



# Workshop Session to Review the Governance of the Operating Board

February 5, 2015

**Facilitated by:**  
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# Pre-Workshop Interviews and Today's Agenda

- Conducted interviews with all Operating Board members and Alternates
  - In addition, selected individuals from small, medium and large utilities
- Reviewed the summary responses at the prior workshop
  - Each group summarized
    - Quick take-away (quick conclusions)
    - Their “hot topics”
    - Where the Board should spend time addressing issues
- Today will focus on those “hot topics” and key issues for the Board to consider and work on

# Summary of Questions 1 – 8

## *Overall Operating Board and Its Structure*

### QUESTIONS 1 - 8

Category	Quick	Hot Topic	Time
<b>SPU</b>	Make sense	<ul style="list-style-type: none"> <li>➤ Clarify the degree of formality / informality</li> <li>➤ Micro-managing versus – open discussion</li> <li>➤ Suspicion</li> </ul>	<ul style="list-style-type: none"> <li>➤ Open Discussion</li> </ul>
<b>Small</b>	A lot of experience, partnership and participation	<ul style="list-style-type: none"> <li>➤ Work within existing confines of framework of agenda</li> </ul>	<ul style="list-style-type: none"> <li>➤ Work with agenda and time to respond</li> </ul>
<b>Medium</b>	Best thing to happen to the region	<ul style="list-style-type: none"> <li>➤ Delve into (build on) our successes</li> </ul>	<ul style="list-style-type: none"> <li>➤ Change the time?</li> </ul>
<b>Large</b>	Functioning well Detailed discuss. should be at a subcommittee	<ul style="list-style-type: none"> <li>➤ Trust issue – if we don't trust each other, then we need to dive into why</li> </ul>	<ul style="list-style-type: none"> <li>➤ Trust</li> <li>➤ OB needs to authorize the work to be done by SPU</li> </ul>

# Summary of Questions 9 – 14

## *Functioning of the Operating Board*

### QUESTIONS 9 - 14

Category	Quick	Hot Topic	Time
<b>SPU</b>	<ul style="list-style-type: none"> <li>➤ Clarify seating arrangements</li> </ul>	<ul style="list-style-type: none"> <li>➤ Audience – degree of ownership</li> </ul>	<ul style="list-style-type: none"> <li>➤ Where to sit / seating arrangements</li> </ul>
<b>Small</b>	<ul style="list-style-type: none"> <li>➤ Unclear and confusing on the mechanics. Possible change in location</li> </ul>	<ul style="list-style-type: none"> <li>➤ Role of audience</li> </ul>	<ul style="list-style-type: none"> <li>➤ Formalize agenda without becoming too formal</li> </ul>
<b>Medium</b>	<ul style="list-style-type: none"> <li>➤ Clarification on voting procedures</li> </ul>	<ul style="list-style-type: none"> <li>➤ Remain at current site</li> <li>➤ Adjust time</li> </ul>	<ul style="list-style-type: none"> <li>➤ Formalize agenda process and copy to representatives</li> </ul>
<b>Large</b>	<ul style="list-style-type: none"> <li>➤ Agenda, seating and time</li> </ul>	<ul style="list-style-type: none"> <li>➤ Establish roles and responsibilities</li> </ul>	<ul style="list-style-type: none"> <li>➤ Develop structure around roles and responsibilities</li> <li>➤ Establish an OB member packet</li> </ul>

# Summary of Questions 15 – 20

## *Board Members and Board Alternates*

### QUESTIONS 15 - 20

Category	Quick	Hot Topic	Time
SPU	➤ Improve relationship	➤ Same	➤ Same
Small	<ul style="list-style-type: none"> <li>➤ Make sure OB member representative understands process</li> <li>➤ Amount of available time an issue</li> <li>➤ Communication between OB voting member and its category members</li> </ul>	➤ Same	➤ Agenda and timing
Medium	➤ Line of communication through OB member representatives	➤ Next steps	➤ Encourage Seattle City Council attendance
Large	➤ Offline on details	<ul style="list-style-type: none"> <li>➤ Agenda (Actions)</li> <li>➤ Include City Council member and advise Council</li> </ul>	➤ OB votes on what tasks should be performed by SPU or others

