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METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

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May 28, 1998

To: Board of Directors
From: Chairman of the Board
Subject: Summary of Board of Directors' Governance Workshop
Conducted on May 26, 1998

REPORT

On May 26th, a workshop was conducted by Mr. John Carver as a continuation of the Board's discussions of possible changes in Governance. This workshop focused on the actual drafting of Executive Limitations policies which apply to the Chief Executive Officer (CEO), Governance Process policies which apply to the Board of Directors, and Board-CEO Linkage policies which apply to both the Board of Directors and CEO. A total of 34 Board Members participated.

Mr. Carver began the workshop by briefly summarizing the theory and principles of Carver Model, including ENDS policies, operational MEANS, Board Governance, and Board-CEO Linkages. After a "Blitz" development session, a total of seven Executive Limitations policies were drafted. They included: Global Executive Constraint, Treatment of Member Agencies, Treatment of Employees, Financial Planning/Budgeting, Financial Condition and Activities, Emergency CEO Succession, and Asset Protection. A total of five Governance Process policies were also drafted. They included: Global Governance Commitment, Governing Style, Board Job Description, Agenda Planning, Chairperson's Role, and Board Committee Principles. A total of four Board-CEO Linkage policies were drafted. They included: Global Governance-Management Connection, Unity of Control, Accountability of the CEO, and Delegation to the CEO. A strike out copy of the draft policies is attached for your reference. Other possible policies were skipped due to time constraints and priority considerations. No ENDS policies were addressed.

Before concluding the workshop, Mr. John Carver listed four recommended subsequent steps. They are:

- Complete draft policies which were skipped or only partially addressed during the workshop.
- Direct staff to conduct administrative/legal check of all draft policies for completeness, voids, and inconsistencies.
- Make decisions regarding implementation, timing and set "comfort levels."

- Be aware that developing “ends” policies, which prescribe what benefits will occur for which consuming agencies at what cost, is a continuous process.

In order to continue the momentum that has been achieved, I have appointed Henry Barbosa to chair a task force that will review in detail the Executive Limitations and Governance Process policies. The task force will consist of the following board members: Judy Abdo, Ronald Gastelum, Ted Grandson, Jerry King, and Francesca Krauel. Based on the strong affirmation expressed by the Board members who participated in the workshop, I have asked Mr. Carver to schedule a subsequent workshop in mid-summer to work with the Board to develop the “Ends” documents. It is anticipated that the development of the “Ends” documents can be completed by the conclusion of the calendar year.

I thank all of you that attended the workshop and believe that this process is essential toward a better Board Governance structure. Additional information will be forthcoming.

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Attachments

POLICY TYPE: EXECUTIVE LIMITATIONS

POLICY TITLE: GLOBAL EXECUTIVE CONSTRAINT

The CEO shall not cause or allow any practice, activity, decision, or organizational circumstance which is either unlawful, imprudent or in violation of commonly accepted business and professional ethics.

THIS POLICY FORMS THE LARGEST (I.E., BROADEST AND THEREFORE MOST OPEN TO INTERPRETATION) OF ANY POLICY IN THE EXECUTIVE LIMITATIONS POLICY CATEGORY. ANY FURTHER EXECUTIVE LIMITATIONS POLICIES WILL MERELY BE A NARROWING OF THE PROVISIONS OF THIS POLICY. THE NEXT SEVERAL PAGES THAT FOLLOW ARE EXAMPLES OF SUCH FURTHER NARROWING. REMEMBER THAT THE CEO IS GRANTED THE AUTHORITY TO USE ANY REASONABLE INTERPRETATION OF THE BOARD'S WORDS HE OR SHE CHOOSES.

POLICY TYPE: EXECUTIVE LIMITATIONS

POLICY TITLE: TREATMENT OF ~~CONSUMERS~~ MEMBER AGENCIES

With respect to interactions with ~~consumers or those applying to be consumer~~ Member Agencies, the CEO shall not cause or allow conditions, procedures, or decisions which are unsafe, ~~undignified~~ inequitable, unnecessarily intrusive, or which fail to provide appropriate confidentiality or privacy.

Accordingly, she or he shall not:

- ~~_____ 1. _____~~ Use application forms that elicit information for which there is no clear necessity.
- ~~_____ 2. _____~~ Use methods of collecting, reviewing, transmitting, or storing client information that fail to protect against improper access to the material elicited.
- ~~_____ 3. _____~~ Maintain facilities that fail to provide a reasonable level of privacy, both visual and aural.
- ~~_____ 4. _____~~ 1. Fail to establish with ~~consumers~~ Member Agencies a clear understanding of what may be expected and what may not be expected from the service offered.
- ~~_____ 5. _____~~ 2. Fail to inform ~~consumers~~ Member Agencies of this policy, or to provide a grievance process to those who believe they have not been accorded a reasonable interpretation of their rights under this policy.

