



Policy Legislative/Administration Committee

Board Information Item III-A

October 12, 2006

**Governance Task Force
Draft Action Report**

**Washington Metropolitan Area Transportation Authority
Board Action/Information Summary**

<input checked="" type="checkbox"/> Action <input type="checkbox"/> Information	MEAD Number:	Resolution: <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
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PURPOSE

To inform and provide the Policy Legislative/Administration Committee with a draft of the Governance Initiative Task Force Action Report which details practical recommendations for strengthening the Board’s governing role, structure and processes.

DESCRIPTION

On March 23, 2006, several WMATA Board members participated in a day-long strategic work session, at which Board members discussed developments in the rapidly changing field of public transit governance and brainstormed ways to strengthen Board leadership. As a follow-up to that session, the WMATA Board of Directors agreed to establish a WMATA Governance Initiative and create the Governance Task Force to spearhead the Initiative.

The development of the draft Action Report is the culmination of a carefully designed and methodically managed four-month process which included the selection of a consultant to serve as “Governance Counsel” to the Task Force, two work sessions, and three teleconferences. The key steps in the Action Report development included an agreement on the design guidelines, identifying governance issues and the development of action steps which are captured in the draft report.

FUNDING IMPACT

There is no funding impact associated with this action.

RECOMMENDATION

That the Policy Legislative/Administration Committee approve release of the draft Governance Initiative Task Force Action Report for a two-week public comment period and forward the final report to the Board for approval and adoption of Action Items I-B and II-B, as noted in the Report.



WMATA Governance Task Force

Presented to the Board of Directors:

Policy Legislative/Administration Committee

October 12, 2006





Task Force Purpose and Charge

Purpose

To ensure that the Board of Directors is capable of providing even stronger leadership in a rapidly changing, increasingly challenging environment

Charge

To present an Action Report to the Board consisting of “detailed, practical recommendations for strengthening the Board’s governing role, structure, and processes.”



Task Force Process

- Established foundation at the March 23, 2006 Board strategic work session
- Two in-person work sessions
- Three teleconferences over a four-month period



Task Force Process (Continued)

- Action Report Key Step Development
 - Design guideline agreement to develop recommendations
 - Identify governance issues
 - Develop Action Steps



Five Action Steps

- I. Make a formal commitment to Board capacity building
- II. Strengthen the Board's governing structure
- III. Ensure a strong, productive Board-GM partnership
- IV. Strengthen the Board's self-management capacity
- V. Develop the Board's strategic decision-making role



Action Step I-A

- To adopt a resolution stating that the WMATA Board (see Action Report, Exhibit A, p. 44):

“(1) affirms its commitment to continuously building its leadership capacity; (2) accepts the Governance Task Force Action Report in principle; and (3) declares its intention to strengthen the Board’s governing role, structure and processes during 2006 and beyond.”



Action Step I-B

- To adopt the WMATA Board Governing Mission highlighting the Board's primary governing responsibilities (see Action Report, Exhibit B, pp. 45-46)



Action Step II-A

- To adopt a four standing committee structure corresponding to governing decisions and judgments (see Action Report, Exhibit C, p. 47):
 1. Governance Committee
 2. Planning and Budget Development Committee
 3. Operational Monitoring/Audit Committee
 4. External/Legislative Relations Committee



Governance Committee

- The Governance Committee:
 - oversees and coordinates the Board's governing work
 - develops the Board agenda
 - develops the Board's governing capacity
 - manages the working relationship with the GM
- Comprised of the three standing committee Chairs, GM (ex officio) and led by the Board Chair



Planning and Budget Development Committee

- Oversees and coordinates Board participation in WMATA's strategic and operational planning process
 - capital program planning
 - regional corridor development and system expansion planning
 - coordination of regional planning issues
 - regional transit service planning and coordination with other transportation service providers
 - transit access planning
 - preparation of WMATA's annual operating plan and budget



Planning and Budget Development Committee (Continued)

- Recommends planning “products”
- Reaches agreement on WMATA’s strategic and operational planning calendar with the GM



Operational Monitoring/Audit Committee

- Responsible for monitoring and assessing all operational and financial performance
 - rail and bus operations
 - operational expenditures against budget
 - capital projects

- Reviews and recommends Board action on operational policies
 - procurement and contracting
 - human resources, compensation and benefits, insurance coverage, and business systems
 - real estate acquisitions (fee simple and lease) in accordance with Board guidelines



