

NOTICE OF PUBLIC MEETING
Personnel Committee
Monday, January 15, 2018
6:00 P.M.

The Personnel Committee will hold a meeting on Monday, January 15, 2018, at 6:00 p.m. in the Village Hall, 123 N. River Street, Waterford, WI.

AGENDA

Call to Order

Approval of the Minutes

1. Review and act on April 17, 2017 minutes.

Old Business

2. Review and provide recommendation on Carlson Dettmann Benefits recommendations. Staff is looking for clarification on a few items in the Carlson Dettmann survey.

New Business

3. Discussion on hiring a part time Deputy Clerk/Treasurer.
4. Discussion on changing the Job Description for the Administrative Analyst to Communications Director/Public Information Officer.
5. Discussion on the overall process of hiring and firing of employees including the review of applications.

Adjourn

There may be a quorum of Village Trustees present, which would constitute a public meeting of the Village Board.

Tamara Pollnow
Chairman

Please note that, upon reasonable notice, accommodations can be made for the needs of disabled individuals through appropriate aids and service. For additional information or to request this service contact the Clerk's Office at 534-3980.

Posted: 11/17/17, 5:00 p.m.

Personnel Committee
Meeting Minutes – Unofficial
April 17, 2017 – 6:30 p.m.

Present: Vaccaro, Bell, Filut and Pollnow

Excused: Allen

Also present: Rebecca Ewald, Rick Huening and Jim Schneider

Call to Order - Filut called the meeting to order at 6:34 p.m.

Approval of the Minutes – The agenda stated that minutes to be approved were from March of 2017. The last meeting minutes of the Committee were from January 2017. Bell moved and Vaccaro seconded to approve the January 16, 2017 meeting minutes which were included in the packet for the Committee’s review. Motion carried.

Old Business – Vaccaro moved and Bell seconded to recommend the Personnel Committee review the entire personnel manual for possible recommendations moving forward. The Administrator noted that a good time to start this process would be at the conclusion of the wage and benefits analysis being conducted by Carlson Dettman. Motion carried.

Pollnow moved and Bell seconded to recommend approval of the Supervisor’s recommendation to modify hours of work during the summer season. Motion carried.

Huening reviewed his request for compensation to be increased from \$26 to \$28 per hour moving forward.

Closed Session – Pollnow moved and Bell seconded to adjourn the meeting into closed session pursuant to Wis. Stat. 19.85 (1)(c) to review wages and compensation for the Supervisor position. Motion carried by roll call vote:

Bell – aye Filut – aye Pollnow – aye Vaccaro - aye

Reconvene into Open Session – Pollnow moved and Bell seconded at 7:36 p.m. to reconvene into open session. Motion carried.

Pollnow moved and Vaccaro seconded to increase the rate of the Supervisor position to \$28 per hour retro-active to January 26, 2017 and continue review of the position’s compensation when the wage and benefit study is complete. Motion carried 4-0.

Adjourn – Pollnow moved and Bell seconded to adjourn at 7:41 p.m. Motion carried.

Respectfully submitted,
Rebecca Ewald
Village Administrator



VILLAGE OF WATERFORD REPORT – PERSONNEL

For additional information, visit www.waterfordwi.org

Meeting Date: 1/15/18

Carlson Dettman: Carlson Dettmann believes an excellent benefits program is completely consistent with a strategic objective of hiring public employees and investing in them for a career in public service. We would expect benefit costs to be higher than other sectors of the economy. When Carlson Dettmann presented their findings last summer the Village Board made the following motion on 7/17/17:

Houston moved and Pollnow seconded to adopt the pay plan recommendations in concept with an instruction to the Administrator to work with the Personnel Committee to incorporate the plan into the 2018 budget. Motion carried.

Staff is seeking to clarify that the plan was to adopt the following recommendations taken directly from the survey:

An excellent benefits program is completely consistent with a strategic objective of hiring public employees and investing in them for a career in public service. We would expect benefit costs to be higher than other sectors of the economy. Specifically, of the four benefit cost areas, we believe the Village is consistent with others on required benefits. Those expenses are driven by statutory requirements. We also believe the Village's paid time off benefits are consistent with what we would expect in a municipality with one exception: Hiring professional or management staff.

1. Candidates with the type of experience the Village is seeking are likely to have substantial vacation benefits earned at a former employer, and this should be honored by granting up to three weeks of paid vacation in the first year of employment with the Village.
2. FLSA Non-exempt staff have the option of using compensatory time off; however, the Village limits usage to one day per month with the supervisor's approval. The one day limit seems to me restrictive since the supervisor has approval authority. It may be in the Village's and the employee's best interest to use more than one day in a month, so I recommend removing the one day per month limitation.
3. To be fair to existing staff, the Village also could consider moving the threshold for three weeks of vacation to five years of service in the Village.
4. The Village's paid holiday offering is competitive, and the accumulated sick leave program is typical of public employers.