POLICY TYPE: EXECUTIVE LIMITATIONS

POLICY TITLE: TREATMENT OF ~~STAFF~~ EMPLOYEES

With respect to the treatment of ~~paid and volunteer staff~~ employees, the CEO may not cause or allow conditions which are unfair, ~~or undignified,~~ or discriminatory.

Accordingly, she or he shall not:

1. Operate without written personnel policies which clarify personnel rules for ~~staff,~~ employees, provide for effective handling of grievances, and protect against wrongful conditions, such as nepotism and grossly preferential treatment for personal reasons.
2. ~~Discriminate~~ Retaliate against any ~~staff member~~ employee for expressing an ethical dissent.
- ~~3. Prevent staff from grieving to the board when (A) internal grievance procedures have been exhausted and (B) the employee alleges either that (i) board policy has been violated to his or her detriment or (ii) board policy does not adequately protect his or her human rights.~~

NOTE: 3. May still need to be included because of the Administrative Code 6209 (Auditor)

4. Fail to acquaint ~~staff~~ employees with their rights under this policy.

POLICY TYPE: EXECUTIVE LIMITATIONS

POLICY TITLE: FINANCIAL PLANNING/BUDGETING

Financial planning for any fiscal year or the remaining part of any fiscal year shall not deviate materially from board's Ends priorities, risk fiscal jeopardy, or fail to be derived from a multi-year plan.

Accordingly, the CEO shall not allow budgeting which:

1. Fails to include credible projection of revenues and expenses, separation of capital and operational items, cash flow, and disclosure of planning assumptions.
2. Plans the expenditure in any fiscal year of more funds than are conservatively projected to be received in that period.
3. Reduces the current assets at any time to less than twice current liabilities [or allows cash to drop below a safety reserve of less than \$ _____ at any time].
4. Provides less for board prerogatives during the year than is set forth in the Cost of Governance policy.



NOTE: Need detailed discussions later.

POLICY TYPE: EXECUTIVE LIMITATIONS

POLICY TITLE: FINANCIAL CONDITIONS AND ACTIVITIES

With respect to the actual, ongoing financial condition and activities, the CEO shall not cause or allow the development of fiscal jeopardy or a material deviation of actual expenditures from board priorities established in Ends policies.

Accordingly, the CEO shall not:

1. Acquire water rights outside of established policy.
- ~~1.~~ 2. Expend more funds than have been received in the fiscal year to date unless the debt guideline (below) is met.
- ~~2.~~ 3. Indebt the organization in an amount greater than can be repaid by certain, otherwise unencumbered revenues within 60 days.
- ~~3.~~ 4. Use any long term reserves.
- ~~4.~~ 5. Conduct interfund shifting in amounts greater than can be restored to a condition of discrete fund balances by certain, otherwise unencumbered revenues within 30 days.
- ~~5.~~ 6. Fail to settle payroll and debts in a timely manner.
- ~~6.~~ 7. Allow tax payments or other government ordered payments or filings to be overdue or inaccurately filed.
- ~~7.~~ 8. Make a single purchase or commitment of greater than \$-----.
Splitting orders to avoid this limit is not acceptable.
- ~~8.~~ 9. Acquire, encumber or dispose of real property.
- ~~9.~~ 10. Fail to aggressively pursue receivables after a reasonable grace period.



NOTE: To be addressed later.

POLICY TYPE: EXECUTIVE LIMITATIONS

POLICY TITLE: EMERGENCY CEO SUCCESSION

In order to protect the board from sudden loss of CEO services, the CEO may have no fewer than two other executives familiar with board and CEO issues and processes.

POLICY TYPE: EXECUTIVE LIMITATIONS

POLICY TITLE: ASSET PROTECTION

The CEO shall not allow corporate assets to be unprotected, inadequately maintained or unnecessarily risked in any significant way.