Operational Monitoring/Audit (Continued)

- Oversees the WMATA audit function
 - reviews audit finding and corrective actions
 - monitors external auditor activities to ensure appropriate independent audit oversight
 - reviews WMATA internal controls to ensure laws, regulations, policies, ethical standards compliance and conflict of interest requirements



External/Legislative Relations Committee

- Oversees communication with customers and key WMATA stakeholders
 - reviews and approves strategies ensuring customers and stakeholders understand WMATA's vision, values, mission, and services
 - ensures customer and stakeholder feedback is systematically obtained and analyzed



External/Legislative Relations (Continued)

- Ensures the Board is involved in external communication strategies, i.e., speaking on behalf of WMATA in appropriate regional forums
- Oversees WMATA state and federal legislative strategies, developing coordinated transit advocacy programs and pursuing dedicated funding solutions



Action Step II-B

- To adopt formal standing committee guidelines to ensure that the standing committees function effectively (see Action Report, Exhibit E, p. 51)



Recommendation

- That the Policy/Legislative and Administration Committee:
 - authorize the release of the draft Governance Task Force Report for a two-week public comment period
 - request that any public comments be forwarded to the Board
 - forward the final report to the Board for approval and adoption of Action Items I-A, I-B, II-A and II-B

ACTION REPORT TO THE BOARD OF DIRECTORS

WMATA GOVERNANCE TASK FORCE

Representing the WMATA Board:

Gladys Mack, Chair

Ray Briscuso

Charles Deegan, Vice-Chair

William Euille

Catherine Hudgins

Dana Kauffman

Representing the WMATA Staff:

Dan Tangherlini, ex officio Task Force member

Staff Task Force Advisors:

- **Emeka Moneme**
- **Debra Johnson**
- **Jim Haggins**
- **Jack Requa**

Doug Eadie, Governance Counsel

Draft: October 12, 2006

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1. EXECUTIVE SUMMARY

INTENT OF THIS ACTION REPORT

The Board of Directors of the Washington Metropolitan Area Transit Authority (WMATA) has provided strong leadership since the Authority's founding, overseeing the development of a premier transportation system that has made a powerful contribution to the quality of life of residents in the Washington metropolitan area. However, these rapidly changing, always challenging times demand even stronger governance, and the WMATA Governance Task Force was created to address this need. This Action Report is the culmination of a 4-month process that has included 10 intensive Task Force work sessions, including one in which all Board members were invited to participate and a session with Board members sitting as the Policy Legislative/Administration Committee, at which the Task Force Action Report was reviewed.

The Action Steps that are described in Section 4 of this Action Report build on the Board's solid track record of high-impact governance and capitalize on recent significant developments in the field of public/nonprofit governance. The Action Steps are intended to fine-tune – rather than radically reform – WMATA governance, updating governance roles, structure and processes in the interest of even stronger leadership of this precious regional asset. They are designed to be highly practical and relatively easily implemented, without an extraordinary expenditure of either time or money.

OVERVIEW OF THE ACTION STEPS

Section 4 of this Action Report recommends that the WMATA Board implement five major Action Steps:

I. Make a formal commitment to Board capacity building.

This Action Step recommends that the Board adopt the “Commitment to Board Capacity Building” resolution (I-A) and a Board Governing Mission (I-B) spelling out the Board's major governing responsibilities.

II. Strengthen the Board's governing structure.

Action Step II-A recommends that the Board adopt a structure of four standing committees to assist in carrying out its Governing Mission: Governance; Planning and Budget Development; Operational Monitoring/Audit;

External/Legislative Relations. Action Step II-B recommends that the Board adopt a set of guidelines to govern standing committee operations.

III. Ensure a strong, productive Board-GM Partnership.

Action Step III-A recommends that the Board assign maintenance of the Board-GM partnership to the Board's new Governance Committee. Action Step III-B describes a process that the Governance Committee can employ in regularly evaluating GM performance.

IV. Strengthen the Board's self-management capability.

Action Step IV-A recommends that the Board's Governance Committee take responsibility for the WMATA Board's management of itself as a governing body. Action Step IV-B describes how the Governance Committee can develop the Board as a human resource, and Action Step IV-C sets forth a process for managing the Board's governing performance.