Staff is looking for the Personnel Committee to confirm that these recommendations should be implemented by staff immediately.

Submitted by,
Rachel Ladewig



July 10, 2017

MEMORANDUM

TO: Members, Village of Waterford Board of Trustees

FR: Charlie Carlson

RE: Pay Plan Recommendations

The Village of Waterford retained Carlson Dettmann Consulting (CDC) to develop a compensation plan covering all regular Village employees. The current Village pay schedule has single rates, and the Board requested CDC develop pay ranges that are market competitive and internally equitable.

Accordingly, by prior agreement, the tasks to be completed in this project included:

Measure

- Job responsibilities and internal relationships
- Relationship with external salary markets

Review

- High-level review of employee benefits levels

Recommend

- Classification and compensation structure
- Consolidation and/or separation of job titles / descriptions (if any)
- Method for pay progression
- Supporting policies and maintenance plan

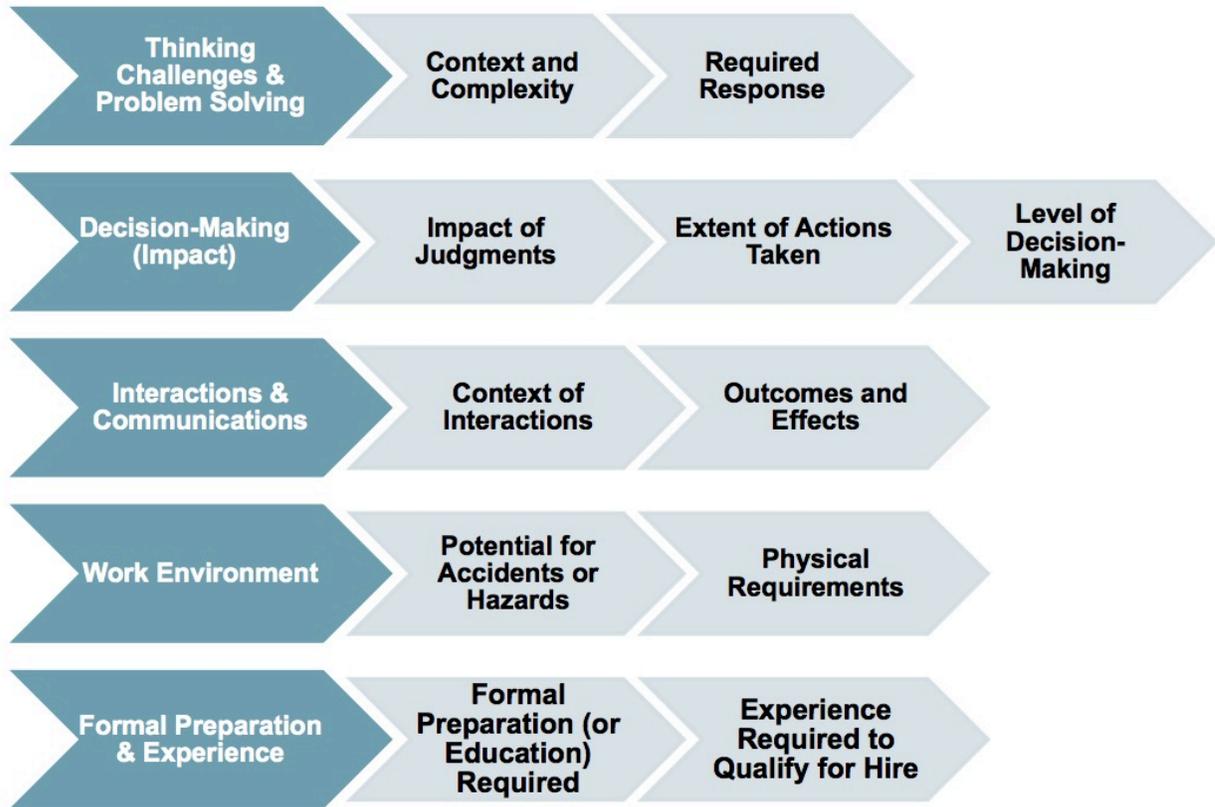
CDC has completed all of these tasks and submits the following executive summary and pay plan to the Board for its consideration on July 17.

Internal Equity, Job Analysis and Job Evaluation

CDC conducted orientation sessions with the employees covered by the project, explaining how to complete the required Job Description Questionnaire. Managers were to review those JDQ's, then the Village provided them to us for job analysis and evaluation. In addition, we reviewed organizational dynamics to detect any outstanding classification and compensation concerns.

CDC consultants evaluated the content of the provided JDQ's using our Point Factor Job Evaluation System. This System provides a job score that we used to group similar positions into pay grades and to analyze appropriate relationships to market estimates.

