

ESTABLISHING AN EFFECTIVE WATER UTILITY BOARD

The Facilitator's Perspective

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The Board President's Perspective

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The General Manager's Perspective

Tom Heikkinen
General Manager
Madison Water Utility



THREE PERSPECTIVES

Facilitators	Board President	General Manager
<p>A.B. Orlik Facilitator/Consultant Writing Barefoot, LLC <i>Reclaiming grace and ease for people and organizations doing good work in the world</i></p> <p>Don E. Percy Principal The Bardish Group <i>Policy Governance expertise in public and private sectors</i></p>	<p>Greg Harrington Professor Department of Civil and Environmental Engineering, University of Wisconsin–Madison <i>Board President since 2009</i> <i>Board Member since 2000</i></p>	<p>Tom Heikkinen General Manager Madison Water Utility (Madison, Wisconsin) <i>General Manager since 2008</i></p>

WATER UTILITY GOVERNANCE STRUCTURES

- Independent Commission/Authority
- Part of Public Works Dept. (no board)
- Investor-owned
- City agency
 - Council/Mayoral oversight
 - Board and Council/Mayoral oversight

MADISON'S WATER UTILITY BOARD

- Consists of 7 members
- All appointed by the mayor
- Members serve staggered 5-year terms
- Includes two Alders from City Council
- Board President may not vote except to break tie
- All authority delegated to utility staff is through the General Manager

THE BIG PICTURE



RETREAT DISCOVERIES

The board is...	The board is not...	The board could/should be...
<ul style="list-style-type: none">▪ Committed▪ Knowledgeable▪ Diverse▪ Responsible	<ul style="list-style-type: none">▪ Management▪ Unified▪ Confident▪ Efficient▪ Strategic▪ Trusted	<ul style="list-style-type: none">▪ Visionary▪ Holder of common values▪ Acting as a body

STAFF REFLECTIONS

Gave appearance of a divided board—not sending a clear message to the General Manager

Board members seemed to meet with or communicate with each other outside of the meetings

Considerable time and effort are invested to provide information to the board—at their request—but information is not read or utilized

A HOLISTIC MODEL THAT FITS

■ Core principles

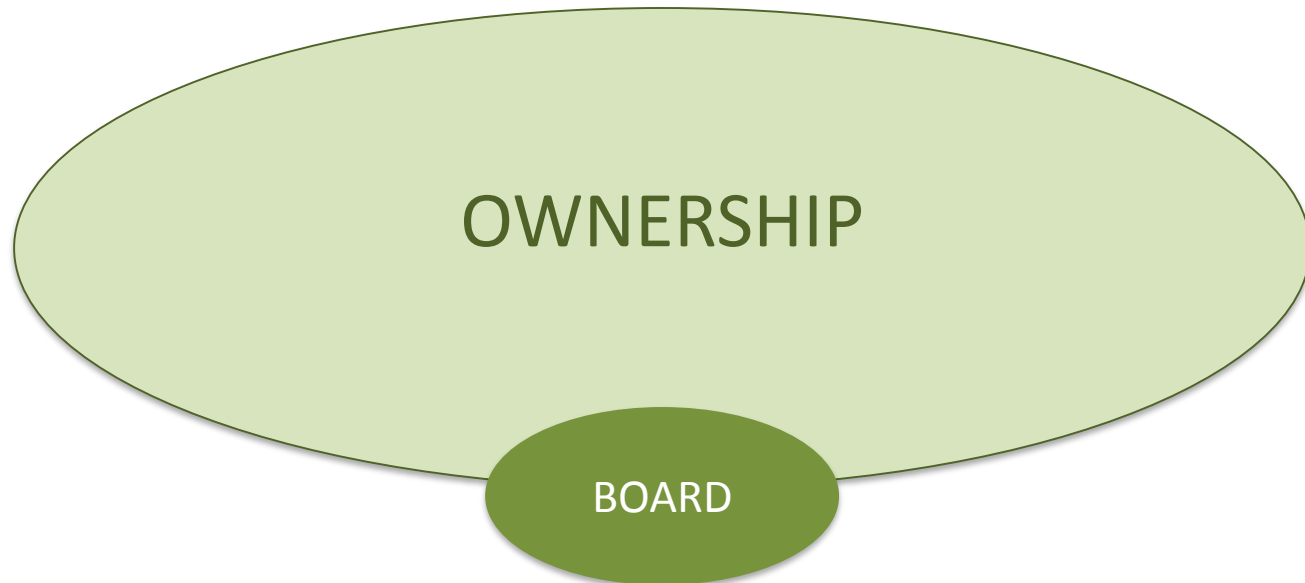
- Governance is the downward extension of ownership, not an upward extension of management
- On behalf of some ownership, the board sees to it that the organization achieves what it should and avoids what is unacceptable*