# Five Topics for Today

1. Trust
2. Formality / Informality
  - a) Seating
  - b) Voting
  - c) Agendas
3. Board Roles and Responsibilities
  - a) Board discussions
  - b) Board/SPU work requests
4. Seattle City Council Attendance
5. Use/Formation of Committees

# Topic 1

## Trust



# Trust

- Is trust a “Board” issue, and if trust is an issue what are the areas of mistrust?
- Large customer caucus highlighted this issue
  - Q6. Do you believe any of the regional utilities or their representatives have a perception that the role of the Operating Board is to “keep an eye on” SPU?



# Topic 2

## Formality / Informality



# Identification of the Issue

- Fine balance between an “informal” Operating Board that is effective and efficient and an Operating Board that is “too formal”
  - Interview results indicated a desire for more structure (i.e. formality) in certain areas of the meetings
    - Seating
    - Voting
    - Agenda

# Seating

# Seating of the Board and Others

- Meeting room is limited in its configuration
  - No desire to be overly formal (e.g. use of dais)
- Clarification of who sits at the table
  - Chair and Board members up front
  - Board Alternates to the side
  - Designated representatives of other utilities (1 per utility – designated to Terri) fill remaining seats
  - Audience – all other attendees
- *Designated representatives* of other utilities represent their utility in discussions and caucuses

# Operating Board Seating Diagram



OTHER ATTENDEES - NON-BOARD MEMBERS OR DESIGNATED REPS

# Clarification of Voting

**your VOTE  
is your VOICE**

# Areas for Clarification of Voting

- Election of Board Members
  - Process is not dictated in Bylaws
- Voting on Issues by the Board and Alternates
  - Caucus votes
  - Board votes
- The need to vote
  - Chair and Board will need to consider whether the Board should take a stronger role

# Election of Board Members

- Each group selects their Board Member and Alternate
  - No required or defined process – Bylaws unclear
  - Nomination and voting process used by each group is unclear
- Recommendation:
  - Nomination and voting process to be used by each customer group should be agreed upon, formalized in writing and clearly communicated to the Operating Board to assure a fair and representative election process
  - Operating Board **will then be** responsible for monitoring voting process for compliance with agreed upon voting process



# Voting Process By Board and Alternates

- Operating Board Issues
  - Board members vote on Board issues
  - An Alternate votes only if their representative Board member is absent
- Caucus
  - Technically, each utility (Board, Alternate and Designated Reps) has only one (1) vote on issues within a caucus.

# Issues To Be Voted On By The Board

- Interview responses indicated:
  - A desire for more structured discussions
  - A Board that provides greater policy direction on tasks or assignments of SPU
- Chair leads the Board discussion
  - A Board vote is a powerful tool
  - The Board speaks with “one voice” and a Board vote reflects the collective interests of the group
- Recommendation: Board Chair and the Board should consider greater application of their voting powers to shape discussions and desired tasks

# Agendas

# Agendas and the Authority of the Board

- *Q. 5 Do Board members have a clear understanding of the “contract authority” of the Operating Board (e.g. review, review and recommend, develop and recommend, develops and authorizes, authorizes)?*
  - No, not always
  - Yes, in some cases
  - Not overall content
  - Need a yearly reminder of purpose and role
  - Yes, some do

# Agendas and the Authority of the Board

- Interviews indicated that some Board members may not understand the Board's limitations of authority

## 6. Responsibilities and Authority of the Board

- **Contract Authority Matrix (Exhibit V)** provides an outline of responsibilities and authority of the Board (illustrative only)

Contract grants the Board the power to:

- Review
- Review and Recommend
- Develop and Recommend
- Recommend
- Develop and Authorize
- Authorize