V. Develop the Board's strategic decision-making role.

Action Step V-A recommends that the Board's Planning and Budget Development Committee take responsibility for working closely with the GM in designing a process for involving the Board in strategic decision-making. Action Step V-B recommends that the Planning and Budget Development Committee design and host a Strategic Work Session biannually as a vehicle for proactive Board involvement in the strategic decision-making process.

2. PREFACE

A CHALLENGING SITUATION

Since WMATA's founding in 1967, the WMATA Strategic Leadership Team – the Board of Directors, General Manager, and Executive Managers – has overseen the development of a premier public transit system, which is rightly seen nationally as a model of regional cooperation and sound governance. However, the aging of WMATA's physical infrastructure, the continued growth in ridership, and a rapidly changing, ever more challenging environment in the Washington metropolitan area mean that WMATA is entering a new era in its history. To ensure the continued success of WMATA in meeting the public transportation needs in the region while preserving this precious regional asset, even stronger strategic and policy leadership will be required. It is, therefore, critical that the WMATA Strategic Leadership Team make strengthening WMATA governance a high priority.

MEETING THE CHALLENGE

On March 23, 2006, several WMATA Board members participated in a daylong strategic work session, at which Board members discussed developments in the rapidly changing field of public transit governance and brainstormed ways to strengthen Board leadership. Following up on this session, the WMATA Board of Directors agreed to establish the WMATA Governance Initiative and to create the Governance Task Force to spearhead the Initiative. Board Chair Gladys Mack's June 15 memorandum inviting Board members to serve on the Governance Task Force charged the Task Force to

“ . . .generate an Action Report for presentation to the Board in October 2006. The Action Report will consist of detailed, practical recommendations for strengthening the Board's governing role, structure, and processes. In light of the critical importance of the Governance Initiative, I will serve as Task Force Chair.”

The Governance Task Force Action Report that will be presented to the WMATA Board of Directors at its November 2006 meeting is the culmination of a carefully designed and methodically managed four-month process that has involved the active participation of Task Force members. Key milestones in this process include:

- Selection of a consultant to serve as “Governance Counsel” to the Task Force, in this capacity conducting research on WMATA governance, facilitating Task Force work sessions, and drafting sections of the Action Report for Task Force review.
- Governance Counsel’s interviews with Board members, the Interim General Manager, and senior executives in June.
- A three-hour in-person work session on June 22 at which Task Force members familiarized themselves with significant developments in the field of public transit governance and discussed the format of the Task Force Action Report to the Board, guidelines for the Task Force to follow in fashioning its recommendations to the Board, and the governance issues meriting serious Task Force attention.
- A teleconference on July 13, at which the Task Force finalized the design guidelines and governance issues to be addressed and reviewed the first draft of a “Board Governing Mission” setting forth the Board’s preeminent governing responsibilities.
- A two-hour in-person work session on July 20 at which the Task Force reached agreement on a fine-tuned Board structure consisting of 4 standing committees to assist the Board in carrying out its Governing Mission in a full and timely fashion.
- A teleconference on July 27 at which Task Force members reached consensus on the process to follow in naming the chairs and members of the recommended new standing committees.
- A teleconference on September 15 at which Task Force members reviewed a draft of the full Action Report and reached agreement on the process for reviewing the Action Report with the Board’s Policy Legislative/Administration Committee and presenting the Report to the full Board.

(To be completed after the last Task Force work session has been held)

3. DESIGN GUIDELINES

The following design concepts, principles, and assumptions have guided the WMATA Governance Task Force in fashioning the action recommendations that are at the heart of the Task Force Action Report to the WMATA Board of Directors:

- The preeminent responsibility of the WMATA Board of Directors is to govern this large, complex public corporation that provides essential transit services in the Washington Metropolitan Area. The Board’s governing work basically consists of judgments and decisions that flow along four broad governing streams:
 - ❖ Board self-management (including developing the Board’s governing capacity, setting Board performance standards/targets, and monitoring Board performance)
 - ❖ Planning (including setting strategic directions and adopting the annual operating plan and the capital and operating budgets)
 - ❖ Performance oversight (including monitoring operational and financial performance and updating operating policies)
 - ❖ External relations (including promoting a positive public image and maintaining effective relationships with customers and other critical stakeholders)