■ In practice

- Board specifies results and boundaries around “how”
- Leaves rest of “how” to staff expertise
- With less board interference, results are easier, less expensive to produce
- Maximizes flexibility, creativity, innovation, agility

* Policy Governance principles and practices used here borrow from and build on the work of John Carver, Miriam Carver, and other exceptional practitioners.

CHAIN OF COMMAND



To the board, *officially* the CEO/GM is the entire operational organization.
To the CEO/GM, *officially* the board is the ownership in microcosm.



FOUR POLICY TYPES

BOARD DIRECTIVES TO ITSELF

BOARD PROCESS

How the board links with owners, sets policy, assures its performance

BOARD DIRECTIVES TO STAFF

OUTCOMES

What benefit for whom at what cost or relative priority

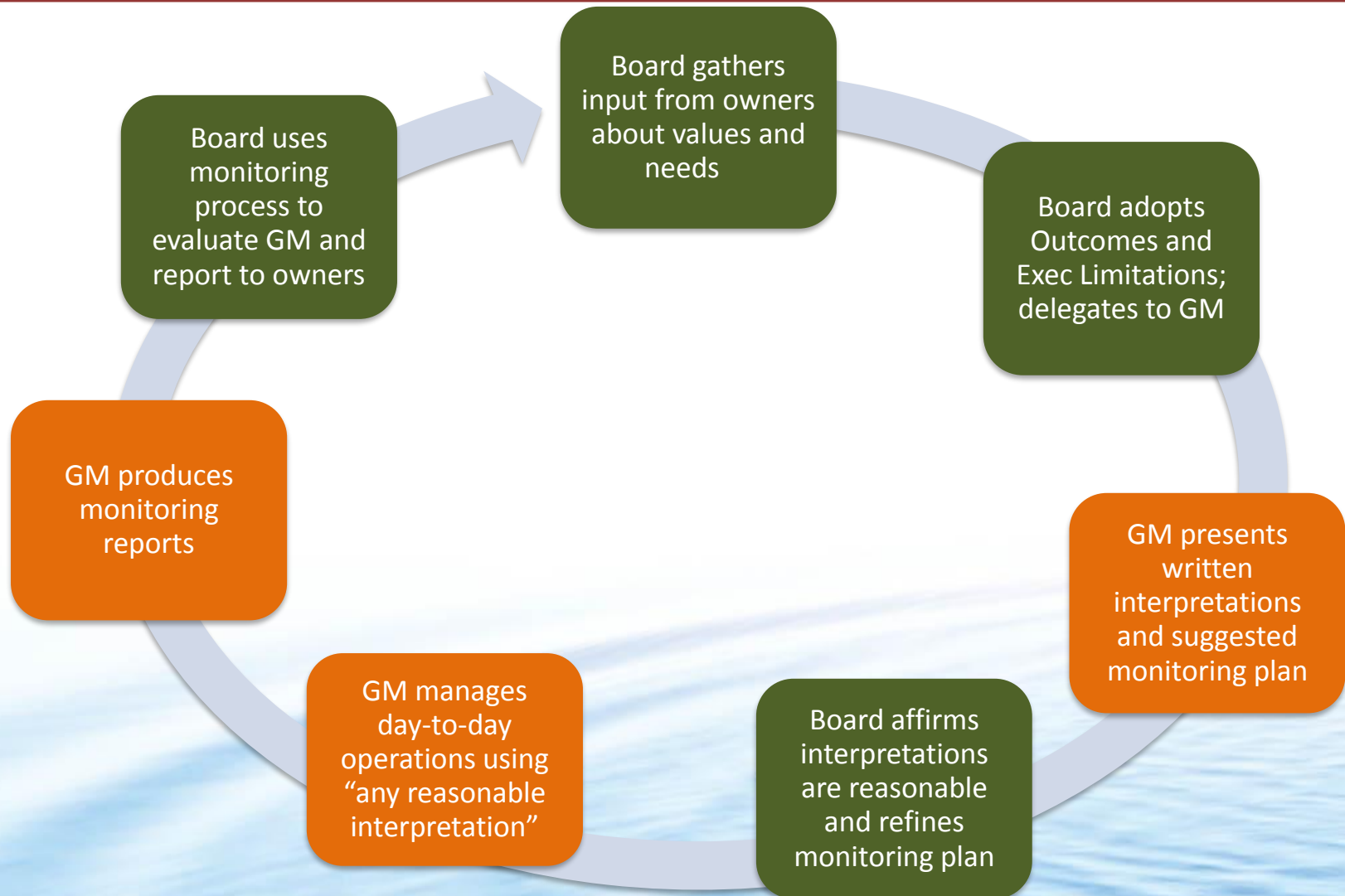
BOARD-EXECUTIVE DELEGATION

How the board delegates to and evaluates the General Manager

EXECUTIVE LIMITATIONS

Unacceptable means (what not to do, even if it would work)