# Example Page of Authority Matrix

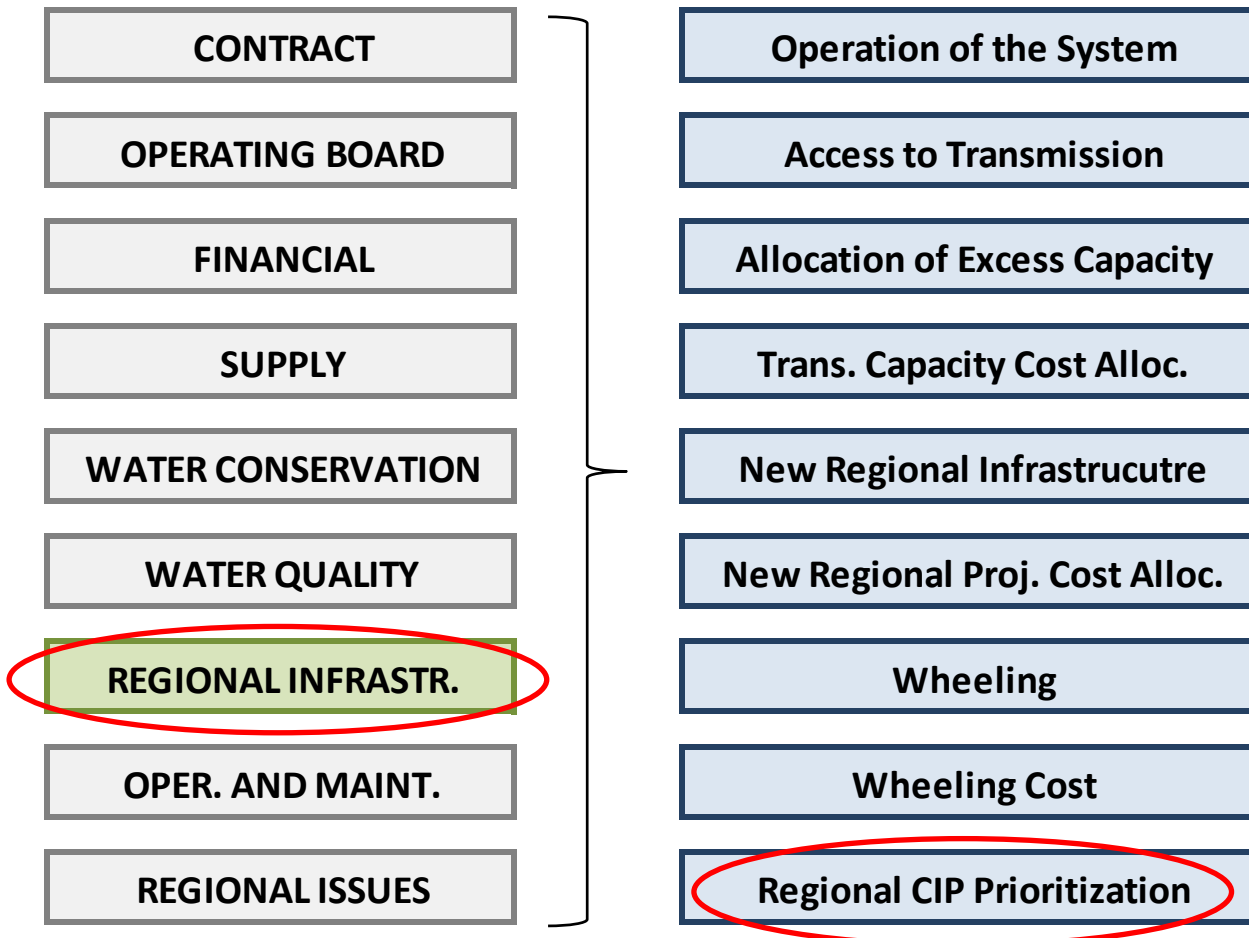
	SPU ADMINISTRATOR	OPERATING BOARD	COUNCIL
<b>CONTRACT</b>			
Terms & conditions (amendments)	Implements	Recommends	Authorizes
<b>OPERATING BOARD</b>			
Structure & responsibilities	Recommends	Recommends	Authorizes
<b>FINANCIAL</b>			
Cost allocation structure	Recommends	Reviews & Recommends	Authorizes
Wholesale Rates	Develops & Implements	Review & Recommends	Authorizes
New Financial Policies	Develops & Implements	Reviews & Recommends	Authorizes
Purchase and disposal of regional property	Recommends	Recommends	Authorizes
Allocation of new regional projects costs	Recommends	Authorizes	Reviews
Issuance of Bonds	Implements	-	Authorizes
Regional Budget	Develops & Implements	Reviews & Recommends	Authorizes
Selection of vendors, consultants & contractors (for regional projects)	Authorizes	Recommends	-
Regional CIP	Develops & Implements	Recommends	Authorizes