- In a rapidly changing, always challenging environment, the work of governing becomes more complex and demanding, making systematic development of the Board’s governing capacity an even higher priority. This capacity building primarily involves:
 - ❖ Clarifying and refining the Board’s governing role and functions
 - ❖ Fine-tuning the Board’s governing structure (meeting schedule and formats; standing committees; committee guidelines)
 - ❖ Mapping out processes for involving the Board in key functions such as strategic decision making and budget development

- The Task Force’s recommended enhancements in the WMATA Board’s governing role, structure, and process are aimed at moving the Board toward *higher-impact* governing. High-impact governing is defined as Board decisions and judgments that: (1) involve Board members creatively and proactively in leading WMATA as a public corporation; (2) capitalize on the Board as a precious WMATA resource, taking full advantage of Board members’ knowledge, experience, expertise, and diverse perspectives; (3) make a significant difference in the affairs of WMATA; and (4) effectively address the preeminent strategic and policy issues facing WMATA.
- In fashioning its recommendations, the Task Force has kept in mind a critical distinction in the world of public/nonprofit governance: between GOVERNING WMATA and ADVISING WMATA on detailed technical matters. The Task Force is keenly aware that many public and nonprofit boards have diluted their influence by focusing on operational details at the expense of high-impact governance.
- In making its recommendations to strengthen WMATA governance, the Task Force has drawn on recent significant advances in the rapidly developing field of public transportation governance, rather than merely reinventing the proverbial wheel.
- Rather than engaging in radical reform, the Task Force has focused on fine-tuning the Board’s role, structure, and process in the interest of higher-impact governing, while retaining practices that work well.
- In dealing with structural questions, the Task Force has been guided by the universally accepted organizational development principle that form should follow function, meaning in practice that Board standing committees should correspond to the actual flows of governing decisions that the Board should regularly and systematically be making (for example, strategic and operational planning; performance monitoring).

- The Task Force has tackled the highest priority governance issues first, pacing the implementation of enhancements so that the WMATA system is not overextended.

4. ACTION STEPS

I. MAKE A FORMAL COMMITMENT TO BOARD CAPACITY BUILDING.

I-A Adopt the “Commitment to Board Capacity Building” resolution that is found in Exhibit A of this Action Report.

- By adopting this resolution, the Board will embrace a contemporary definition of governing and commit to the full utilization of WMATA Board members as a precious resource.
- Passage of this resolution will also solemnize – and lend legitimacy to – the recommendations that follow in this Action Report.

I-B Adopt the Board Governing Mission.

- The WMATA Board Governing Mission is basically intended to serve as a high-level “job description” that spells out the Board’s primary responsibilities as WMATA’s governing body. The Governing Mission tells one and all that “This is what we are all about as a governing body; this is how we aspire to exercise leadership.” In light of its importance as a tool for strengthening governance, the Board Governing Mission should be formally adopted by the Board and thereafter be updated periodically.
- It is recommended that the Board adopt the resolution and attached Governing Mission that are set forth in Exhibit B of this Action Report.

II. STRENGTHEN THE BOARD’S GOVERNING STRUCTURE.

II-A Adopt by resolution (Exhibit C) a structure of four Board standing committees to directly support the Board in accomplishing its governing work: Governance; Planning and Budget Development; Operational Monitoring/Audit; and External/Legislative Relations.

- **Governance Committee**

Headed by the Board Chair and consisting of the chairs of the other three standing committees and the GM (ex officio), the Governance Committee is responsible for: overseeing and coordinating the Board’s governing work; putting together the Board agenda; developing the Board’s governing capacity; managing the working relationship with the GM, including evaluating GM performance. **Note that the Governance Committee is not intended to be a “petite” Board that screens the work of the other three standing committees; it is truly a coordinating committee.**

- **Planning and Budget Development Committee**

The Planning and Budget Development Committee is responsible for coordinating Board participation in the WMATA strategic and operational planning process, including: capital program planning; regional corridor development and system expansion planning; coordination of regional planning issues; regional transit service planning and coordination with other transportation service providers; transit access planning; preparation of WMATA’s annual operating plan and budget (making sure that WMATA plans are designed to produce a safe and secure, reliable, and clean transit system). The Planning and Budget Development Committee recommends planning “products” to the Board (such as an updated vision/values statement and the annual budget) and reaches agreement with the GM on the WMATA strategic and operational planning calendar.