Accordingly, he or she may not:

1. Fail to insure against theft and casualty losses to at least 80 percent replacement value and against liability losses to board members, staff and the organization itself in an amount greater than the average for comparable organizations.
2. Allow unbonded personnel access to material amounts of funds.
3. Subject plant and equipment to improper wear and tear or insufficient maintenance.
4. Unnecessarily expose the organization, its board or staff to claims of liability.
5. Make any purchase: (a) wherein normally prudent protection has not been given against conflict of interest; (b) of over \$_____ without having obtained comparative prices and quality; (c) of over \$_____ without a stringent method of assuring the balance of long term quality and cost.
6. Fail to protect intellectual property, information and files from loss or significant damage.
7. Receive, process or disburse funds under controls which are insufficient to meet the board-appointed auditor's standards.
8. Invest or hold operating capital in insecure instruments, including uninsured checking accounts and bonds of less than AA rating at any time, or in non interest-bearing accounts except where necessary to facilitate ease in operational transactions.
9. Endanger the organization's public image or credibility, particularly in ways that would hinder its accomplishment of mission.

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NOTE: To be addressed later.

POLICY TYPE: EXECUTIVE LIMITATION

SKIPPED

POLICY TITLE: *COMPENSATION AND BENEFITS*

With respect to employment, compensation, and benefits to employees, consultants, contract workers and volunteers, the CEO shall not cause or allow jeopardy to fiscal integrity or public image.

Accordingly, he or she may not:

1. Change his or her own compensation and benefits.
2. Promise or imply permanent or guaranteed employment.
3. Establish current compensation and benefits which deviate materially from the geographic or professional market for the skills employed.
4. Create obligations over a longer term than revenues can be safely projected, in no event longer than one year and in all events subject to losses in revenue.
5. Establish or change pension benefits so as to cause unpredictable or inequitable situations, including those that:
 - A. Incur unfunded liabilities.
 - B. Provide less than some basic level of benefits to all full time employees, though differential benefits to encourage longevity are not prohibited.
 - C. Allow any employee to lose benefits already accrued from any foregoing plan.
 - D. Treat the CEO differently from other key employees.

POLICY TITLE: *COMMUNICATION AND SUPPORT TO THE BOARD*

The CEO shall not permit the board to be uninformed or unsupported in its work.

Accordingly, he or she may not:

1. Neglect to submit monitoring data required by the board (see policy on Monitoring CEO Performance) in a timely, accurate and understandable fashion, directly addressing provisions of board policies being monitored.
2. Let the board be unaware of relevant trends, anticipated adverse media coverage, material external and internal changes, particularly changes in the assumptions upon which any board policy has previously been established.
3. Fail to advise the board if, in the CEO's opinion, the board is not in compliance with its own policies on Governance Process and Board-CEO Linkage, particularly in the case of board behavior which is detrimental to the work relationship between the board and the CEO.
4. Fail to marshal for the board as many staff and external points of view, issues and options as needed for fully informed board choices.
5. Present information in unnecessarily complex or lengthy form or in a form that fails to differentiate among information of three types: monitoring, decision preparation, and other.
6. Fail to provide a mechanism for official board, officer or committee communications.
7. Fail to deal with the board as a whole except when (a) fulfilling individual requests for information or (b) responding to officers or committees duly charged by the board.
8. Fail to report in a timely manner an actual or anticipated noncompliance with any policy of the board.
9. Fail to supply for the consent agenda all items delegated to the CEO yet required by law or contract to be board-approved, along with the monitoring assurance pertaining thereto.

POLICY TYPE: EXECUTIVE LIMITATIONS

SKIPPED

POLICY TITLE: *ENDS FOCUS OF GRANTS OR CONTRACTS*

The CEO may not enter into any grant or contract arrangements that fail to emphasize primarily the production of Ends and, secondarily, the avoidance of unacceptable means.

Accordingly, the CEO shall not:

1. Fail to prohibit particular methods and activities to preclude grant funds from being used in imprudent, unlawful or unethical ways.
2. Fail to assess and consider an applicant's capability to produce appropriately targeted, efficient results.
3. Fund specific methods except when doing so for research purposes, when the result to be achieved is knowledge about differential effectiveness of various methods.

[THIS POLICY APPLIES TO FOUNDATION BOARDS OR OTHER GRANTORS. IF USED BY AN ORGANIZATION THAT CONTRACTS OUT SERVICES, APPROPRIATE WORDING CHANGES WILL MAKE IT APPLICABLE, SUCH AS CHANGING "GRANTEE" TO "SERVICE PROVIDER" OR "VENDOR AGENCY."]

POLICY TYPE: GOVERNANCE PROCESS

POLICY TITLE: *GLOBAL GOVERNANCE COMMITMENT*

The purpose of the board, on behalf of Member Agencies (~~identify the ownership he~~, is to see to it that Metropolitan Water District of Southern California (a) achieves appropriate results for Member Agencies ~~appropriate persons~~ at an appropriate cost, and (b) avoids unacceptable actions and situations.