The factors in the CDC job evaluation system are as follows:



Base Salary Competitiveness

To determine market competitiveness, we presented a list of comparison organizations and data sources for the Board’s consideration and subsequent approval. The 16 municipalities in Southeastern Wisconsin measured for benchmark jobs, not including the library, based on similar population and economic resources, included: Burlington, Delafield, Delavan, Edgerton, Elkhorn, Elm Grove, Hartland, Jefferson, Lake Geneva, Lake Mills, Milton, Mukwonago, Pewaukee, Sturtevant, Sussex, and Twin Lakes.

Professional library positions were compared to ten municipal libraries having similar population served and circulation data. This group included: Whitewater, Salem, Two Rivers, Fort Atkinson, Brown Deer, Hartland, Grafton, Burlington, Port Washington, and Hartford.

For Fair Labor Standards Act (FLSA) Non-exempt positions, we also developed matches to benchmarks in data collected and published by the Bureau of Labor Statistics for the Racine area statistical area.

We met with the Village Board of Trustees and Library Board at a joint meeting on May 23 to discuss policy options for pay plan development. This discussion resulted in several policy recommendations for our consideration in preparing a pay plan recommendation:

1. Using market data collected from the resources noted above, develop reasonable pay ranges linked to market estimates that will support staff development.

2. Because the community is not ready to administer a variable pay plan with individual rates based upon differences in performance measurements, create a step plan with advancement in the plan predicated on individual performance at least meeting expectations.

Based on these policy considerations, we reviewed job evaluation results and our market estimates developed from the benchmark data to develop the eight range, eleven-step pay structure attached to this summary report. The middle step of each pay range is called the Control Point, and it is based on the market estimate for each job classification. The market estimates are shown for reference in the far-right column of the pay table.

Organizational Considerations

I want to offer a couple of helpful observations and recommendations intended to help the Village. Moving from a unitary rate pay plan to salary ranges with a means of progressing through the ranges is a major change for any organization.

One of characteristics of current practice has been the tendency to advertise for very inexperienced employees at pay rates appropriate for little experience or education. In my opinion, the result has been the Village has struggled to find employees who can meet the real needs of the Village.

For example, in the recent recruitment for a Public Works Director, the Village had to make appropriate, substantial changes in salary and benefits to attract an appropriate candidate. The Village is likely to run into the same problem in its current recruitment for a Treasurer. The Job Description Questionnaire prepared for this study stated the minimum education and experience requirements as a high school diploma and up to two years of experience. My evaluation of this position is it should require a minimum of an associate's degree in accounting and at least four years of government accounting experience.

Accordingly, in evaluating the duties for the Village's positions, I am recommending minimum education and experience standards that I feel will be of benefit to the Village and attached a summary sheet showing the current levels and my recommendations.

Second, the Village has had substantial turnover in both departments, and, at present, needs to stabilize the situation. An accountant has been retained as a temporary placement so the Village can meet its monthly responsibilities for financial processing and reports, as well as 2018 budget preparations.

Longer term, I feel the Village would be better served by consolidating the Treasurer and Clerk position into a Clerk/Treasurer with strong supporting positions, including a Deputy Treasurer, Deputy Clerk and Account Clerk of degreed Accountant. The pay plan I have presented shows both a Clerk and Treasurer position in Grade D (\$23.63 to \$30.38). If the positions were combined, I would be recommending Grade E (\$28.00 to \$36.00).

The Village has had a practice of sometimes paying employees both for the fees related to obtaining desired training or certification related to their work plus a pay increase or bonus. This has been the practice when the Village has had a single rate pay plan. Assuming the new pay plan is adopted, because there would now be pay ranges to recognize increased contribution by the employee, I recommend the Village continue to pay for required training or

certification process and cease the practice of granting a pay increase, as well for having completed the training or certification process.

Implementation

We recommend implementing this pay upon adoption for all recruitments through the end of the year, then placing individual current employees on the plan effective January 1, 2018. We recommend placing those employees who are currently paid a rate within their new pay range on the step that provides an increase on January 1.

Several employees currently are paid less than the recommended minimum rate of their new range and should be raised to the minimum as soon as economically practical. For example, the Village could phase in those increases over a two-year period. The delayed implementation to January 1 will give the Village the opportunity it needs to budget for implementation adjustments. It is noted here that no employee is paid currently more than the maximum of the allocated pay range.

Pay movement through a range should be annual, provided evaluated performance at least meets expectations. Of course, in no circumstances should any employee who is performing below expectations receive a pay increase until performance improves to the expected level.

Normally, new employees should be hired at the minimum rate of that position's pay range. However, there will be circumstances when the preferred applicant has higher qualifications, and, in those cases, placement in the range should be on a case-by-case basis upon the professional judgment of the Village Administrator with a report to the Board. It should be a rare circumstance when entry pay should exceed the Control Point, and, in that rare case, Board approval should be required.