- **Operational Monitoring/Audit Committee**

The Operational Monitoring/Audit Committee is responsible for monitoring and assessing all WMATA operational and financial performance, including: rail and bus operations; operational expenditures against budget; and capital projects. The Committee also reviews and recommends Board action on operational policies meriting Board attention (relating to such matters as procurement and contracting, human resources, compensation and benefits, insurance coverage, and business systems) and real estate acquisitions (fee simple and lease) in accordance with guidelines established by the Board. The Operational Monitoring/Audit Committee in addition oversees the WMATA audit function, in this capacity:

reviewing audit finding and corrective actions; monitoring the activities of the external auditor to ensure the appropriate degree of independent audit oversight; and reviewing WMATA internal controls to ensure compliance with laws, regulations, policies, ethical standards, and conflict of interest requirements.

- **External/Legislative Relations Committee**

The External/Legislative Relations Committee is responsible for overseeing WMATA communication with customers and key WMATA stakeholders, in this capacity reviewing and approving strategies for ensuring that customers and stakeholders (including the media) understand WMATA's vision, values, mission, and services and that customer and stakeholder feedback is systematically obtained and analyzed. The Committee is also responsible for ensuring that the WMATA Board is systematically involved in WMATA's external communication strategies, including speaking on behalf of WMATA in appropriate regional forums. Additionally, the External/Legislative Relations Committee is responsible for overseeing WMATA state and federal legislative strategies, developing coordinated transit advocacy programs and pursuing dedicated funding solutions. Exhibit D provides a detailed rationale for the recommended standing committee structure.

II-B Adopt formal standing committee guidelines to ensure that the standing committees function effectively.

The following straightforward guidelines to govern the operation of the recommended standing committees should be adopted by Board resolution (Exhibit E):

1. The Board Chair will appoint the chairs and members of the Planning and Budget Development, Operational Monitoring/Audit, and External/Legislative Relations Committees, in keeping with current WMATA practice.
2. Each committee (other than Governance) will consist of five Board members: one voting member from each of the three jurisdictions and two alternate members from different jurisdictions.
3. Each Board member will generally serve on only one of the standing committees (except for the committee chairs, who will also serve on the Governance Committee), except that one voting member and two alternates will receive a

second committee assignment in order to make up five-member committees. This will ensure that each standing committee has a “critical mass” of members and will guard against Board members’ overextension and the consequent dilution of governance.

4. Each committee (other than Governance) will be chaired by a voting member of a different jurisdiction. An alternate Board member will be appointed Deputy Chair of each committee (except for Governance).
5. Alternate members will replace voting members on the committees based on jurisdictional voting rules.
6. Only Board members may serve on the Board’s four standing committees. Non-Board volunteers from the three jurisdictions may serve on any ad hoc subcommittees and task forces that the Governance Committee – on the recommendation of other standing committees – creates to provide input to the standing committees.
7. All matters coming to the full Board as part of its business meeting agenda should go through the appropriate standing committee and be introduced by committee members. No action items should be introduced directly to the full Board, without having come through the appropriate Board standing committee, and all reports to the Board should be made by standing committee members (with the sole exceptions of the regular Board Chair and GM reports to the Board and when non-Board advisory committee members or staff members present special briefings under the aegis of the standing committees).
8. Committees should, whenever feasible, meet far enough in advance of the regular Board business meeting that committee recommendations can be prepared in a full and timely fashion for transmittal to the full Board.
9. Whenever a standing committee believes that the full Board should be involved in-depth in dealing with an issue, the committee should take the initiative in recommending to the Governance Committee that a special full Board work session be held as part of the regular Board meeting.

10. Board members should be rotated among committees regularly to ensure that their governing experience is richer and more diverse, and, when feasible, standing committee chairs should also be rotated on a regular basis.
11. The standing committees should receive strong staff support, including the preparation of agendas and reports to the Board. WMATA's GM and Executive Management Team should work closely together to ensure that the standing committees are well staffed. A member of the Executive Management Team should be assigned to serve as Chief Staff Liaison to each of the committees.
12. The GM should regularly attend standing committee meetings as an ex officio member.
13. While the Governance Committee should be involved in developing the full Board agenda, it should not pre-review or revise the content of committee reports and recommendations to the full Board. All Board standing committees report directly at Board meetings.