# Major Categories of the Contract Authority Matrix (Exhibit 5)



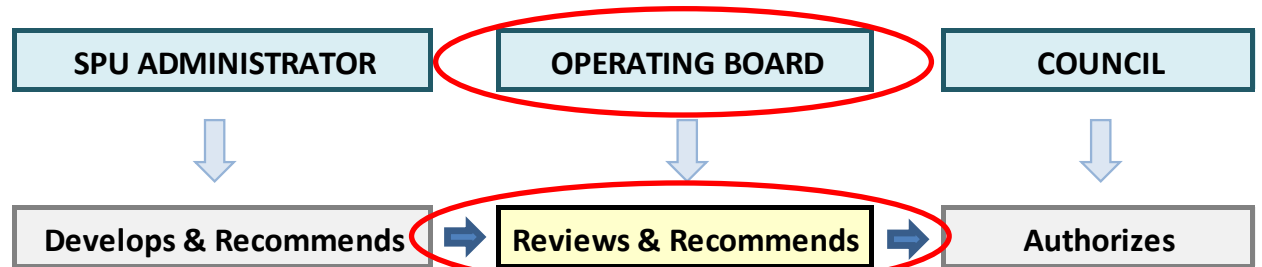
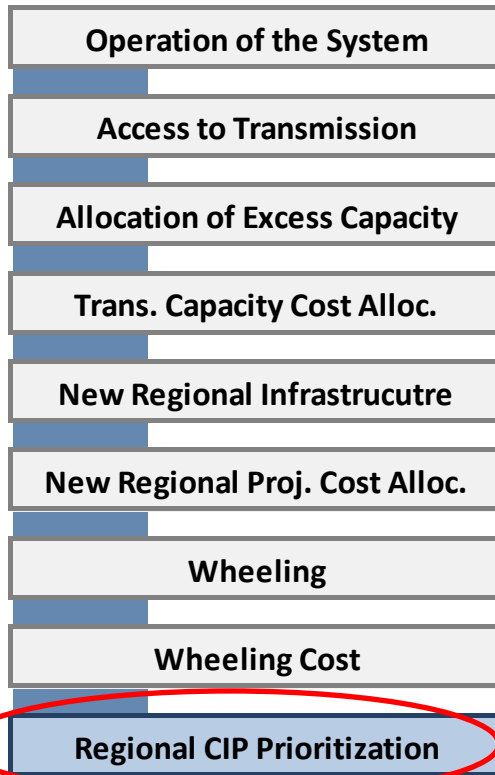
*Example: Assume the Operating Board is reviewing the Tolt Pipeline capital improvement project*

# Subcategories of the Contract Authority Matrix (Exhibit 5)





# Authority of the Operating Board



# Current Agenda Format

## 1. Welcome and Introductions

## 2. Agenda/Minutes

- Review/Approval of May 1, 2014 minutes **(Attachment 1)**
- Review/Approval of June 5, 2014 agenda

## 3. Old Business

- 2015-2020 CFP Questions **(Attachment 2)**  
Attached is SPU's response to the list of questions submitted at the May 1<sup>st</sup>, 2014 OB meeting on the 6-year CFP.

