

EUGENE WATER & ELECTRIC BOARD
WORK SESSION
EWEB BOARD ROOM
MAY 26, 2009
5:30 P.M.

Commissioners present: Ron Farmer, John Brown, Rich Cunningham, and Joann Ernst. Commissioner Bob Cassidy was absent.

Others present: Randy Berggren, Debra Smith, Sheila Crawford, Brenda Sirois, and Krista Hince of the EWEB staff; Kathleen Vaughn, Toni Olson, Dave Aldrich, Snohomish Public Utility District (SPUD) Commissioners; Steve Klein, Anne Spangler, Michael Owens, Pat Buescher, Sandra Wallenfelsz, and Kristin Hall, Snohomish Public Utility District staff (SPUD commissioners and staff participating telephonically); and Lynn Taylor, City of Eugene Minutes Recorder.

President Farmer convened the special meeting of the Eugene Water & Electric Board (EWEB) at 12:15 p.m. He thanked SPUD commissioners and staff for taking the time to discuss their experience with the Carver board governance model. He concurred with the suggestion that SPUD commissioners and staff share their perspectives on the Carver model, followed by questions from EWEB.

BOARD GOVERNANCE DISCUSSION WITH THE SNOHOMISH PUBLIC UTILITY DISTRICT BOARD AND STAFF

Ms. Vaughn, elected board member at the time Carver was implemented and current board member, said the Carver model was initially adopted to provide the board with structure and general manager and staff a framework for working with the board and to define the board's activities as different from the day-to-day operations of the utility. Once implemented it became apparent that the original model was more appropriate for private boards or appointed boards than to elected boards responsible and accountable to ratepayers and voters. Concerns related to delegating too much authority to the general manager and staff were raised and the model was revised to a "Carver-lite" approach. Changes were made to spending authority and approval of contracts because it was important for the board to retain certain authorities not available under the original governance model.

Mr. Aldrich, staff member at the time Carver was implemented and now a board member, said the Carver model gave the board the authority and discretion to weigh in on matters to the extent it wished, but differentiated between the tasks of the board and the tasks of staff. The board set the destination and the staff, specifically the general manager, set the course for getting there. Carver believed boards spent too much time on minutiae and wanted to free the board to discuss policy as a vision and always look forward – not get bogged down in the details of operations. The Carver model grants the general manager the authority to reasonably interpret board policies. Periodic monitoring reports on the board's compliance with the governance model are incorporated into board agendas. Not all general managers are suited to the Carver model. The relationship between the board and general manager will need to be adjusted in the governance model depending on who occupies the general manager position.

Ms. Olson, staff member at the time Carver was implemented and now a board member, commented that the Carver model affected internally how management brought issues forward to the board. No governance model protected from bad board members or bad management. The core of the board's current governance model was based on Carver, with some revisions. Problematic issues with the model included the requirement for a board self-evaluation, which was extremely difficult for a publicly-elected board to do. While the Carver model did a good job of defining roles and responsibilities for the board and general manager, it placed a good deal of responsibility on the board to set its own priorities and agenda. It was difficult for a part-time board to do that without being fully staffed, but that could create tension between the board staff and general manager.

Ms. Olson said SPUD modified and enhanced practices and processes outside of the model, adopting a different strategic planning process that allowed the board to engage more in policy discussions. The general manager organizational management evaluation process was refined to include a performance feedback loop based on measures established by the board. One of the organizational benefits of the model was that delegation of authority could save a significant amount of money over time. SPUD conducted a review of what items came to the board for action to determine if there were opportunities to delegate some things that would improve internal operations and save costs. Prior to adopting the governance model 80 percent of the board's agenda was spent on issues that could have been delegated to the general manager; now 80 percent of the agenda is dedicated to policy issues, strategic planning and forward thinking.

Ms. Hall, SPUD general counsel involved in the initial implementation of the Carver model, stated that implementing the Carver model was an extremely labor intensive process that included compiling and analyzing a vast number of board-related documents to determine their relevance under the model. That process took approximately six months.

Ms. Vaughn said the board's current process consisted of a morning session devoted to general manager briefings and study sessions that provided board members with information about activities within the organization. Concerns from a constituent or customer about staff action were referred to the general manager, who reported back to the board in a public session so all commissioners would be aware of the issue and able to respond.

President Farmer asked for a sense of a typical board meeting agenda. Mr. Aldrich said the morning agenda included a review of EWEB's pass-through policy on BPA rate adjustments, cost allocations, the new water facility, and potential for establishing low-income discounts for the water utility. He said the meeting lasted three hours and was primarily a work session with the general manager and staff in which the board was actively engaged. He said the afternoon meeting was pro forma and consisted of taking action on those issues discussed in detail during the morning session.

Ms. Vaughn added that the morning sessions were a forum for ongoing dialogues on major policy issues and strategic planning.

President Farmer asked how the board differentiated between policy and operational issues.

Ms. Vaughn said the board tried to stay within the Carver model for obtaining detailed information about a particular issue before making a policy decision. She said it was up to each board member how much information they felt they needed in order to be comfortable making a decision. She said the board maintained, in conjunction with the general manager, a chronological list of issues it wished to address.