DELEGATION SNAPSHOT



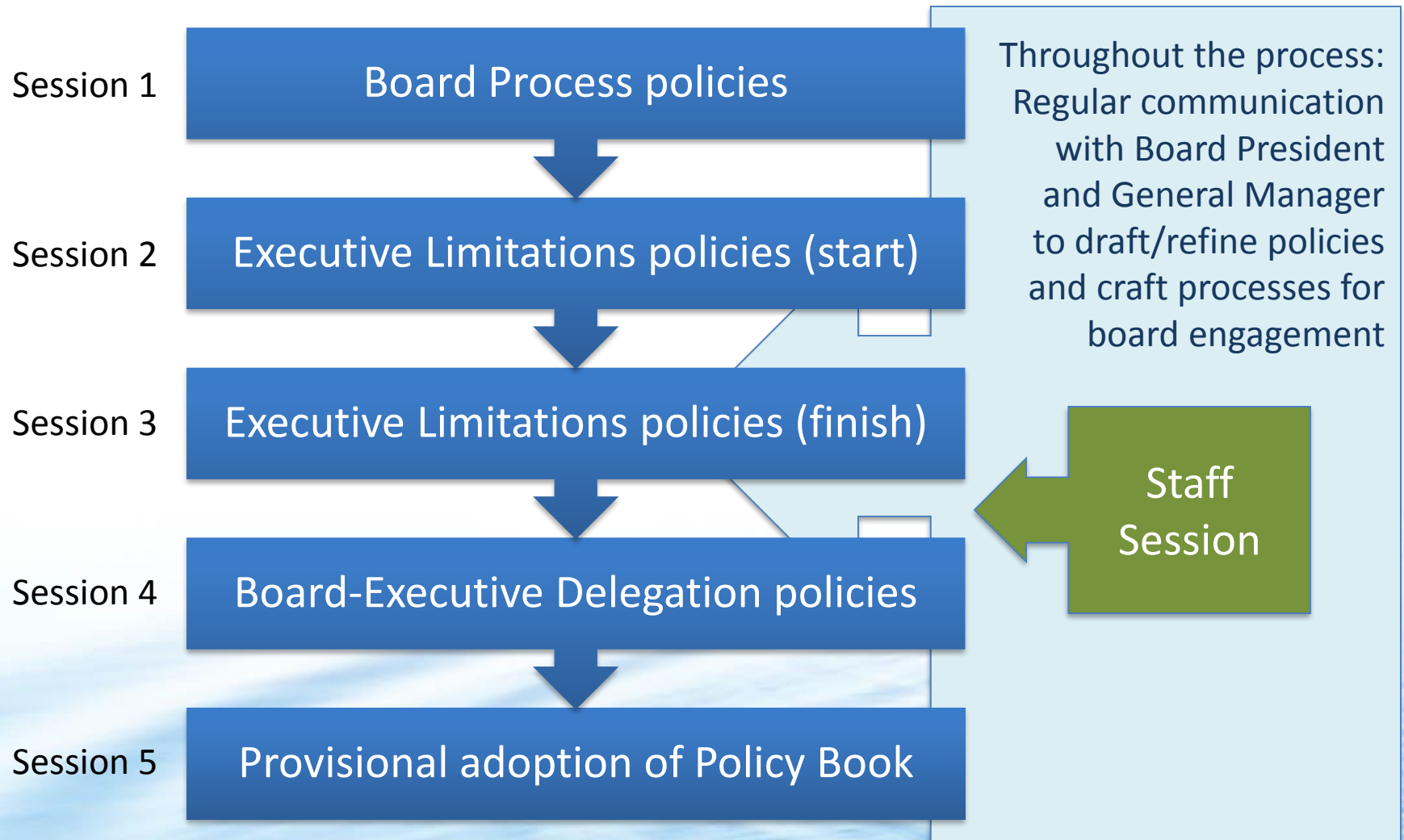
BOARD ROLE

- Systematically engage with owners
 - Understand their diverse values and needs
 - Define success from their perspective
- Establish and refine four types of policies to define success and delegate accomplishment
 - Two types direct board actions; two direct staff actions
 - Not all issues are board issues
- Rigorously monitor performance
 - Of both board and General Manager

GENERAL MANAGER ROLE

- Achieve Outcomes
 - This benefit for these people at this cost or relative priority
- Avoid situations/circumstances in Executive Limitations
 - Considered by the board to be unacceptable, even if they would work
- Provide monitoring data to support board evaluation
 - Were Outcomes achieved?
 - Were Executive Limitations avoided?

MADISON: PHASE ONE



BOARD COMMITMENTS

We will GIVE UP	We will BUILD
<ul style="list-style-type: none">▪ Suspicion▪ Fear of looking dumb▪ Chaos, randomness▪ Winging it at meetings▪ Conflict aversion▪ Waiting for staff to generate ideas▪ Comfort of following▪ Being an executive body▪ Saying (and believing) that our lack of authority is limiting	<ul style="list-style-type: none">▪ Discipline▪ Public credibility▪ Capacity to act as a group▪ Preparation consistent with level of thinking required▪ Propose new ideas; be innovative▪ Deal constructively with conflict▪ Courage to lead▪ Being a legislative body▪ Staying power through change▪ We can make a difference▪ Allowing Policy Governance to work

BOARD REFLECTIONS

We can spend more time representing citizens' interests and less time approving data, reports and routine stuff.

We can let employees think more creatively when they're not putting together mega-reports.

The public is asking/demanding that we find ways for government services to be more innovative. This frees the board and staff to do that broader thinking.