POLICY TYPE: GOVERNANCE PROCESS

POLICY TITLE: *GOVERNING STYLE*

The board will govern with an emphasis on (a) outward vision rather than an internal preoccupation, (b) encouragement of diversity in viewpoints, (c) strategic leadership more than administrative detail, (d) clear distinction of board and chief executive roles, (e) collective rather than individual decisions, (f) future rather than past or present, and (g) proactivity rather than reactivity.

Accordingly:

1. The board will cultivate a sense of group responsibility. The board, not the staff, will be responsible for excellence in governing. The board will be the initiator of policy, not merely a reactor to staff initiatives. The board ~~will~~ may use the expertise of individual members to enhance the ability of the board as a body, rather than to substitute the individual judgments for the board's values.
2. The board will direct, control and inspire the organization through the careful establishment of broad written policies reflecting the board's values and perspectives. The board's major policy focus will be on the intended long term impacts outside the organization, not on the administrative or programmatic means of attaining those effects.
3. The board will enforce upon itself whatever discipline is needed to govern with excellence. Discipline will apply to matters such as attendance, preparation for meetings, policy making principles, respects of roles, and ensuring the continuance of governance capability.
4. Continual board development will include orientation of new board members in the board's policy and governance process and periodic discussion of process improvement.
5. The board will allow no officer, individual or committee of the board to hinder or be an excuse for not fulfilling its commitments.
6. The board will monitor and discuss the board's process and performance at each meeting. Self-monitoring will include comparison of board activity and discipline to policies in the Governance Process and Board-CEO Linkage categories.

POLICY TYPE: GOVERNANCE PROCESS

POLICY TITLE: *BOARD JOB DESCRIPTION*

Specific job outputs of the board, as an informed agent of the ownership Member Agencies, are those that ensure appropriate organizational performance.

Accordingly:

1. The board will produce the link between the organization and the ownership Member Agencies in their ownership roles.
2. The board will produce written governing policies which, at the broadest levels, address each category of organizational decision.
 - B. Ends: Organizational products, impacts, benefits, outcomes, recipients, and their relative worth (what good for which recipients at what cost).
 - C. Executive Limitations: Constraints on executive authority which establish the prudence and ethics boundaries within which all executive activity and decisions must take place.
 - D. Governance Process: Specification of how the board conceives, carries out and monitors its own task.
 - E. Board-CEO Linkage: How power is delegated and its proper use monitored; the CEO role, authority and accountability.
3. The board will produce assurance of CEO performance (against policies in 2a and 2b).

OTHER JOB "PRODUCTS" OF THE BOARD WHICH MAY BE APPROPRIATE FOR SOME ORGANIZATIONS MAY INCLUDE, E.G., "LEGISLATIVE CHANGE" "ACQUISITION OF WATER RIGHTS" "~~DONOR FUNDING~~", OR OTHER OUTPUTS FOR WHICH THE BOARD CHOOSES TO HOLD ITSELF DIRECTLY RESPONSIBLE.

[A BOARD CAN SET ANNUAL TARGETS ABOUT INTEGRITY OR COMPLETENESS IN THESE AREAS].

POLICY TITLE: AGENDA PLANNING

To accomplish its job products with a governance style consistent with board policies, the board will follow an annual agenda which (a) completes a re-exploration of Ends policies annually and (b) continually improves board performance through board education and enriched input and deliberation.

1. The cycle will conclude each year on the last day of September so that administrative planning and budgeting can be based on accomplishing a one year segment of the board's most recent statement of long term Ends.
2. The cycle will start with the board's development of its agenda for the next year.
 - A. Consultations with selected groups in the ownership, or other methods of gaining ownership input will be determined and arranged in the first quarter, to be held during the balance of the year.
 - B. Governance education, and education related to Ends determination, (e.g. presentations by futurists, demographers, advocacy groups, staff, etc.) will be arranged in the first quarter, to be held during the balance of the year.
3. Throughout the year, the board will attend to consent agenda items as expeditiously as possible.
4. CEO monitoring will be included on the agenda if monitoring reports show policy violations, or if policy criteria are to be debated.
5. CEO remuneration will be decided after a review of monitoring reports received in the last year during the month of February.

POLICY TYPE: GOVERNANCE PROCESS

POLICY TITLE: *CHAIRPERSON'S ROLE*

The Chairperson assures the integrity of the board's process and ~~secondarily, occasionally~~ represents the board to outside parties.