## 4. New Business

- 2015-2017 Wholesale Rates **(Attachment 3)**  
Regina Carpenter, Sr. Economist will provide the preliminary regional rate study results including drivers of the rate change, and cover additional topics of regional Operation and Maintenance costs and background on and history of the seasonal rate differential. (20 minutes)
- Rate Study Consultant Review  
Richard Cuthbert of Cuthbert Consulting will give a status update of his review of the 2015-2017 rate study. (20 minutes)

# Agenda – Quick Observations

- Agendas may or may not provide sufficient information for a Board member to confer with their representative utilities prior to a meeting
  - May or may not be critical or important
- Board (or audience participants) may not be conversant in the roles and responsibilities of the Board in a discussion item
- A good agenda format shouldn't stifle meetings, but keep them more organized and focused on key policy issues (limitations of authority)

# Some Ideas to Improve the Agenda

- Prior to an item being placed on the agenda, the Operating Board may want to clarify the key policy issues associated with that item
  - Unclear how or why items get placed on the agenda
  - Chair – “Would the Board like to discuss this item at the next Board meeting?”
- Specific to the agenda
  - Allot time frames for discussions
  - Clarify the role and responsibilities of the Board (authority matrix)
  - Provide a brief background discussion and restate the key policy question before the Operating Board
    - At the end of this presentation, the Operating Board will be asked to . . . (e.g. approve the plan, etc.)

# Example Revised Agenda

2:00 - 2:10 pm	1. Welcome and Introductions	
2:10 - 2:15 pm	2. Agenda/Minutes	<b>Attachment 1</b>
	2a. Review and Approve Prior Board Meeting Minutes	
	– <b>Board Role/Responsibility</b>	Review and Approve
	2b. Review and Approve Current Board Agenda	
	– <b>Board Role/Responsibility</b>	Review and Approve
2:15 - 2:30 pm	3. Old Business	
	3a. 2015 - 2020 CIP Questions	<b>Attachment 2</b>
	– <b>Board Role/Responsibility</b>	Regional Infrastructure; Regional CIP Prioritization - Reviews and Recommends
	Background Discussion:	During the May 1st meeting, the Operating Board reviewed the 2015 - 2020 CIP. As a result of that presentation, the Operating Board had five clarification questions which it requested from SPU. Attached is SPU's response to the list of questions.
	Key Policy Items:	Do the responses answer the Board's questions?
	– <b>Requested Board Action</b>	Review

# Example Agenda (continued)

2:30 - 3:00 pm 4. **New Business**

4a. 2020 - 2023 Wholesale Rate Review

**Attachment 3**

– **Board Role/Responsibility**

Financial; Wholesale Rates - Reviews/Recommends

Background Discussion:

Regina Carpenter, Sr. Economist will provide the preliminary regional rate study results including drivers of the rate change, and cover additional topics of regional Operation and Maintenance costs and background on and history of the seasonal rate differential.

Key Policy Items:

Are the proposed wholesale rates as presented:

- In compliance with the wholesale rate setting methodology of the wholesale agreement?
- Within the previously defined financial/rate setting parameters established by SPU and the Board?

– **Requested Board Action**

Acceptance of the proposed wholesale rates and a recommendation to the City to adopt the 2020 - 2023 rates.

# Agenda - Recommendation

- Work to clarify and improve the meeting agendas
  - Time frames for discussion
  - Define Board roles and responsibilities (Exhibit V)
  - On complex or controversial issues, the Operating Board should clarify key policy issues (ends) before undertaking any discussion
    - Help frame the discussion
    - Focus discussion on what's important for the Board to make a decision/recommendation

# Topic 3

## Board Roles and Responsibilities





# Purpose of the Operating Board

## Section V, Subpart 1

Purpose. The purpose of the Operating Board is to provide certain **limited authority** to a board of representatives elected by the Wholesale Customers over **policy and operational matters** as they affect the Seattle Water Supply System.