BOARD LAST WORDS

invigorated

forward

dashboard

progress

encouraged

focused

STAFF LAST WORDS

optimistic

curious

promising

trusting

encouraged

relieved

THE BOARD PRESIDENT'S PERSPECTIVE



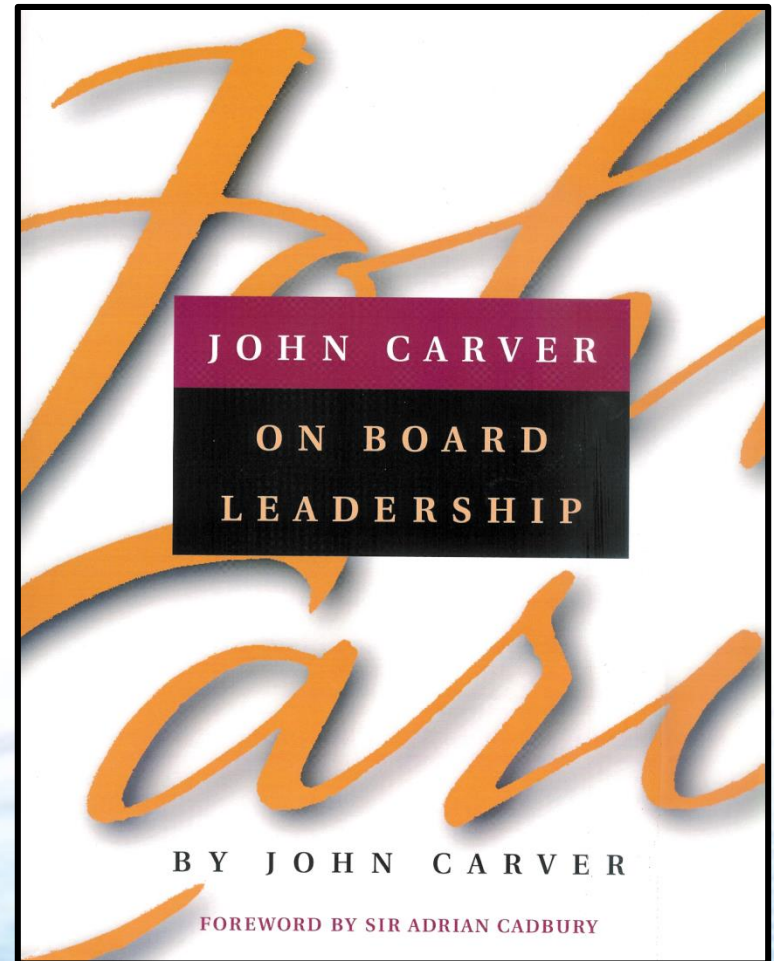
WHY WE CHOOSE TO GOVERN THIS WAY

- Need some historical perspective
- Photo at right describes what I encountered at my first board meeting in October 2000
- Ordinance:
 - Board responsible for management & operation
 - Board delegates management & operation to a general manager
 - What does the board do?



AN APPROPRIATE DESCRIPTION OF OUR BOARD BEFORE 2010

- “Typically, all workers in an organization are clearer about their jobs than is the board that governs their work.”



UTILITY IN CRISIS MODE

- Loss of public confidence occurred in 2005
 - Began as a relatively simple water quality issue that became a customer service issue and, ultimately, a massive public relations issue