Accordingly:

1. The job result of the chairperson is that the board behaves consistently with its own rules and those legitimately imposed upon it from outside the organization.
 - A. Meeting discussion content will be only those issues which, according to board policy, clearly belong to the board to decide, not the CEO.
 - B. Deliberation will be fair, open, and thorough, but also timely, orderly, and kept to the point.
2. The authority of the chairperson consists in making decisions that fall within topics covered by board polices on Governance Process and Board-CEO Linkage, except where the board specifically delegates portions of this authority to others. The chairperson is authorized to use any reasonable interpretation of the provisions in these policies.
 - B. The chairperson is empowered to chair board meetings with all the commonly accepted power of that position (e.g. ruling, recognizing).
 - C. The chairperson has no authority to make decision about policies created by the board within Ends and Executive Limitation policy areas. Therefore, the chairperson has no authority to supervise or direct the CEO.
 - D. The chairperson may represent the board to outside parties in announcing board-stated positions and in stating chair decisions and interpretations within the area delegated to her or him.
 - E. The chairperson may delegate this authority, but remains accountable for its use.

POLICY TYPE: GOVERNANCE PROCESS

SKIPPED

NOTE: Need to consider Administrative Code 7300

POLICY TITLE: BOARD MEMBERS' CODE OF CONDUCT

The board commits itself and its members to ethical, businesslike, and lawful conduct, including proper use of authority and appropriate decorum when acting as board members. Accordingly:

1. Members must represent unconflicted loyalty to the interests of the ownership. This accountability supersedes any conflicting loyalty such as that to advocacy or interest groups and membership on other boards or staffs. It also supersedes the personal interest of any board member acting as a consumer of the organization's services.
2. Members must avoid conflict of interest with respect to their fiduciary responsibility.
 - A. There must be no self-dealing or any conduct of private business or personal services between any board member and the organization except as procedurally controlled to assure openness, competitive opportunity and equal access to "inside" information.
 - B. When the board is to decide upon an issue, about which a member has an unavoidable conflict of interest, that member shall absent herself or himself without comment from not only the vote, but also from the deliberation.
 - C. Board members must not use their positions to obtain employment for themselves, family members or close associates. Should a member desire employment, he or she must first resign.
 - D. Members will annually disclose their involvements with other organizations, with vendors, or any other associations which might produce a conflict.
3. Board members may not attempt to exercise individual authority over the organization except as explicitly set forth in board policies.

(Note: Provisions A & B) not included in typical Codes of Conduct)

 - A. Members' interaction with the CEO or with staff must recognize the lack of authority vested in individuals except when explicitly board authorized.
 - B. Members' interaction with public, press or other entities must recognize the same limitation and the inability of any board member to speak for the board except to repeat explicitly stated board decisions.
 - C. Members will not make individual judgments of CEO or staff performance.
4. Members will respect the confidentiality appropriate to issues of a sensitive nature.
5. Members will be properly prepared for board deliberation.

POLICY TYPE: GOVERNANCE PROCESS

POLICY TITLE: *BOARD COMMITTEE PRINCIPLES*

Board committees, when used, will be assigned so as to reinforce the wholeness of the board's job and so as never to interfere with delegation from board to CEO.

Accordingly:

1. Board committees are to help the board do its job, not 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 will normally not have direct dealings with current 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 CEO.
3. Board committees cannot exercise authority over staff. Because the CEO works for the full board, he or she will not be required to obtain approval of a board committee before an executive action.
4. ~~Board committees are to avoid over-identification with organizational parts rather than the whole. Therefore, a board committee which has helped the board create policy on some topic will not be used to monitor organization performance on the same subject.~~
4. Committees will be used sparingly and ordinarily in an ad hoc capacity.
5. This policy applies to any group which is formed by board actions, whether or not it is called a committee and regardless whether the group includes board members. It does not apply to committees formed under the authority of the CEO.

POLICY TITLE: BOARD COMMITTEE STRUCTURE

A committee is a board committee only if its existence and charge come from the board, regardless whether board members sit on the committee. The only board committees are those which are set forth in this policy. Unless otherwise stated, a committee ceases to exist as soon as its task is complete.

[THIS IS NOT A LIST OF SUGGESTED COMMITTEES, BUT SIMPLY AN ILLUSTRATION OF HOW LEGITIMATE BOARD COMMITTEES SHOULD BE DESCRIBED]

1. Public Positions Advisory Committee

- A. Product: Options and implications for board consideration with respect to any forthcoming board decisions regarding public positions—by no later than August 15, 1999.
- B. Authority: To incur costs of no more than \$1,000 direct charges and no more than 50 hours of staff time.

2. Legislative Change Advisory Committee

- A. Product: Options and implications for board consideration regarding long term legislative or regulatory effects to be achieved by the board—by no later than September 30, 1999.
- B. Authority: To incur costs of no more than \$3,000 direct charges and no more than 70 hours of staff time.