Because pay levels are likely to increase over the next couple of years at least, the ranges need to be kept competitive. Accordingly, we recommend the pay ranges should be reevaluated by Carlson Dettmann beginning in 2019 based upon overall changes in salary levels in the Southeastern area of Wisconsin. Estimated costs for the evaluation is \$2,500.

At our May 23 meeting, there was considerable discussion about how performance and pay could be linked in the future. My sense is the preferred approach would be to develop an exceptional performance award program that could yield non-base pay awards. However, implementing this will require the Village and Library upgrade the employee development (performance evaluation) measurement program.

Accordingly, we recommend the Village Administrator bring forward a proposal to enhance this program, and we would welcome an opportunity to provide any required assistance.

Benefits

Our project agreement with the Village that we will take benefits into consideration in making a pay plan proposal. Appropriately, the public body wants to feel confident it is being fair to both taxpayers and employees.

The cost of fringe benefits can be divided into four major cost categories – required benefits (social security, Medicare, unemployment compensation, and worker's compensation), paid time off (vacation, sick leave, holidays, etc.), pension, and health care.

An excellent benefits program is completely consistent with a strategic objective of hiring public employees and investing in them for a career in public service. We would expect benefit costs to be higher than other sectors of the economy.

- Specifically, of the four benefit cost areas, we believe the Village is consistent with others on required benefits. Those expenses are driven by statutory requirements.
- We also believe the Village's paid time off benefits are consistent with what we would expect in a municipality with one exception: Hiring professional or management staff.
 - Candidates with the type of experience the Village is seeking are likely to have substantial vacation benefits earned at a former employer, and this should be honored by granting up to three weeks of paid vacation in the first year of employment with the Village.
 - FLSA Non-exempt staff have the option of using compensatory time off; however, the Village limits usage to one day per month with the supervisor's approval. The one day limit seems to me restrictive since the supervisor has approval authority. It may be in the Village's and the employee's best interest to use more than one day in a month, so I recommend removing the one day per month limitation.
 - To be fair to existing staff, the Village also could consider moving the threshold for three weeks of vacation to five years of service in the Village.
 - The Village's paid holiday offering is competitive, and the accumulated sick leave program is typical of public employers.
- In the area of retirement benefits, the State of Wisconsin has an exceptional public employee pension program. It is well-funded and well-managed, and a critical cornerstone of our public employment policy. In recent recruitments, the Village found itself at a competitive disadvantage by not participating in the Wisconsin Retirement System. Although the Village provided a generous defined contribution retirement plan, desirable public sector candidates who are in WRS were unwilling to make the switch. Accordingly, the Village Board recently agreed to move to WRS effective January 2018, and we think this will be a big help in recruitment. If this had not been approved, we believe we would need to recommend higher ranges for at least the management positions where the Village is competing with other public bodies for talent.
- Life insurance and disability insurance. The Village currently carries a policy covering life, short-term, and long-term disability insurance. By joining WRS, the Village will be eligible for the State of Wisconsin life insurance plan, and it is very reasonable. I recommend the Village investigate enrolling in that program and terminating its existing plans because the sick leave program functions as short term disability self-insurance, and consider a new long term disability plan paid for by the employees.
- The fourth benefit cost area – health insurance

The cost of health insurance to the Village and the employees is reasonable. The Village offers a comprehensive plan at a cost of approximately \$16,500 per covered employee in a blended rate for both single and family coverage and at a cost of \$2,500 annually to the employee, which is 15% of total premium. These costs and contribution rates are in line with regional averages.

Organizational Observations

We were asked to offer our observations on any organizational matters we felt would be helpful to the Village. We offer the following:

Because the Village has not had pay ranges, it has been difficult to compete in increasingly challenging job markets. The new plan should help a great deal. However, in evaluating position responsibilities, we observed a tendency to not require adequate prior experience on some positions. We will provide specific recommendations to the Village Administrator that we believe are consistent with the responsibilities of each position.

A clear example of this situation creating a problem is with the positions of Clerk and Treasurer. Typically, in a village with a professional Administrator, we would expect these functions combined in a single position of Clerk/Treasurer. In my experience, a Clerk/Treasurer should have a bachelor's degree in accounting and municipal systems experience. However, because the Village has unitary pay rates that are below market, the Village has created and filled separate positions individuals who are in training because neither has the minimum qualifications necessary for the required critical tasks, in my view.

Further complicating this situation, the Treasurer is classified by the Village as FLSA Exempt and the Clerk has been classified FLSA non-exempt. In my opinion, both positions qualify for the Exempt status under the administrative exemption. The Village may want to confirm this with its municipal attorney specialist.

To support the Village with the direction it has taken with these two positions, I have recommended they be classified in the same pay grade (Grade D), and the proposed pay range would provide substantial additional earning potential as they accumulate the experience necessary for their roles. If the Village decides to combine these positions in the future, then I would expect to recommend moving the position up one grade to Grade E and then perhaps hiring an experience account clerk or degreed accountant to handle the remaining workload.