# Summary of Exhibit IV

## – Operating Board Structure

- 1. Structure and Term
  - 3 SPU representatives, 3 wholesale customer representatives (representing small, medium and large customers) and an independent (7<sup>th</sup>) member.
  - Wholesale representatives selected by utility members – split roughly in thirds (sm, med., large) based on ERUs (one vote per utility)
  - Board members, shall to the best of their abilities, act in the best interest of the system as a whole, not the group you represent or your individual utility

# Board Members – Quick Observations

- Board members, for the most part, understand their role
  - Quickly gets complex and confusing when it comes to certain issues
- Not enough communication within each group
  - Each Board member needs to reach out and communicate, but utilities also need to talk to their Board member (before and after meetings)
  - If you don't believe you are being fairly represented or your issues addressed; speak to the Board member
    - If you still don't think you are being appropriately represented, request to speak to the Board as a whole

# Characteristics of a Good Board Member <sup>[1]</sup>

P. 1 of 4

- **Team Player** – Contributes to the mission of the Board (organization) and doesn't need to be the star. A futuristic thinker.
- **Attitude** – Equally important as one's background, expertise, education, etc. Aware of the importance of cooperation and the need to set goals for the organization
- **Balanced** – Individual board members speak when there is something relevant to say. Effective (individual) board members may also unite opposing sides of an issue through negotiation

[1] – Adapted from various sources

# Characteristics of a Good Board Member (continued)

P. 2 of 4

- **Good Shepherd** – Individual board members help other board members stick to the issues at hand and do not personalize the debate. Ability to work comfortably within conflict to help other board members reach solutions
- **Cooperative** – Not only on issues of personal interest, but also those of interest to other board members
- **United** – Members may believe they represent one segment or a fraction of the whole, however, the strongest and most effective board members recognize that their constituency is the entire membership

# Characteristics of a Good Board Member (continued)

P. 3 of 4

- **Sense of Context** – Making relevant, informed comments focused on a specific issue being considered. Must be able to stay on topic.
- **Good Board Manners** – Recognizing the difference between productively participating in discussions and counter-productively dominating deliberations through the volume or length of comments (less may be more). Must be able to work with other Board members to create workable compromises.

# Characteristics of a Good Board Member (continued)

P. 4 of 4

- **Politically Astute** – An effective board member needs to understand the politics of the organization, and the board itself, including how to obtain support from other board members and how and when to give support
  - Laudatory projects or ideas are often defeated or die because their sponsors are not politically astute and do not gain support from colleagues and staff. In some cases, defeat comes because colleagues become too alienated to work together. When this happens, the board loses, along with the organization and its members.

# Board Member Recommendations

- Board members have an obligation to regularly reach out to the **Utility Reps** they represent
  - Before Board meetings to consider possible future agenda items they wish discussed
  - Before the Board meeting to gain any input on current agenda items
  - After the meeting to report items discussed and outcomes
- Member utilities need to hold their Board representative accountable to perform the duties expected of a Board member
  - Board needs to hold other Board members accountable for their role and responsibilities



# Chairperson and Their Role in Managing Board Discussion

You can lead a horse to  
water and sometimes  
the horse will crap in it.

Roger Ellerton  
Author "Win-Win Influence"  
[renewal.ca](http://renewal.ca)

# Summary of Exhibit IV – Role of the Chair

- 3. Chairperson
  - Selected first regularly scheduled meeting of the year
  - Selected by nomination and voting process (simple majority)
  - Chairperson is responsible for calling meetings, determining agenda and presiding over the meeting.
  - Chairperson is the spokesperson for the Board and liaison between the Administrator and the Seattle City Council's Committee on Water Resources and Public Health

# Chairperson – Quick Observations

- Tough and thankless job!
- Operating Board should carefully consider the importance of this role before selecting the Chair
- Need someone that is comfortable guiding the discussion. Must be good at:
  - Highlighting the key issues for the group to focus their discussion on them
  - Directing traffic - providing opportunities for everyone to make their point / provide discussion
  - Managing limited time
  - When needed, bring the group back on point
  - When appropriate, let a discussion explore important points to the Operating Board

# Suggested Techniques for Individuals to Discuss Items With the Board

- Start very high-level (provide the lay of the land)
- Explain why your point is relevant to everyone in the room
- Use linear logic to explain your point (lay out your argument:  $a \rightarrow b \rightarrow c \rightarrow d$ )
- Remember: Less is more – Over-whelming ideas or points do not strengthen an argument
- Focus on the desired outcomes (policy “ends”) - Technical arguments (means) are difficult to make and win at a Board meeting
- In closing, briefly re-state (summarize) your main point