3. Nominating Committee

- A. Product: Properly screened potential board members—by no later than May 20 each year.
- B. Authority: To incur costs of no more than \$1,000 direct charges and no more than 20 hours of staff time per annum.

4. Audit Committee

- A. Product: Specification of scope of audit prior to outside audit—by no later than January 10 each year.
- B. Authority: To incur no more than \$30,000 direct charges and use of no more than 50 person-hours staff time per annum.

POLICY TITLE: *COST OF GOVERNANCE*

Because poor governance costs more than learning to govern well, the board will invest in its governance capacity.

Accordingly:

1. Board skills, methods, and supports will be sufficient to assure governing with excellence.
 - A. Training and retraining will be used liberally to orient new members and candidates for membership, as well as to maintain and increase existing member skills and understandings.
 - B. Outside monitoring assistance will be arranged so that the board can exercise confident control over organizational performance. This includes, but is not limited to, fiscal audit.
 - C. Outreach mechanisms will be used as needed to ensure the board's ability to listen to owner viewpoints and values.
2. Costs will be prudently incurred, though not at the expense of endangering the development and maintenance of superior capability.
 - A. Up to \$_____ in fiscal year _____ for training, including attendance at conferences and workshops.
 - B. Up to \$_____ in fiscal year _____ for audit and other third-party monitoring of organizational performance.
 - C. Up to \$_____ in fiscal year _____ for surveys, focus groups, opinion analyses, and meeting costs.

POLICY TYPE: BOARD-CEO LINKAGE

POLICY TITLE: *GLOBAL GOVERNANCE-MANAGEMENT CONNECTION*

The board's sole official connection to the operational organization, its achievements and conduct will be through a Chief executive Officer, titled General Manager.

POLICY TYPE: BOARD-CEO LINKAGE

POLICY TITLE: *UNITY OF CONTROL*

Only officially passed motions of the board are binding on the CEO.

Accordingly:

1. Decisions or instructions of individual board members, officers, or committees are not binding on the CEO except in rare instances when the board has specifically authorized such exercise of authority.
2. In the case of board members or committees requesting information (not covered by the Public Information Act or Public Records Act), or assistance without board authorization, the CEO can refuse such requests that require, in the CEO's opinion, a material amount of staff time or funds or is disruptive.

Only the Board as a whole can hire or fire the CEO.

POLICY TYPE: BOARD-CEO LINKAGE

POLICY TITLE: *ACCOUNTABILITY OF THE CEO*

The CEO is the board's only link to operational achievement and conduct, so that all authority and accountability of staff, as far as the board is concerned, is considered the authority and accountability of the CEO.

Accordingly:

1. The board will never give instructions to persons who report directly or indirectly to the CEO.
2. The board will refrain from evaluating, either formally or informally, any staff other than the CEO.
3. The board will view CEO performance as identical to organizational performance, so that organizational accomplishment of board stated Ends and avoidance of board proscribed means will be viewed as successful CEO performance.

POLICY TYPE: BOARD-CEO LINKAGE

POLICY TITLE: *DELEGATION TO THE CEO*

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

Accordingly:

1. The board will develop policies instructing the CEO to achieve certain results, for certain recipients at a specified cost. These policies will be developed systematically from the broadest, most general level to more defined levels, and will be called Ends policies.
2. The board will develop policies which limit the latitude the CEO may exercise in choosing the organizational means. These policies will be developed systematically from the broadest, most general level to more defined levels, and they will be called Executive Limitations policies.
3. As long as the CEO uses *any reasonable interpretation* of the board's Ends and Executive Limitations policies, the CEO is authorized to establish all further administrative policies, make all decisions, take all actions, establish all practices and develop all activities.
4. The board may change its Ends and Executive Limitations policies, thereby shifting the boundary between board and CEO domains. by doing so, the board changes the latitude of choice given the CEO. But as long as any particular delegation is in place, the board will respect and support the CEO's choices.

NOTE: Need to consider Administrative Code 6410.

POLICY TYPE: BOARD-CEO LINKAGE

SKIPPED

POLICY TITLE: *MONITORING CEO PERFORMANCE*

Systematic and rigorous monitoring of CEO job performance will be solely against the only expected CEO job outputs: organizational accomplishment of board policies on Ends and organizational operation within the boundaries established in board policies on Executive Limitations.

Accordingly:

1. Monitoring is simply to determine the degree to which board policies are being met. Data which do not do this will not be considered to be monitoring data.
2. The board will acquire monitoring data by one or more of three methods: (a) by internal report, in which the CEO discloses compliance information to the board, (b) by external report, in which an external, disinterested third party selected by the board assesses compliance with board policies, and (c) by direct board inspection, in which a designated member or members of the board assess compliance with the appropriate policy criteria.
3. In every case, the standard for compliance shall be *any reasonable CEO interpretation* of the board policy being monitored.
4. All policies which instruct the CEO 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.

