each area looked at.

In addition, some time after you have a chance to review this report you will also receive a copy of your Policy Manual with comments that both point out the weaknesses in some policies and illustrate possible approaches which would correct them.

Survey Results

Thank you for helping us to understand not only how the structural pieces of the system stand but also how you are each experiencing it.

In general, pretty much everyone thought that the meetings were efficient and relatively effective. Concerning the system of governance the responses were varied. Some love it. Some find it good but confusing. Some see little positive value, and possibly even drawbacks, from its use. Of the three the majority fell into one of or both of the first two camps.

The responses help us to set a context for reviewing your system, particularly the meetings. Summarized themes and rephrased comments are listed below (in many cases the themes captured did not represent a majority but seemed important to include in the assessment):

What works well for the Board now?

- Meeting organization: the are efficient and well organized
- Clear roles: everyone respects, or tries to, the different roles
- Engagement: everyone here is actively engaged in the work
- Group Process: work well together, respect each other and their opinions, but willing to "call" someone on a point if needed (have the trust and commitment to enable this)

What could stand improvement in the work of the Board?

- Too much process: seems like always working on the process, limits time for dealing with impact, seems artificial
- Practice: need to gain skills and experience, staying disciplined to stay in defined roles and focuses
- Fiduciary: need to ensure all areas of concern about methods and outcomes defined in policies delegated to CEO
- More time on the big stuff: get caught in weeds, need to raise our view

What concerns do you have about your governing system?

- Public perception: can't see it as "hands off", need transparency and not sure this allows enough, keeps board members removed from citizens
- Language: lots of jargon, vocabulary is weird and hard to get used to
- More hands on in operational detail: should be more involved

What part of your governance system is difficult for you to understand?

- Ownership linkage: 3 people
- Policy development: 2 people
- Monitoring, Board deliberation: each with 1 person
- Other: don't know how to deliberate in this model, understand the model just question if it is relevant: 1 person

Background for Policy Manual Review

Given the survey results it would appear that hearing more about how Policy Governance works will be less than welcome for some. Instead, let me share a few of the reasons why how you do it is important.

It Enables both Control and Empowerment

By its design and its demands it gives the Board a tool that allows it to actively determine what it needs to say to maintain safe control and what to delegate to increase empowerment of Management. The two together can lead to both safety and leveraged results. By increasing empowerment the Board provides the GM with more flexibility and speed in responding to their directions while also dealing with external dynamics.

Clear Who Holds the Authority and Accountability for What

Due to defined roles and focuses, a policy development process that is organized and hierarchical and direction only coming in the form of written policy, there is a clear distinction between what authority the Board retains and what it delegates to its employee the GM. This ensures the accountability of the GM accountability. The system makes it clear who can make the decisions and, because they can, who is accountable for the results of those decisions. The Board retains the authority to change that delegation at any time but honors the delegation while in place

The work you have defined for the Board is policy development, performance assurance and owner value gathering. When you encounter an issue that is in the area delegated to the GM you can certainly listen, then discuss as a group if there are any implications for your policies and, if so, make those changes. The Board works at the broad level and only directs through policy. If the Board or one of its members is uncomfortable with the decisions being made or how a consumer was treated, and they can convince their colleagues that this is so, the Board as whole can make that change, reflecting their newly determined values. The Board fixes the design of the system rather than trying to fix a problem and can so ensure that all future and related problems are also addressed going forward.

Putting Unacceptable GM Means off Limits through Proscription

There are many cases where you say "will" and "will not" as equivalent. But for some types of topics, especially those which are more esoteric or philosophical, the proscriptive method of adding constraints is more effective. In addition, most Execs will tell you that the combination of knowing in advance what would be acceptable and being granted any reasonable interpretation has at least a psychologically positive impact.

Board Only Saying as Much as It Needs To

Every decision area the Board denies the GM is one more area in which the GM is no longer accountable. That is why the Board strives to stay away from Management advice or requirements to do things in a particular way. By naming the criteria for successful compliance and by focusing on "what do we want to avoid" versus "how should it be avoided" the Board can continue to hold the GM responsible for the actual results.

The system provides a framework for strategic decision making which retains accountability for results. It reinforces the system with specifically defined roles and processes. And it combats the human tendency to be less than particular by incorporating expectations and processes that lead to self corrections.

Please realize that you do have many good things going on. The position I took in assessing your current state was one of a "purist", making comments based on current best practice, all the while recognizing that all boards using this system are somewhere short of the end of the same growth curve.