III. ENSURE A STRONG, PRODUCTIVE BOARD-GM PARTNERSHIP.

- Experience has taught that one of the critical determinants of a public/nonprofit corporation's effectiveness over the long run is a cohesive "Strategic Leadership Team" consisting of a fully developed governing board that is doing truly high-impact governing work and a strong CEO who works in close partnership with the board. Professional relationships – just as personal ones – require considerable attention if they are to remain close, positive, and productive, and the more complex and high-stakes the relationship, the more attention it deserves. This is certainly true of Board-CEO partnerships.
- It is essential that the WMATA Board-GM partnership be thought out in detail – making clear the respective roles and responsibilities and the reciprocal obligations – and that it be periodically refined, and meticulously managed in the interest of a productive, healthy working relationship. This working out of roles, responsibilities, and reciprocal obligations is best thought of as a high-level, creative, and dynamic negotiation process that is repeated annually, as

organizational and environmental circumstances evolve. There is, then, no such thing as THE right Board-GM partnership; there is, rather, the specific partnership that is consciously crafted by specific partners in specific organizations during specific periods of time.

III-A Assign accountability to the Governance Committee.

- In light of its responsibility for coordinating the Board's governing work and the fact that its membership includes the Board Chair, the other standing committee chairs, and the GM (ex officio), the Governance Committee is the ideal body to oversee and manage the Board's working relationship with its GM. This role should include:
 - ❖ Keeping the GM position description updated
 - ❖ Within the framework of the position description, annually negotiating GM performance targets that relate not only to WMATA's organizational performance targets but also to GM-specific targets
 - ❖ And regularly – at least annually – evaluating GM performance against these negotiated targets

III-B Strengthen Board evaluation of GM performance.

- Formal, annual Board evaluation of GM performance will be one of the most important ways to maintain a healthy, productive Board-GM working partnership. Not only does it provide an effective means for pinpointing relationship problems before they become serious, it also protects the GM from the sadly common "All is Well Until All is Lost Pathology" (characterizing boards that give the GM the impression that things are fine until festering problems lead the board to terminate the GM).
- The WMATA Board and GM can make sure that GM evaluation is a meaningful tool for relationship building by:

- ❖ Making sure that the evaluation is based on explicitly negotiated GM performance targets
 - ❖ Assigning responsibility for performing the evaluation to the Governance Committee
 - ❖ Involving the whole Board in an executive-session discussion with the GM at which the Governance Committee's evaluation is reviewed in detail
 - ❖ Employing the formal evaluation process as a positive tool for strengthening both GM performance and the Board-GM working relationship
 - ❖ Ensuring that a timetable for corrective actions to address any identified performance shortfalls is one of the outcomes of the evaluation process
 - ❖ Avoiding pitfalls that have made the evaluation processes of many public/nonprofit organizations less effective, such as: delegating the evaluation responsibility to an individual on the Board, often the chair; using one of those functional checklist approaches that inevitably trivialize the process by leaving out the most important element: performance targets; asking the GM to take responsibility for the process by producing a self-evaluation; not setting aside enough time for the full Board work session at which the evaluation is discussed and a schedule of corrective actions negotiated.
- With regard to the GM performance targets on which a sound evaluation process should be based, there are two levels of GM performance that must be considered: (1) the overall performance targets of WMATA as a public corporation, which are annually determined through the operational planning/budget preparation process; and (2) GM-specific leadership targets which relate to the GM's use of his time, above and beyond overall WMATA performance. These targets, which relate to the GM's individual, specific value-added contributions, fall in the following categories:
 - ❖ **Support for the Board:** what the GM plans to do to promote high-impact Board leadership

- ❖ **External relations:** what the GM plans to do to promote WMATA's image and to build and maintain key external relationships
 - ❖ **Strategic and entrepreneurial development:** what the GM plans to do to carry out specific strategic directions and to grow and diversify WMATA's services and revenues
 - ❖ **Internal operations and system development:** what initiatives the GM intends to take to strengthen WMATA's administration and management of its services
 - ❖ **Individual professional development:** what initiatives the GM intends to take to strengthen his professional standing and professional skills
- Of course, the GM is always responsible to the whole Board of Directors for the overall effective and efficient functioning of WMATA as a whole, but these more individual targets enable the Board and GM to negotiate performance that is at the heart of an effective working relationship. To take an example, let's say that the Board and GM agree that the GM should play an aggressive individual role in building positive partnerships with selected key stakeholders in the region. Exactly which stakeholders, what outcomes are expected from each new relationship, and the time that the GM should devote to relationship building are obviously key matters that must be negotiated in setting performance targets. The negotiation process must be reciprocal, with the Board's committing the necessary support to the GM to achieve the targets. Taking the external partnership building initiative as an example, the GM might need to devote less time to another Board priority, or might need to be provided with consulting assistance. These needs should be addressed as part of the negotiating process.