<u>Policy</u>	<u>Method</u>	<u>Frequency</u>
<i>Treatment of Consumers</i>	<i>Internal</i>	<i>Annually</i>
<i>Treatment of Staff</i>	<i>Internal</i>	<i>Annually</i>
<i>Financial Planning/Budgeting</i>	<i>Internal</i>	<i>Quarterly</i>
<i>Financial Condition & Activities</i>	<i>Internal</i>	<i>Quarterly</i>
<i>Emergency CEO Succession</i>	<i>External</i>	<i>Annually</i>
<i>Compensation & Benefits</i>	<i>Internal</i>	<i>Annually</i>
	<i>External</i>	<i>Bi-annually</i>
<i>Communication & Support</i>	<i>Direct Inspection</i>	<i>Annually</i>

POLICY TYPE: ENDS

SKIPPED

POLICY TITLE: *TEMPORARY "PLUG"*

Pending further board determinations, *Ends* of the organization will remain as previously stated explicitly by the board or as found implicitly in previously adopted board documents.

[THIS POLICY IS INTENDED ONLY TO HOLD THE BOARD'S PREVIOUS MISSION-RELATED INTENTIONS IN PLACE WHILE IT SETS OUT ON THE LONG, NEVER-ENDING TASK OF EXPLORING, DEBATING AND ADOPTING ACTUAL *ENDS* POLICIES. SINCE YOUR CHIEF EXECUTIVE HAS BEEN GIVEN THE AUTHORITY TO MAKE *ENDS* DECISIONS AS LONG AS THEY ARE CONSISTENT WITH THE BOARD'S *ENDS* POLICIES (SEE "DELEGATION TO THE CHIEF EXECUTIVE" POLICY), IT WOULD BE AN OVERSIGHT--A "HOLE IN THE SYSTEM--FOR THE BOARD TO HAVE NO BROAD *ENDS* POLICY IN PLACE. **IT IS VERY IMPORTANT, HOWEVER, FOR THE BOARD TO COMMIT ITSELF TO BEGIN IMMEDIATELY ON THE *ENDS* JOURNEY. THAT WILL NOT BE QUICKLY DONE AS IN THIS BLITZ PROCESS, BUT WILL TAKE MONTHS TO HAVE A USEFUL PRODUCT AND IN A LARGER SENSE WILL GO ON IN PERPETUITY. ONCE OPERATING ON THE SYSTEM, AS YOU ARE NOW IN A POSITION TO DO, LINKING WITH THE "OWNERSHIP" AND *ENDS* DEVELOPMENT ARE VIRTUALLY THE ONLY TIME-CONSUMING WORK OF THE BOARD.]**

You are now engaged in Policy Governance, a powerful tool to express board leadership while valuing staff leadership as well. The hard part is just beginning. But it is also the most rewarding, the most far-reaching and the fullest expression of your trusteeship. Adopt whatever mechanisms of discipline are required to keep you on course, including evaluation of your process every board meeting. Like any improvement effort, this one will not sustain itself. Your commitment and discipline are necessary to make it work. Almost every rule, principle or concept needed to make the process successful is included in the policy language you have just worked out. When in doubt, do not overlook the simple expedient of simply going to your policies to see what you have already said. Link with other boards that are working in this way to exchange ideas and support and even gimmicks that help.

We will not work on ENDS in this policy development session. these all-important policies require long study, data gathering, owner input, expert comment (including your staff's) and time for board consideration and debate. Further, inasmuch as these policies are far more unique to each organization than are policies in the other categories, it is harder to provide "blitz" examples. THE FOLLOWING SAMPLES ILLUSTRATE ENDS POLICIES FROM VARIOUS SETTINGS.

The mission of Excel Hospital is *high quality, efficient remediation of disease and trauma conditions.*

- I. Major focus is on the relief of acute conditions.
 - A. All general med-surg conditions, including emergency.
 - B. Rehabilitation and geriatrics 1996; psychiatry, '98.
- II. Service capability shall be enough for 80% of service needs in metro area.
 - A. The 20% of needs which do not have to be met includes burn and neonatal.
 - B. for any healthcare not delivered, the product will be appropriate linkage with another provider whose quality of service is at least equal to Excel's.
- III. Diagnostic knowledge (as a product) will be comprehensive, technologically advanced and accessible.
 - A. Diagnostic information available from cardiac testing and oncology will be recognized as the best available in the tristate area by no later than 1990.
 - B. Diagnostic information available from imaging will be recognized as the best available in the tristate area by no later than 1991.
- IV. Geographical concentration will be on the Metropolis metropolitan area.
- V. Subsidy for services rendered shall be no greater than 55 of gross revenues.
 - A. First priority for subsidy will be given to life threatening, emergency conditions.
 - B. Other subsidy may be extended to M' care- M' aid patients

The mission of the city of Jefferson is a community of extraordinary health, safety and welfare, in further definition of this mission, the City will achieve the following.