Policy Manual Review

In general the structure of the Policy Manual is standard. However some of the Policies either use a structure or address a topic that is not. You will receive from us a set of direct comments on your Policy Manual with illustrations of how they might be improved. Below are a list of the common weaknesses:

- Using the "shall not" and "fail" language which used to be common but which is now understood as a "back door prescription". In essence the double negative means that the GM *must*, and does not really proscribe. We would recommend a rewrite and can provide several examples.

- The Outcomes Policies are about three related components. Definitions of what needs to change (benefits), who is to be intentionally targeted to experience that change (recipients) and a standard which will allow the Board to know that the amount and priority of change is a good exchange for the resources actually used to achieve them. This type of cost does not seem to be covered in your Policy O1.
- Several policies have limited criteria about what the Board really values and expects but instead names some activity instead (have a process). The purpose of the policy is to name the value in language that creates measurable criteria (does it or doesn't it) as to what that value should be or do.
- Several policies have elements within them which may not be related to the broader topic above.
- Some policies have language which does not seem to be relevant to the topic or which does not use concise, criteria developing definitions of expectations.

Most of these weaknesses appear in the Executive Limitations and may be there because the Board is very concerned about that policy's topic. If so, concern is better addressed in adjusting the Monitoring Schedule to include more frequent or more external reporting and to ensure that the policy itself is as concise and broad as possible within the Board's value system.

Meeting Video Review

Much of what was viewed on the video aligns with comments on the agenda and in the survey.

- Meetings are efficient and effective.
- Board members interact with respect.
- Monitoring questions, and so likely assessment, jumps beyond interpretation, measurement and data with many questions being operational in nature rather than policy focused. In other words, the questions and discussion often range into how it is being done rather than whether or not it meets policy expectations. The Board has defined its criteria in its policy and delegated it. Monitoring is to ensure that those criteria, as reasonably interpreted, are being met. Rather than trying to fix or assist management, the Board requires and judges evidence that the way it is being done meets its expectations as delegated in policy. It is best to remind yourselves that you have committed to stating what you want and then allowing the GM to figure out how to get it. Meandering over that line can undermine the accountability of the GM in that the Board has now offered suggestions of how to do it and, if the GM follows them they are pretty much off the hook if they don't work. Instead, if you have concerns about how the job is being done you should discuss with the Board whether policy expectations are being violated or left unmet or, if the criteria are being met, whether you have overlooked some important concern that should be added to your policy.

- Large amounts of Board Meeting time are being spent on education of items that are largely operational (for example, nearly 50 minutes on the Eastside Project) and not related to possible policy issues (like Executive Limitations or Outcomes implications). If the information is strategically valuable, well and good. But if the Board's work is policy development and assurance (and owner linkage) the discussion of what you have learned should draw you back to those jobs. Does this indicate any violation of policy? Does this imply any need for developing new policy? Does this indicate an area where we may not fully understand owner values and need to gather their perspectives? The information you need for that might be much more condensed than what you are getting and cutting down on presentation time could open up the time for dialog on its implications.

Minutes Review Examples

Observed in Multiple Meetings

- Motions to accept Monitoring Report are too passive. Accepting sounds as if you just note they were given and will receive them without assessment. The Board, in its fiduciary, should be assessing the report to determine if the interpretation is reasonable, if the system of measuring compliance would provide valid information and if the actual data shows compliance as defined by the GM. What is better is if the Board formally note this in its motion and minutes to document its active assessment of compliance. An example of this two part motion would be "The Board finds the interpretation reasonable and the data sufficient to show compliance". That assumes both of these are true and that the Board has actually assessed the reasonableness and sufficiency. An honest system requires that there are no passes. If either of these are deemed not present then the motion should include those flaws ("Their interpretation was found to not be reasonable" and/or "the data was found not sufficient to show compliance"). This is a good way to document the active nature of your fiduciary.
- Based on your Policy, the Board focuses on owner perspectives and delegates consumer perspectives, as long as they are within the Board's Executive Limitation, to the GM. Public comments tend to (as with most municipal and public owned boards) lean towards the consumer's viewpoint rather than the owners. Consumers comments are largely about their dissatisfaction with their service or the transaction. This is the GM's responsibility. Hearing this information is okay but the Board must steel itself to avoid taking up consumer issues unless, in aggregate, comments indicate a violation of, or the need to develop, policy (in these two cases the Board would take action to either monitor for the violation or to develop appropriate policy). There is nothing wrong with listening to speakers but instead of trying to fix their problem the Board's role is to determine if the system they have designed to guide such actions is flawed or not being followed. In the former, they need to develop policy. In the latter they need to double check their monitoring. The Board works at the broad system level, not the individual case.
- It appears that the Board remains involved in some of what might typically be considered Operational Means (e.g. Site Plan Approval).). Where this is a function of the Board's role by City ordinance, but the board would like to act on the recommendation of the GM, it could appear on the Consent Agenda (now referred to as the "Required Approvals Agenda" to be clear as to its purpose). If it is the Board's authority then that should be noted as such in the Board Job Description Policy BP 2-C so that the holder of authority and accountability are clear.