- General manager suggested the problem was a communication issue, nothing else was wrong
 - No convincing data to support this, so many in the public assumed everything that could be wrong was wrong
- Board had no documented expectations for the general manager
 - Probably one reason why the general manager had no data
 - Some members of the public accused the board of not doing what a board was supposed to do – provide oversight
 - The word “oversight” was thought of as “audit” and/or “micromanage” rather than “govern”
- Three years later, general manager lost his job

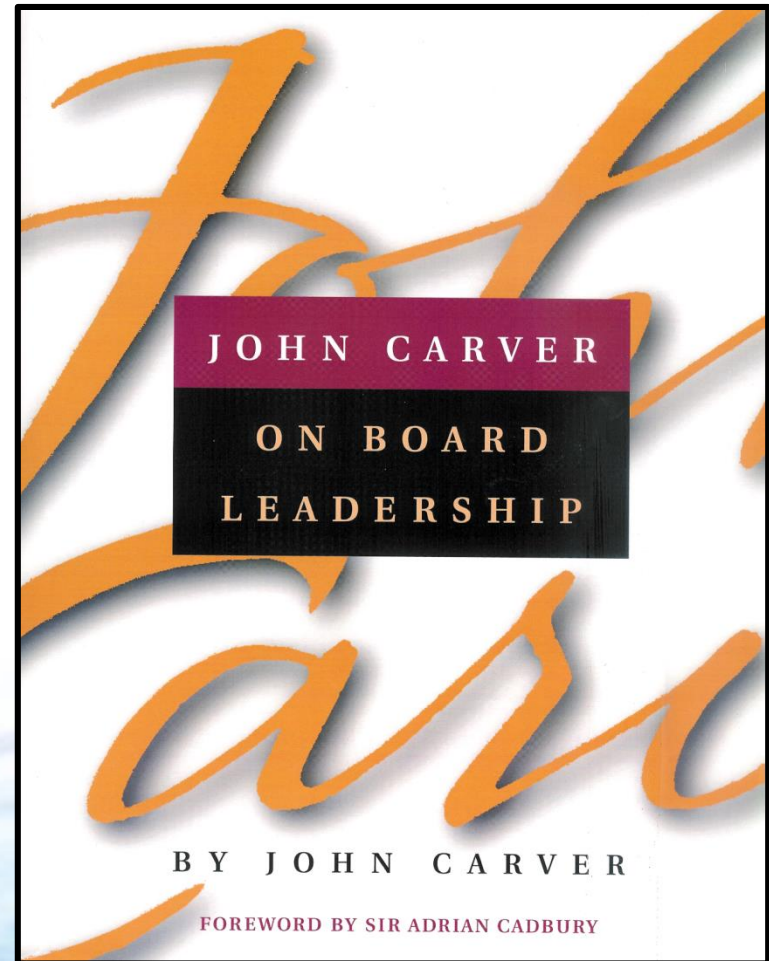
STARTING OVER

- New general manager hired in August 2008
 - More than one year of frustration, trying to figure out what the board wanted
- New board president in October 2009
- Began to ask if the board was a part of the problem
- Why not structure board vision around Water EUM?
 - Big picture
 - Set expectations
 - Develop database
 - Do some benchmarking