The same analysis regarding qualifications holds for the two deputy positions in those departments. The Job Description Questionnaires require only a high school diploma and no experience; whereas, in reality, when these positions are fully functional with experienced staff, I would expect the minimum requirement to be an associate's degree and at least three years related experience. Here, too, the incumbents will have the opportunity in their new pay range to progress in compensation as they accumulate experience required to do their jobs.

An additional observation concerns the Fire Chief position. We have allocated the position to what the data indicates is a market competitive range. The issue is the incumbent is not paid on a full-time basis, and it is our understanding the present Chief works many more hours than paid. This appears to be a workable arrangement for the present incumbent; however, it is likely to be a challenge when it is time to find a replacement.

Conclusion

In summary, the new pay plan will be a substantial improvement in policy, allowing the Village to recruit and retain qualified staff to fulfil its mission. It appears to us the Village has attracted staff willing to learn and grow with their positions through experience. This pay plan will support their continued development, particularly when it is linked to an effective employee development assessment program. We welcome the opportunity to assist the Village as you move forward.

VILLAGE OF WATERFORD, WI
PAY SCHEDULE
Effective August 1, 2017

Grade	87.5%	90.0%	92.5%	95.0%	97.5%	100.0%	102.5%	105.0%	107.5%	110.0%	112.5%	MKT EST
	Min.	Step 2	Step 3	Step 4	Step 5	C/Pt	Step 7	Step 8	Step 9	Step 10	Max.	
F	\$36.75	\$37.80	\$38.85	\$39.90	\$40.95	\$42.00	\$43.05	\$44.10	\$45.15	\$46.20	\$47.25	
Fire Chief												\$41.00
Director Public Works												\$40.50
E	\$28.00	\$28.80	\$29.60	\$30.40	\$31.20	\$32.00	\$32.80	\$33.60	\$34.40	\$35.20	\$36.00	
Library Director												\$33.00
Public Works Supervisor												\$29.00
D	\$23.63	\$24.30	\$24.98	\$25.65	\$26.33	\$27.00	\$27.68	\$28.35	\$29.03	\$29.70	\$30.38	
Clerk												\$30.00
Treasurer												\$26.00
C	\$20.13	\$20.70	\$21.28	\$21.85	\$22.43	\$23.00	\$23.58	\$24.15	\$24.73	\$25.30	\$25.88	
Deputy City Clk/Court Clk												\$23.00
Librarian												\$22.00
Public Works Operator												\$23.00
B	\$17.50	\$18.00	\$18.50	\$19.00	\$19.50	\$20.00	\$20.50	\$21.00	\$21.50	\$22.00	\$22.50	
Administrative Analyst												\$20.00
Library Circulation Supervisor												
Deputy Treasurer/Utility Clk												\$19.00
A	\$11.38	\$11.70	\$12.03	\$12.35	\$12.68	\$13.00	\$13.33	\$13.65	\$13.98	\$14.30	\$14.63	
Library Assistant												\$12.75

VILLAGE OF WATERFORD
RECRUITMENT MINIMUM EDUCATION AND EXPERIENCE STANDARDS
Minimum Required Education & Experience *

Classification	Current	Proposed
Fire Chief		Associate or BS degree and 10 years experience
Director Public Works		BS degree and 10 years experience
Library Director	BLS and 5 years experience	MLS and 5 years experience
Public Works Supervisor	HS diploma and 3 years experience	1 year post HS supv training and 5 years experience
Clerk	HS diploma; no experience	Associate degree and 5 years experience
Treasurer	HS diploma and 1 year experience	Associate degree and 5 years experience
Deputy City Clk/Court Clk	HS diploma; no experience	1 year post HS clerical education and 3 years experience
Librarian	BS; no experience	BS; no experience
Public Works Operator	HS diploma; no experience	High school diploma and 3 years experience
Administrative Analyst		BA/BS degree; no experience
Deputy Treasurer/Utility Clk	HS diploma and 1 year experience	1 year post HS accounting education and 2 years experience
Library Assistant	HS diploma and 2 years experience	HS diploma and 2 years experience

* If a post-secondary degree is not required by law regulation for a position, additional experience can substituted for education. The generally accepted standard is two years experience is roughly equivalent to one year of formal education.

**Communications Director / Public Information Officer
GENERAL GOVERNMENT
VILLAGE OF WATERFORD
REGULAR FULL TIME, NON-EXEMPT**

For duties as the Public Information Officer, this position reports to the Village Administrator or his/her designee and provides a variety of routine and complex clerical, administrative and technical work in the administration of Village services. Village Hall Office hours are Monday – Friday 8:00 a.m. to 5:00 p.m. in addition to evening meetings as required. Hours for this position will be scheduled based on the needs of the office during these times.