- Many of the Board education topics appear to be more operationally oriented? It seems to be at the level of detail needed for execution and taking actions and the Board might be able to do with a much larger and broader picture to determine its strategic and policy importance.
- It is difficult to tell from the Executive Minutes but there appear to be few strategic dialogs recorded. In your governance system (because in it roles, processes and values are clearly defined in written policies) administrative tasks of the Board can be streamlined. That will hopefully open up space for more strategic discussions like "what will we need to be in the future" and "how is our world changing and what impact will that have in our Outcomes" and "What have we learned from our owners?"

From April 24

BP2-K

Good: Ownership Linkage policy, looks detailed but describes an appropriate process with the exception perhaps of specifically seeking information that may impact Board Outcomes Policies.

Improve: 3 years may be okay for a big survey but the annual work in between seems somewhat limited (how do these contacts give the Board an idea of overall ownership values or priorities? Are they somehow designed to target different populations? What voices will still be missed?). Information gathering as described (what good for whom at what value) but usually linkages are to help the Board understand some particular question or gain some particular knowledge they need, not just "how we doing". The plan as written may be intended this way but that is not clear in the policy.

From May 22

The proposed decision tree looks like a good tool to help the Board process its work and remind itself of its role.

Monitoring Report Review Examples

From June 26

O2-D Affordable water

Good: Concise, no need to set standard as board did,

Improve: Could add more detail as to exactly how the measurement was derived (avg. water bill) and set a standard of compliance BUT did meet board's standard and provided the data that could have given the board confidence that it was true and in compliance

EL2-C Financial Planning and Budgeting

Good: Talks about why planning is good, states that does it, mostly statements rather than interpretation or evidence, does not address compliance with EL2-D, provides the budget for the Board to see

Improve: Specifically how know the planning matches board priorities, set a standard of what it means to a. be aligned with board Outcomes and b. not conflict with EL2-D criteria, way to measure whether planning meets the standards for each

EL2-E Emergency Succession

Good: Outlines how the criteria will be met, what they mean, describes process following to ensure

Improve: Way to measure whether or not they could actually carry on, whether the standard is that any one of them could carry on or that all of them as a team could, specific evidence that the measurement was showing that they could indeed carry on

From May 22

O2-D

Good: Discusses activities undertaking to achieve compliance

Improve: More detailed "operational definition" (this is how I make further choices to an extent that it can be put into action, this is how I will measure whether it is working or not, and this is the data that shows that it is or isn't). Board is receiving some evidence that it is working but much of it is about the actions and not the results.

From April 24

EL2-A

Good: Talks about importance and some of the dynamics due to being a public utility, lists several actions taken

Improve: provide an interpretation of a. what specifically that means from a consumer's eyes, b. how the effectiveness of any actions would be measured (what is the result to be achieved) and c. providing data showing that the actions were indeed being effective as defined

Implications for Further Board Development

The Board is functioning well and is implementing the system. There are however several areas in which further study and practice would likely yield important gains:

- Policy Development process and format. This could aid both in the current policies with weaknesses as well as help the Board to address new issues in a policy fashion.
- Monitoring Reports and process. To meet new levels of accountability boards are finding that the process needs to be much more evaluative which requires a more active and specific process. Learning and implementing how to do this leads to a higher level of Board understanding, GM accountability, a stronger fulfillment of fiduciary, a more informed Board at the right level and the need for fewer questions about how things are being done rather than are they being done.
- Board Agenda content and process. Ideally the administrative functions are streamlined which allows the Board to spend more time on strategic issues and dialog. A goal for many Boards is to have at least something near 50% of their meeting is spent on either Outcomes education and deliberation or Ownership Linkage.

- Ownership Linkage goals. While the open ended two-way communication is a good start having specific purposes for connecting would enhance the Board's value in the information gained. For example, is there a new element in the community whose needs might be different? If so you might bring some of them in to understand them. Or perhaps the Board might have a question about the priority of its defined Outcomes. Which is more important (if one is), drinking water quality or fire protection water volume? If you learned that there is a priority you could incorporate that into your Outcomes Policies.