# Suggested Techniques for the Chair\* to Guide Board Discussions

- When things seem a bit off-track, consider:
  - “We are here to discuss (specific topic/ends), could you please focus your discussion back to that topic or policy decision”
  - “Please help me understand the relevance of your point to the policy question at hand”
  - “You’ve previously made that point, we’ve noted it and we understand your point of view.”
  - (Question to the Board) “On a scale of 1 to 5, what is your (i.e. the Board’s) level of passion or interest for this particular discussion point/item, with a 5 being very interested?”
  - The Board addressed that issue at our last Board meeting and determined . . . (specify ends/decision).

\* *Other Board Members May Use These Same Techniques*

# Summary Recommendations

- Chair and Board need take a more active role in framing and guiding the discussion
  - What are the key policy decisions for the Board (ends)
    - Frame and shape discussion
  - As appropriate, re-focus discussion back to key policy issue
- Individuals need to be more cognizant of the appropriate level of discussion for Board meetings

# Topic 4

## City Council



# Interface With the Seattle City Council

- City Council provides final approval for many issues reviewed by the Operating Board
  - SPU Administrator provides interface between the Board and the City Council
- Medium caucus noted, as an issue, the Board should encourage City Council attendance
- Possible Idea
  - Annual “State of the Operating Board” meeting
    - Attended by the Council member that chairs the Seattle Public Utilities and Neighborhoods Committee
    - Opportunity for the Board to discuss and brief the (did you mean -**Councilmember – not Chair?**) on key regional issues and wholesale customer perspectives and concerns



# Topic 5

## Committees



# Committees

- Bylaws – Article X
  - . . . Chair may appoint or the Board may require the Chair to appoint ad hoc or standing committees”
  - Ad hoc committees shall have a specific charge, within a given time frame, with a required and stated product
  - Board Chair . . . recommend(s) committee chairs to the Board for approval
  - Membership . . . may include individuals beyond Board members

# Key Issues With Committees

- Objective of a Committee is to address the work of the Operating Board in more detail
  - Formation of a committee does not confer new or additional authority
  - Board should clearly state the specific and limited issues to be addressed by the committee
- Board must vote to form a committee
  - Ad hoc or standing committee
  - Board Chair recommends the committee Chair for approval by Board
  - Other members of committee – unclear how selected

# Committees – Quick Observations

- Other than the Operating Board meetings, there is no forum to ask detailed, technical questions
- Committees provide a forum to address issues in a more technical manner
- Committees, like a citizen's advisory committee, may be very valuable; but only if structured appropriately and properly managed
- Committees would allow for greater participation and input by utility's with non-Board members and by other team members from all utilities

# Action Item – Recommendation 5

- Board should discuss the advantages and disadvantages of using committees
- If committees seem appropriate:
  - Start slow and begin with Ad Hoc committees
  - Select subjects that may be technical in nature (e.g. CIP, planning, etc.).
  - Prior to forming a committee, the Board should establish clear ground rules and expectations

# Looking Ahead



# Summary of Recommended Action Items

- Board should determine how to proceed with regard to these issues:
  1. Trust
    - ✓ How to resolve any “trust” issues
  2. Formality/Informality
    - ✓ Clarify and confirm seating arrangements
    - ✓ Clarify and re-confirm voting process (election of Board members in particular) [Amend Bylaws?]
    - ✓ Consider revisions to agenda format and improve Board direction on items for the agenda and the Board policy decision needed (ends)
  3. Board Roles/Responsibilities
    - ✓ Individual Board members work to improve communication (i.e. reach out) within their group
    - ✓ Chair and Board take a stronger role in framing and guiding Board discussions

# Summary of Recommended Action Items (continued)

- Board should determine how to proceed with regard to these issues:
  4. City Council Engagement
    - ✓ Consider an annual “State of the Operating Board” meeting
  5. Committees
    - ✓ Consider the advantages and disadvantages of forming ad hoc or standing committees
    - ✓ Proceed as appropriate – Chair and Board decision
      - Board should establish clear ground rules and expectations for the committee prior to its formation