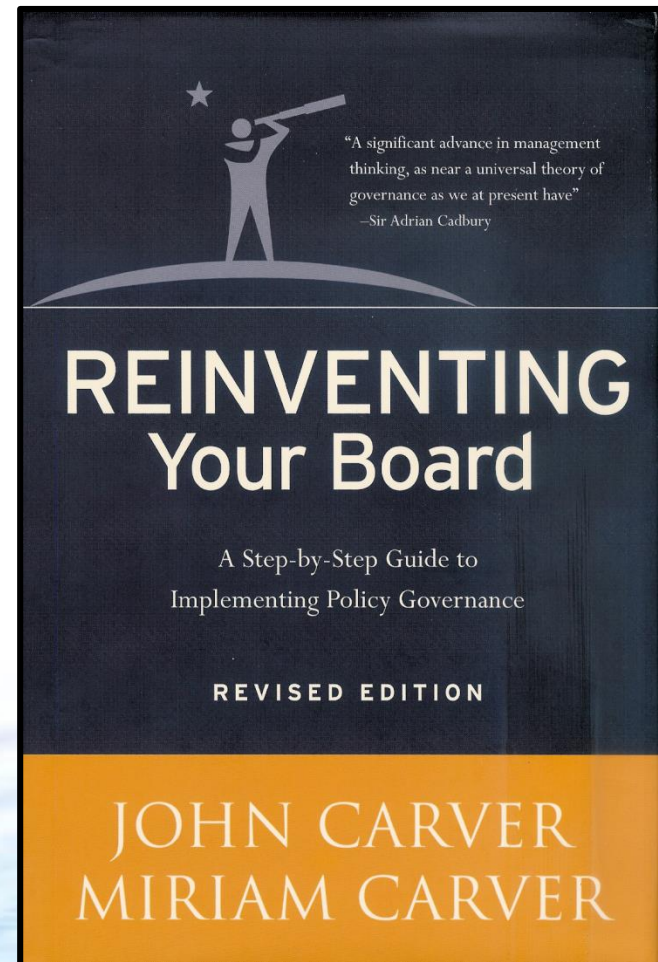
WATER EUM IS THE MANAGER'S JOB, GOVERNANCE IS THE BOARD'S JOB

- “A board ordinarily does not do the work of the organization, it governs what that work will be.”
- Water EUM provides guidance for water utility managers
- No Water EUG to guide those who govern water utilities
- Elected to pursue guidance offered by John Carver and his coworkers