Essential Duties and Responsibilities

Communications Director – Public Information Officer

- Communication planning to include communication plans, editorial calendars, strategic messaging, brand development and protection, promotion/marketing of the Village, media relations, and communications budgets.
- Provide written communications - newsletter, news releases, newspaper column and/or feature stories, website, social media, correspondence, alerts and notifications, etc as necessary
- Design printed pieces such as brochures, display ads, banners, signs, posters, business cards, and forms as needed
- Manage Village Website, Social Media pages, and VoIP telephone system – prepare and maintain procedures for website and social media posting; train staff as needed; develop policy as needed
- Research grant opportunities and prepare documents, write grant proposals and administer grant awards as needed
- Lead public meeting presentations
- Review news media reports related to the Village and disseminate to relevant parties.
- Manage and support special projects as assigned by the Administrator,.
- Other duties as assigned by the Administrator.

General Office Responsibilities

- Assists with public questions, counter business, and refers to appropriate staff.
- Where able, assist staff/Board/Committees with software applications, email, Google Drive, telephone system

Support to the administration in the following areas:

- Serve on committees, as required and assigned by the Administrator.
- Perform related duties as assigned by the Administrator.
- Attend continuing education as required.

Special Requirements & Skills

Administrative-level position involving communication activities and special project management and support.

- Excellent writing skills and understanding of communication protocol, and communication with diverse audiences
- Good understanding of design elements and graphic design and page layout
- Ability to communicate effectively in an emergency situation
- Knowledge of general governmental procedures and protocol. Ability to lead presentations and public information meetings
- Able to operate and troubleshoot basic office equipment and computer including word processing, spreadsheet, networking, website, Internet, Gmail, page layout (Pagemaker) and presentations (PowerPoint), Acrobat Pro, InDesign, Illustrator.
- Ability to perform all duties, meet and deal with the public, communicate effectively verbally and in writing, ability to handle difficult situations.

Education & Experience

- College degree in English with writing emphasis, Communications, Journalism, or Marketing
- Some post high school or graduate education or demonstrated experience in graphic design/page layout
- 2 years with related communications responsibilities

Physical Demands

The physical demands described here are representative of those which must be met by an employee to successfully perform the essential functions of the job. Reasonable accommodations may be made to enable individuals with disabilities to perform the essential functions.

Work is performed mostly in office settings. Hand-eye coordination is necessary to operate computers and various pieces of office equipment. While performing the duties of this job, the employee is frequently required to sit; stand; walk; talk or hear; use hands to finger; handle, feel or operate objects, tools, or controls; and reach with hands and arms. The employee is occasionally required to stoop, kneel or crouch. The employee must occasionally lift and/or move up to 25 pounds. Specific vision abilities required by this job include close vision and the ability to adjust focus.

Work Environment

The work environment characteristics described here are representative of those an employee encounters while performing the essential functions of this job. Reasonable accommodations may be made to enable individuals with disabilities to perform the essential functions.

Conditions of Employment

This position is subject to the terms and conditions of the Village of Waterford Personnel Manual, as may be amended, and is classified as a Regular Full Time Employee.

Employee Date

Employer Date

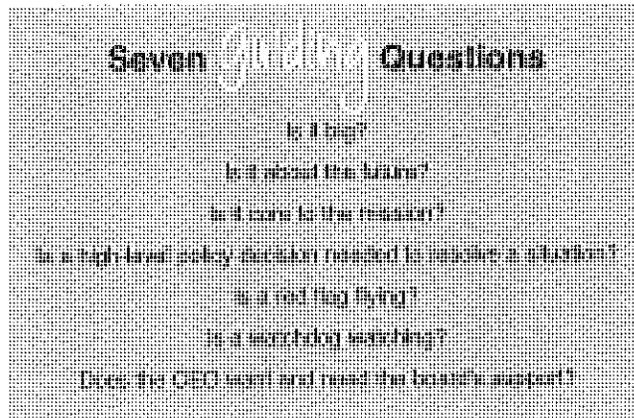
Distinguishing Governance FROM Management

By Barry S. Bader

“What is the difference between governance and management?” is by far the question that not-for-profit executives and directors ask most often. Effective boards understand the difference between governing and managing; dysfunctional boards do not.

The traditional, easy answer—that the board makes policy and management carries it out—is too simplistic. It offers little practical guidance at a time when fiduciary expectations are rising. Nowadays directors serve on boards to make a difference, not just to be names on the letterhead and donors on a wall. Today’s boards *must be* informed and *want to be* engaged, both to fulfill their legal obligations and to leverage their time and talent to advise management. But — at what point does appropriate engagement cross the line into running the show?