- A. People can move in, out and within Jefferson quickly and efficiently.
- B. Citizens have sufficiently organized and accessible recreational opportunities and parks.
- C. Residents enjoy a reasonably safe and secure environment.
 1. Low loss of property, peace of mind and personal welfare dues to crime.
 2. Low loss due to fire.
 3. Readiness for emergencies and natural disasters.
 4. Safe environment.
 5. Quick relief from emergency medical events
 6. Adequate drainage.
- D. Accessible broad-based (repository of) information and knowledge.
- E. Economic life of the community is stable and moderately growing.
 1. An adequate employment base.
 2. Diverse, recession-proof economy.
 3. Dynamic, positive business climate.

The mission of the Centerville Board of Realtors is enhanced demand for REALTOR services. In pursuit of this mission, MBOR will bring about results in four areas:

1. Accurate and timely information and business tools for the conduct ata Service and legal form for listing and selling real estate.
2. A highly skilled REALTOR membership.
3. A favorable environment for REALTORS' commerce in real estate.
 - A. Accommodates and promotes the growth of our metropolitan area.
 - B. Encourages business expansion, new business.
 - C. Facilitates and creates freedom of choice in housing and
 - D. Minimizes the constraints and costs associated with the
 - E. Strengthens central area's position and image as an
4. A positive public image of REALTORS, wherein REALTORS are perceived as necessary to every real estate transaction.

The purpose of the Cycling Club is a *dynamic and pervasive culture of cycling in the state.* This purpose includes, in order of priority:

- A. Widespread participation in fair and safe cycling activities for all ages.
 - I. A broad range of types of cycling.
 - A. Competition cycling with emphasis on Track
 - B. Recreational cycling
 - II. A broad range of participants
 - A. Equal opportunities for both genders
 - B. all ages, but emphasis on youth and masters
 - C. A full spectrum of skill levels.
 - D. Minorities.
- A. Excellence in cycling competition, especially in elite juniors and
- B. Widespread good public image of cycling.
- C. Wide understanding of cycling information.
- D. New knowledge of cycling science and sports medicine.
- E. International and national decisions that benefit cycling.

The mission of this organization shall be *expanded role and enhanced status of women.*

1. Women will seek and achieve public office in numbers at least as great as men by 1997.
2. The economic status of women is at least 70% of that of men by 199x and 90% by 200x.
3. Top management positions will be filled by women in no less than 15% of cases by 199x, no less than 30% by 199y, no less than 45% by 199z.
4. Women control their own life choices.
5. Women achieve equal status under the law.

The DDMH Center exists to bring about higher functioning in persons or families whose functioning is impaired by developmental or mental/emotional disabilities.

The numbers of persons or families impaired by developmental disabilities in relation to the numbers of persons or families impaired by mental/emotional problems shall approximate the proportion of these disorders in the community.

1. **Developmental Disabilities:** Approximately equal emphasis shall be placed on the relief of (a) deficits in early infant stimulation, (b) deficits in independent living skills, (c) deficits in work skills and (d) family stress due to the care of developmentally disabled persons. Expenditures for these needs shall be no less than 80 percent of developmental disabilities funds.
2. **Mental Health:** Areas of (a) substantial emphasis and (b) moderate emphasis shall be:
 - A. Substantial emphasis (no less than 45% of all mental and drug abuse; family disorder due to presence or care of disturbed disturbance of whatever source.
 - B. Moderate emphasis (no less than 30% of mental health expenditures) shall be for the relief of: living problems of the serious, chronically emotionally impaired; acute reactions to life crises; emotional dysfunction associated with criminality; and lack of public information about available services.

These samples of ENDS policies are not intended to be recommendations. they are presented only to give some idea of how ENDS policies might appear. A board committed to Policy Governance should be able within a few years to create far more thoughtful, sophisticated policies than these. For the most part, these policies do not make relative priorities or costs (of expected results) explicit. If cost or relative priorities are left unstated, the CEO has the authority to use--as always-- "any reasonable interpretation" in deciding what those shall be.