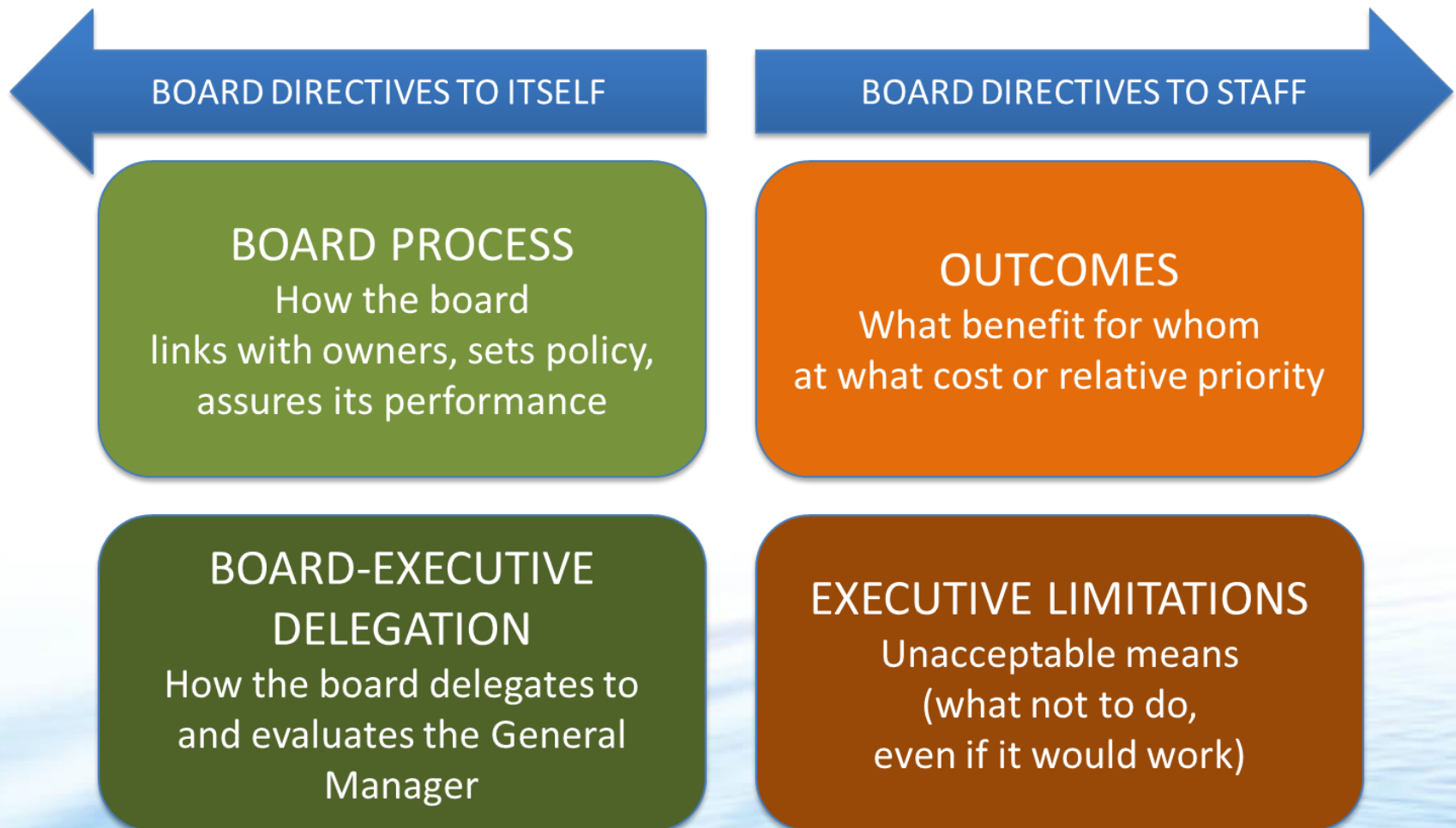


MAKING THE CHANGE

- Made commitment to change
 - Understood that this would ultimately take up to 3 years
 - Facilitated sessions until August 2010
- Left the nest
 - 4 months of effort
 - Reality check in 5th month
 - 2 more months of effort
- Complete set of policies in March 2011
 - Total of 16 months



WHAT IT'S BEEN LIKE



WE STILL HAVE WORK TO DO

- We have just begun to:
 - Rigorously monitor performance
 - Board
 - General Manager (Tom will cover this)
 - Systematically educate board members about the larger picture
 - Placing utility performance in context of peer utilities
- We have to determine how to:
 - Systematically engage with owners
 - Understand their diverse values and needs
 - Define success from their perspective
- As noted earlier, full implementation expected to take 3 years

CHALLENGES ARE AHEAD

- It's not just about manager behavior and performance, it's also about board behavior and performance
 - Board should speak with one voice, but allow individuals to express dissension
 - Board should work for the entire ownership, not for parts of the ownership
- How is board held accountable for it's own actions?

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Is bacteria in Well 8 drinking water safe?

By Dan Melton

City drinking water Well 8 is at Olbrich sledding hill. The last few years, the city has run Well 8 in July and August only, to help meet summer water demands. Well 8 is kept shut off the rest of the year. The water pumped has historically tested safe but it does not meet the Environmental Protection Agency's recommendation for the amount of iron in drinking water.

In 2009 Andrew Jacque, Ph.D., an assistant professor in the University of Wisconsin-Platteville Department of Civil and Environmental Engineering, completed an investigation of the water pumped from Well 8. Under a microscope, Jacque observed a large population of soil-related bacteria in the water at all pumping times, even after aggressive treatment of the well. The bacilli-like organisms were found in water pumped from the well even after it

had run for 24 hours straight.

The water from Well 8 has tested safe according to established standards; however, nobody knows what the microbes in the water are or why they are there, or if any health effects can be associated with them. Some suspect the well is drawing in water from nearby Lake Monona, although that's not been proven for certain.