Mr. Aldrich said one of the problems with the Carver model initially was determining what constituted policy. He said it was easy to become too involved in the process under Carver, but the board had taken those components of the model it felt best suited its needs. He emphasized that the board operated as a body and not as individual members and the general manager was under no obligation to take direction from a board member; direction had to come from the full board acting in open session. He said the Carver model did promote better communication among board members and between the board and staff.

Commissioner Ernst asked if the board itself developed a five- or ten-year plan of goals or was that accomplished annually in a strategic planning session.

Mr. Aldrich said the strategic plan included long-range strategies to achieve particular goals and setting those goals was a board policy decision. He said every aspect of the organization was tethered to that strategic plan.

Ms. Olson said there was an over-arching strategic plan in which the board identified policy directions over a five- or ten-year period and there were other plans under the general manager's purview that fed into that strategic plan. Those included capital improvements, maintenance, information technology and resource planning.

Ms. Vaughn recommended using a facilitator for the board's planning process.

Commissioner Cunningham asked who was responsible for reviewing policies and structuring them within the Carver model when SPUD adopted that governance approach.

Ms. Hall said the initial goal was to grant the general manager as much latitude as possible, with the exception of those things the board was statutorily required to do and it was the task of staff to review documents and determine what oversight the board was then providing was required or could be delegated or eliminated. She said it more a technical than a policy process and recommended having it done by an attorney.

Vice President Brown asked if the SPUD board positions were full-time and paid and had assigned staff.

Ms. Vaughn said that the board was part-time and elected, meeting twice per month. She was the only one with a staff person. She said board members were compensated at \$1,400 per month.

Vice President Brown said EWEB would be transitioning to a new general manager at some point in the future and asked about SPUD's experience with that transition.

Ms. Vaughn said the SPUD general manager when the Carver model was implemented was new to the organization, but experienced within the industry. She said it was essential for the board to have confidence in the general manager and view him or her as a partner. She said that most of the delegation of authority initially established by the board under Carver was still in place with a couple of exceptions where the board felt it was necessary to regain authority. That was not because of a flaw in the model, but rather some problems with management.

President Farmer asked if the Carver model made it easier for the board to set its agenda and priorities.

Ms. Vaughn said the model was implemented in order to bring structure to the board and provide direction for the staff on what they were to accomplish. That was necessitated by a board member who had previously been a SPUD employee and had difficulty transitioning to the duties of an elected official instead of an employee.

Mr. Aldrich added that Carver stressed that the agenda and the calendar were the board's purview, but in practice those were actually set in a collaborative process with the general manager.

President Farmer summarized that under the Carver model the board set policy, the general manager interpreted that policy, the board agreed upon the interpretation and the general manager moved forward with implementation.

Ms. Vaughn said there were some areas, such as contracting authority and approval and investments that the Carver model required the board to delegate, leaving it with no accountability. She said that did not work well when some staff took advantage of the situation and the board elected to redraw those delegations because it felt it had a responsibility to the public to be accountable in those areas. The current structure reflected a good balance of authority and responsibility.

President Farmer asked about the budget approval process.

Steve Klein, SPUD general manager, said a multi-year strategic plan, updated annually, was used in conjunction with the budget process. In addition, assumptions were reviewed with the board and agreed upon and those assumptions and strategies drove development of the budget. He offered several examples of how assumptions and strategies shaped budget decisions.

President Farmer viewed policy as identifying goals and strategic planning as the way to get there, with goals being the board's responsibility and staff determining how to achieve them.

Ms. Vaughn said all of that was a part of strategic planning and using a facilitator familiar with the industry help the board through that process. Strategic planning was not just to road to getting to a destination, but also identifying the destination or goal.

Mr. Klein used the example of smart grid to illustrate the inter-relationship between identifying a goal and determining how to achieve it. The general manager needed more than simply that policy direction and there had to be discussions with the board about the many variables involved in developing strategies to achieve the goal. A governance model required the right people with the right attitudes to be successful.

EWEB General Manager Randy Berggren agreed that it was essential for the Board to understand operations in order to set good direction. He asked if Snohomish (SPUD) recommended using the governance theories associated with the Carver model and modifying them to suit the organization.

Ms. Vaughn said the Carver model fit when initially implemented by SPUD and had been modified over the years. Much of the model was still in use, with about 20 percent of it having been customized. Carver brought structure to the Board, but created some concerns with delegating too much authority as public officials.

Ms. Olson felt from a staff perspective there was value in going through the Carver process, but an organization needed to be prepared for the amount of attorney time it would take to restructure policies to accommodate the model, as well as internal resources because the relationship of staff to the Board also changed dramatically. Over time the model was beneficial to an organization and a general manager's ability to clearly see what was within their responsibility. The model had saved Snohomish millions of dollars in internal costs since its implementation.

Mr. Aldrich suggested review of all of the Carver materials, but delay making a decision about whether to adopt the model. He said to glean the important points of Board Governance and its relationship with the general manager. He said the goal was to free Board time for Board work.

Mr. Berggren thanked SPUD board members and staff for their time and insight.

President Farmer adjourned the meeting at 1:30 p.m.

Assistant Secretary

President