IV. STRENGTHEN THE BOARD'S SELF-MANAGEMENT CAPABILITY.

IV-A Assign responsibility to the Governance Committee.

- Public/nonprofit boards tend to be terribly under-managed as governing bodies, principally because no particular board committee is explicitly responsible for making sure that the board functions effectively as a governing body. This can easily be remedied by assigning responsibility for Board of Directors self-management to the Board's new Governance Committee.

- Board self-management involves two key components: Board human resource development; and Board performance management.

IV-B Strengthen Board human resource development.

- Governing boards are, above all else, people, and a critical path to high-impact governing is to ensure that Board member governing skills are systematically developed.
- Accordingly, the Governance Committee should annually develop a plan and accompanying budget for Board member governing skills development, including:
 - ❖ A thorough orientation program for new Board members that pays considerable attention to the role, functions, and structure of the Board, using the Board Governing Mission and the detailed descriptions of their governing work that are developed by the standing committees
 - ❖ Education and training programs aimed at building governing skills
 - ❖ A lending library of books and periodicals on governance that can be circulated among Board members
 - ❖ A mentoring program that assigns each new Board member to a senior member from the same jurisdiction who will during the new member's first six months provide advice and counsel aimed at making the new member a fully productive participant in the Board leadership process

IV-C Strengthen Board performance management.

IV-C-1 Strengthen individual Board member performance management.

- WMATA Board members should be encouraged to adhere to a detailed set of performance standards/targets that are developed by the Governance Committee and adopted by the full Board, and periodically updated to reflect changing circumstances.
- The Board member performance standards might relate to such factors as: attendance; preparation for meetings; service on standing committees; speaking on behalf of WMATA in appropriate forums; representation of WMATA in

meetings with stakeholder organizations; participation in WMATA special events; and the like.

- No formal assessment of individual Board member performance is necessary. Rather, the performance targets and standards should be made available to all Board members, who should be encouraged to meet them.
- Of course, being who they are, Board members virtually always rise to the occasion, making target setting a self-fulfilling process, helping an excellent Board become even better at carrying out its governing work. Another result of setting Board performance targets will be to attract even more interest around the region in serving on the WMATA Board of Directors.

IV-C-2 Strengthen the full Board's Performance Management.

- The Planning and Budget Development, Operational Monitoring/Audit, and External/Legislative Relations Committees should also be encouraged to develop Board governing performance targets in their respective functional areas, and these targets should be reviewed and approved by the Governance Committee.
- The Governance Committee should annually prepare a "Board Report Card" based on the standing committees' assessments of Board performance in their respective areas, and this Report Card should be employed in identifying governance issues and fashioning Board capacity building initiatives.

V. DEVELOP THE BOARD'S STRATEGIC DECISION-MAKING ROLE.

- It is widely recognized in the field of public/nonprofit governance that the "governing gold standard" for a board is proactive, creative participation in making strategic decisions as part of a well-designed process. This is especially critical in the context of a rapidly changing, always challenging regional environment. The WMATA Board has traditionally played a strong role in operational planning/budget development and in long-range capital planning and budgeting. However, on the strategic front, the WMATA Board and its GM face a twin challenge:

- ❖ To identify strategic issues facing WMATA in the form of major challenges and opportunities for expansion and diversification.
- ❖ To select the highest-priority issues that demand near-term attention and work with the GM and Executive Managers in fashioning Strategic Innovation Initiatives to address these issues.
- Fortunately, the WMATA Board – and especially its Planning and Budget Development Committee – can take advantage of recent dramatic advances in the field of innovation/change management in designing an approach to strengthening Board involvement in strategic decision making.

V-A Make planning process design the joint responsibility of the Board’s Planning and Budget Development Committee and the GM.