After completing his study in 2009, Jacque recommends Well 8 should not be used for drinking water purposes until a treatment system is added to remove the iron and bacilli-like organisms. Last summer the city chose to run Well 8 anyway – without a filter.

To urge the city to run Well 8 this summer only if they put a filter on it, contact Alderwoman Marsha Rummel to let her know. ●

ANOTHER EXAMPLE

- Board members are supposed to look upward and outward
- Board members are not supposed to look downward and inward
- This example shows a \$6k line item in a \$45M budget

Hi Greg.

Please confirm none of the three of you are using customer (water bill revenue) money for any aspect of this trip, including:

Transportation

Accommodation

Meals

Printing-Copying-Prep of Materials

AWWA ACE11 Washington D.C. Wed June 15
Strategies for Developing Effective Utility Governance and Management
2:00 The Facilitator's Perspective
2:30 The General Manager's Perspective
3:00 The Board President's Perspective

FINAL THOUGHTS

- Changing board culture takes significant effort
 - Need a group of believers on the board, not just a single one
 - Need lots of patience
 - Takes time to implement
 - Not all board members will “get it right” the first time
- For first time in my 10+ years on the board, I feel we have a system in place to ensure:
 - Accountability of the board to its owners and itself
 - Accountability of the manager to the board
 - Demonstration of where the utility is effective and where it isn't

THE GENERAL MANAGER'S PERSPECTIVE



WHY POLICY GOVERNANCE?

■ Board challenges

- Being truly effective, not rubber stamping routine reports
- Assuring the utility achieves the appropriate outcomes without micromanaging staff
- Connecting, or linking, with the “ownership”

■ Staff challenges

- Dealing with ad hoc board inquiries
- Educating the board
- Addressing board member conduct

THE BOTTOM LINE

- An effective board provides the environment in which a General Manager...
 - Has the flexibility, creativity, and authority to establish the means by which to achieve board-established ends
 - Is supported, not undermined
 - Is fairly evaluated
 - Obtains maximum job satisfaction by freely applying his/her education, experience, and expertise to achieve success

HOW'S IT WORKING OUT?

- Initial staff reaction
 - Huh?
 - Perceived loss of status
 - Training session
- Policy development
 - Solid foundation established August 2010
 - Policy Book available at <http://www.cityofmadison.com/Water/boards.cfm>
- Implementation of Annual Calendar
 - Began formal monitoring April 2010

HOW'S IT WORKING OUT?

SAMPLE Internal Monitoring Report

Policy #: EL-2B Treatment of Staff

Date:

I certify that the following information is true.

Signed _____, General Manager

Policy Language:

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.
3. Fail to promote activities that enhance the organizational climate.
4. Discourage staff members from communicating with the board at a scheduled board meeting.

CEO's interpretation and its justification:

Data directly addressing the CEO'S interpretation:

FROM EMPLOYEE STEERING TEAM CHARTER

Madison Water Utility strives to create a culture of continuous improvement where all employees are able to make contribution to the direction of the organization within a context of accountability.

The Steering Team is not an alternative management structure, but rather a vehicle for employees to communicate, innovate, and collaborate with Management on a variety of strategic and tactical improvement initiatives.

The Team consists of a cross-functional representation of utility staff and includes both supervisory and non-supervisory personnel.

A very important aspect of the Steering Team is that it provides opportunities for employees to grow and develop organizational and leadership skills.

HOW'S IT WORKING OUT?

- Initial interpretation of EL – 2B Treatment of Staff delegated fulfillment to the Steering Team
- Aligns with the Team's role
- Leverages existing processes
 - Employee Engagement and Internal Communication Surveys
 - Quarterly All-Employee Meetings
 - Annual employee input to strategic plan
- Builds awareness and engagement
- Leadership opportunity

ON LINKING WITH OWNERS

- Madison culture of civic engagement
- MWU Public Participation Process for facilities
- Citizen Advisory Panels
- Tie-in to “ownership linkage”
- Board challenge
 - Considering the input of active community voices when acting on behalf of the entire city

WHAT LIES AHEAD?

- Ongoing monitoring
- Board education
- Policy refinement
- Outcomes/Ends development with *Effective Utility Management* (www.watereum.org) as a critical resource



American Water Works
Association



ASSOCIATION OF
METROPOLITAN
WATER AGENCIES



WORKING WITH THE EUM's TEN ATTRIBUTES

