

POLICY GOVERNANCE

POLICY MAKING EXERCISE

The policy samples in this abbreviated packet are taken from the more complete packet used with boards undergoing a transition to Policy Governance. They are not intended to be recommended policies nor perfect policies for all occasions. They do conform to the principles of Policy Governance. In particular, note the “cascading” of values from the broadest about a topic to smaller ones. A given board might choose to go into more detail or less detail than that shown here. Certainly the content at any given level of detail might be different from one board to another.

Remember that in Policy Governance, the board expresses itself totally in four categories of policy: ends, executive limitations (of staff means), governance process, and board-staff linkage. These categories are exhaustive; there is nothing else for the board to legitimately say.

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POLICY TYPE: EXECUTIVE LIMITATIONS**POLICY TITLE: *FINANCIAL CONDITION AND ACTIVITIES***

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

Further, without limiting the scope of the foregoing by this enumeration, he or she will not:

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

POLICY TYPE: EXECUTIVE LIMITATIONS**POLICY TITLE: *ASSET PROTECTION***

The CEO will not allow corporate assets to be unprotected, inadequately maintained or unnecessarily risked.

Further, without limiting the scope of the foregoing by this enumeration, he or she will 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. Orders shall not be split to avoid these criteria.
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 Ends.
10. Change the organization's name or substantially alter its identity in the community.
11. Create or purchase any subsidiary corporation unless: (a) more than 80% is owned by this organization; (b) initial capitalization by this organization is less than \$ _____ or _____% of the reserve fund; (c) no staff member has ownership interest, and (d) there is no reasonable chance of resultant damage to the reputation of this organization as a nonprofit, public, trustworthy entity.

POLICY TYPE: GOVERNANCE PROCESS

POLICY TITLE: *CHIEF GOVERNANCE OFFICER'S ROLE*

The Chief Governance Officer (CGO), a specially empowered member of the board, assures the integrity of the board's process and, secondarily, occasionally represents the board to outside parties.

Accordingly:

1. The assigned result of the CGO's job is that the board behaves consistently with its own rules and those legitimately imposed upon it from outside the organization.
 - A. Meeting discussion will be on those issues which, according to board policy, clearly belong to the board to decide or to monitor.
 - B. Information which is for neither monitoring performance nor board decisions will be avoided or minimized and always noted as such.
 - C. Deliberation will be fair, open, and thorough, but also timely, orderly, and kept to the point.

2. The authority of the CGO consists in making decisions that fall within topics covered by board policies on Governance Process and Board-CEO Linkage, with the exception of (a) employment or termination of a CEO and (b) 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.
 - A. The CGO is empowered to chair board meetings with all the commonly accepted power of that position (e.g., ruling, recognizing).
 - B. The CGO has no authority to make decisions about policies created by the board within Ends and Executive Limitations policy areas. Therefore, the CGO has no authority to supervise or direct the CEO.
 - C. The CGO 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.
 - D. The CGO may delegate this authority, but remains accountable for its use.

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 organizational performance on that same subject.
5. Committees will be used sparingly and ordinarily in an ad hoc capacity.
6. This policy applies to any group which is formed by board action, 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 TYPE: BOARD-MANAGEMENT DELEGATION**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 specified results, for specified 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 policies, make all decisions, take all actions, establish all practices and develop all activities. Such decisions of the CEO shall have full force and authority as if decided by the board.
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 to the CEO. But as long as any particular delegation is in place, the board will respect and support the CEO's choices.