It is tempting for directors to believe they are doing their jobs by delving into management decisions. The temptation is particularly strong for some, such as physicians who practice

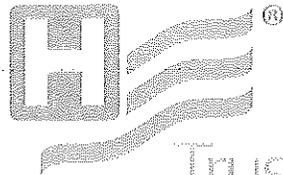


Health systems and hospitals are complex organizations with multiple moving parts; tinkering in one area will affect many others.

at the hospital and think they know how things should be done. It’s tempting for outside directors who may bring ideas based on what works in *their* businesses or what

they’ve heard from friends who are physicians or nurses.

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Wise directors avoid the temptation to co-manage or second guess. Directors' fresh thinking and applied business knowledge are desirable, but health systems and hospitals are complex organizations with multiple moving parts. Tinkering in one area will affect many others. Complex organizations require strong, knowledgeable executive leadership to get everyone pulling in the same direction. They require tough choices about people and about what can and cannot be funded. Boards that try to manage often end up generating unintended consequences. They undermine the CEO's credibility and authority, to the detriment of the organization as a whole. They also risk driving away competent executives and directors who don't agree with a hands-on approach to governing.

Governance Roles and Responsibilities

An understanding of the difference between governance and management rests on the cornerstone of fiduciary responsibility. Just as corporate boards are accountable to shareholders, the governing body of a not-for-profit organization has a fiduciary responsibility to see that the organization is acting in the best interests of the public, and more specifically the "stakeholders" who are served by the organization's mission. For the not-for-profit hospital, the highest-order stakeholders are the patients and the community.

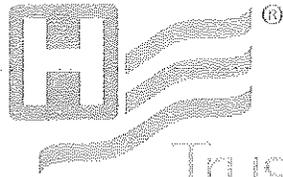
Figure 1: The Board-Management Relationship

Board's Roles	Management's Roles
Select, evaluate, and support the CEO.	<ul style="list-style-type: none"> – Run the organization in line with board direction. – Keep the board educated and informed. – Seek the board's counsel.
Approve high-level organizational goals and policies.	<ul style="list-style-type: none"> – Recommend goals and policies, supported by background information.
Make major decisions.	<ul style="list-style-type: none"> – Frame decisions in the context of the mission and strategic vision, and bring the board well-documented recommendations.
Oversee management and organizational performance.	<ul style="list-style-type: none"> – Bring the board timely information in concise, contextual, or comparative formats. – Communicate with candor and transparency. – Be responsive to requests for additional information.
Act as external advocates and diplomats in public policy, fundraising, and stakeholder/community relations.	<ul style="list-style-type: none"> – Keep the board informed, bring recommendations, and mobilize directors to leverage their external connections to support the organization.

Today's boards carry out five primary roles as independent fiduciaries (see Figure 1): choosing the CEO, approving major policies, making major decisions, overseeing performance, and serving as external advocates. Hospital and health system boards focus their attention on the organization's mission and strategic direction, finances and investments, quality, community benefit, and corporate compliance with laws and regulations. The role of management, led by the CEO,

is to operate the organization in line with the board's direction. Management makes operational decisions and policies, keeps the board educated and informed, and brings to the board well-documented recommendations and information to support its policy-making, decision-making and oversight responsibilities.

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Seven Guiding Questions

Even when the mutual roles of the board and management are understood, there isn't always a bright line distinguishing governance from management. Different situations will affect the appropriate level of governance involvement. Adverse results may call for closer board oversight. For example, if the organization is in a financial downturn, is not improving subpar quality scores, faces allegations of improprieties, or is considering a merger or major transaction, the board may become more engaged and review more detailed information than it normally would. Otherwise, a governing board functions best when it focuses on higher level, future-oriented matters of strategy and policy and performs its oversight responsibilities in a rigorous but highly efficient manner.

Seven questions can help a board and management to agree on their appropriate roles for any matter of board oversight or decision making:

1. **Is it big?** The bigger the impact of a decision, the more the board ought to play a role in shaping and understanding the action and its possible consequences. One rule of thumb is that organizational decisions impacting roughly 10 percent or more of an organization's revenues or activities are strategic decisions. A decision on whether to start or greatly expand major clinical service lines such as cardiology, oncology, and orthopedics would be a strategic matter. Planning

how to implement the expansion is management's responsibility. The corollary to "Is it big?" is "Is it too small to merit the board's attention?"

2. **Is it about the future?** Boards make their impact on what the organization will look like five or more years down the road. The board's fingerprints should be on the organization's long-term vision and an integrated, three-to-five-year strategic and financial plan, as well as a master facility plan. Tomorrow's campus is the work product of today's board and management. Boards should rely on management to develop draft strategy documents for board input and approval. A board-approved strategic plan should have several major focus areas, such as quality, growth, finances, and people, with measurable goals for key indicators and initiatives in each area. Another rule of thumb: if the board-approved strategic plan has more than five or six strategic areas and more than about 20 strategic initiatives under those areas, the plan is probably management's operating plan and the board is getting involved at too low a level.

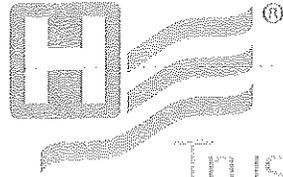
3. **Is it core to the mission?** As a fiduciary, the board is the guardian of the mission. Questions such as whether to continue a financially underperforming facility, how much to invest in community benefit activities and whether to open clinics in medically underserved communities call for the board to examine strategic and financial decisions in a mission context. Management should bring the board well-documented analyses and recommendations to help directors strike

the right balance when mission and financial realities come in conflict.

4. **Is a high-level policy decision needed to resolve a situation?**

A policy sets forth principles, guidelines, or practices to be applied in certain situations. For example, should a physician member of the board who invests in a competing facility be permitted to continue in office and practice on the medical staff? Should a manager be permitted to dismiss an employee who he says is underperforming, but who has filed a complaint alleging the hospital is violating Medicare payment rules? These situations call for consistent decision-making based on policies on physician competition and whistleblowers, respectively. Other common hospital board policies address such matters as conflict of interest, charity care and community benefit, executive compensation, CEO evaluation, and public transparency. A board's policies should be compiled into a policy manual that is available for reference at any board or committee meeting and distributed to every trustee. Of course, organizations have hundreds of operational policies governing various aspects of personnel, finance and billing, and patient care. These are not board matters. Policies requiring board approval should have a major impact on the organization, require compliance with laws or regulations, or affect the responsibilities and conduct of the board, management, and subsidiary boards.

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5. Is a red flag flying? Boards should routinely review dashboards and other performance reports, but when should they get into more detail discussing results and raising questions? Directors should know the red flags that signal the need for closer inquiry. Boards and especially oversight committees should focus on trends. One rule of thumb states that statistically significant over- or underperformance on a strategic, quality, or financial indicator over at least three reporting periods constitutes a trend. Of course, sentinel events, reports of unethical or illegal activity, or dramatic underperformance require prompt board or committee review before a trend develops. Red flags may also appear in reports from the external auditor, general counsel, accreditation agencies, and others. To avoid slipping from governance into management when reviewing performance problems, the board should focus on whether management recognizes the problem and has established the capability and plans needed to improve results. The board should not micromanage possible solutions; it should hold management accountable for producing better results.

6. Is a watchdog watching? If Congress, IRS, the state attorney general, or the news media care, the board should care. Hot button issues of the moment include community benefit, charity care, executive compensation, medical errors, and publicly available quality results. Boards should be proactive on high-profile issues, adopting

A governing board functions best when it focuses on higher level, future-oriented matters of strategy and policy and performs its oversight responsibilities in a rigorous but highly efficient manner.

1 Organizational decisions impacting roughly 10 percent or more of an organization's revenues or activities are strategic decisions.

2 If the board-approved strategic plan has more than five or six strategic areas and more than about 20 strategic initiatives under those areas, the board is involved at too low a level.

3 Management should bring the board well-documented analyses and recommendations to help directors strike the right balance when mission and financial realities come in conflict.

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7 When the CEO calls, good boards respond.

appropriate policies, overseeing performance, and ensuring the organization has a proactive public communications strategy.

7. Does the CEO want and need

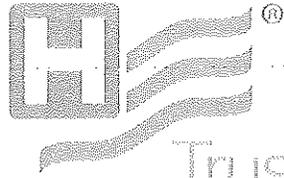
the board's support? If the CEO asks for board advice or intervention, directors should respond. When CEOs are about to embark on career-limiting activities, such as fighting a labor union or terminating the contract of a noncooperative but popular physician group, the executive must know the board will stand firm.

Sometimes CEOs want the board to challenge management to raise the bar for performance, which gives the CEO the board's backing to ask more from senior leadership and the medical staff. CEOs may also ask for help from directors with connections with donors, legislators, and community stakeholders. When the CEO calls, good boards respond.

Some practices and structures can help a board stay out of operations and focus on governance. The chairperson should exercise leadership and not hesitate to keep discussions focused on a higher plane. A CEO's letter to the board between meetings updates the board on recent events and obviates the need to discuss operations at meetings. A consent agenda enables a board to handle routine matters without discussion and frees up time for more important matters of policy and strategy, as well as board education. Committees for finance and investments, quality, audit and corporate compliance, and executive compensation have clear governance purposes. Conversely, in many cases, board committees on marketing, personnel/human resources, and facilities engage board members in management work and usually aren't needed.

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Trustee Services

Most importantly, the board should elect members who understand and respect the difference between governance and management. Choose wisely, seeking as directors individuals who bring no personal agendas, understand the role of management in large, complex organizations, and have a desire to work as part of the board-management team. Then conflicts between the board and management will be rare.

— *Barry S. Bader*