- One of the most important responsibilities of the Planning and Budget Development Committee will be to ensure – working closely with the GM – that the annual planning cycle (from updating values and vision through adopting the annual operational plan and budget) appropriately involves the Board in providing proactive, creative direction setting.
- The Planning and Budget Development Committee should annually set time aside to assess WMATA’s planning process in terms of both planning outcomes and Board involvement, identifying design enhancements intended to strengthen the process. In carrying out this responsibility, the Planning and Budget Development Committee should capitalize on developments in the rapidly changing field of strategic decision-making.

V-B Consider Employing a Strategic Work Session As a Vehicle For Proactive Board Involvement In Strategic Decision Making.

- In updating the Board’s involvement in strategic decision-making, the Planning and Budget Development Committee should consider employing an intensive Strategic Work Session (or retreat) involving the Board of Directors, GM, and Executive Staff as a tool for periodically updating WMATA’s Strategic Change Portfolio. Designed and hosted by the Planning and Budget Development Committee, the session would focus on:
 - ❖ Clarifying/updating WMATA’s values and vision

- ❖ Reviewing external conditions and trends (perhaps involving a presentation, using graphics and visual aids, by members of the Planning and Budget Development Committee)
- ❖ Identifying strategic issues facing WMATA
- ❖ Brainstorming possible change initiatives to address the issues
- ❖ Assessing the prior year's operational performance (perhaps using a presentation by the Operational Monitoring/Audit Committee)
- It is critical that this strategic work session be highly participatory, enabling Board members to play a leading role rather than being an audience for formal staff presentation.
- At least a full day should be set aside for the Board Strategic Work Session. Many public and nonprofit boards around the country hold such work sessions annually, but in light of the tremendous time demands on WMATA Board members, a biannual Strategic Work Session might make sense.

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5. EXHIBITS

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EXHIBIT A

COMMITMENT TO BOARD CAPACITY BUILDING

Whereas, WMATA's long-term effectiveness and development in a changing, challenging environment depend on the strong leadership of a Board that continuously answers three critical questions in a full and timely fashion: Where should WMATA be headed, and what should it become, over the long run? What should WMATA be now and in the near-term? How is WMATA performing as a public transportation organization, both financially and in terms of serving customers?

Whereas, the WMATA Board Chair appointed the Governance Task Force to identify critical governance issues and to fashion recommendations aimed at addressing these governing issues,

Whereas, the WMATA Governance Task Force has submitted its detailed Action Report to the Board of Directors,

Be it resolved that:

The WMATA Board of Directors: (1) affirms its commitment to continuously building its leadership capacity (2) accepts the Governance Task Force Action Report in principle; and (3) declares its intention to strengthen the Board's governing role, structure, and processes during 2006 and beyond.

EXHIBIT B

BOARD OF DIRECTORS GOVERNING MISSION

BOARD RESOLUTION

Whereas, the Board of Directors of the Washington Metropolitan Area Transit Authority (WMATA) is committed to functioning as a high-impact governing body, providing WMATA with the strong leadership required to ensure success in carrying out its regional public transportation mission in a changing, challenging world;

Whereas, providing such high-impact leadership requires a clearly defined Board of Directors governing role;

Whereas, the WMATA Board Governance Task Force has developed a Governing Mission spelling out the major governing responsibilities of the Board of Directors as WMATA's governing body;

Be it resolved that:

The Board of Directors adopts the Board Governing Mission that is attached to, and made a part of, this Resolution, and directs that this Governing Mission be periodically updated and that it serve as a framework for further developing the Board's governing work, structure, and processes over time in the interest of high-impact governing.

ATTACHMENT TO EXHIBIT B

BOARD OF DIRECTORS GOVERNING MISSION

The Board of Directors, as the governing body of the Washington Metropolitan Area Transit Authority:

- Serves as the steward and guardian of WMATA's values, vision, mission, and resources.
- Plays a leading, proactive role in WMATA strategic decision making, and in setting strong, clear strategic directions and priorities for all of WMATA's functions and operating units, ensuring that the region's public transportation needs are met as fully and efficiently as feasible.
- Ensures that WMATA's relationships with its customers and key stakeholders are positive.
- Monitors WMATA's operational, financial, and administrative performance against clearly defined performance targets, in keeping with its fiduciary responsibility to ensure that public resources are wisely managed.
- Adopts policies to govern WMATA operations in the interest of organizational efficiency and effectiveness and sound leadership and management principles.
- Serves as an advocate for public transportation in the legislative arena and other appropriate forums.
- Strives to ensure that WMATA possesses the financial and other resources necessary to realize its vision and carry out its mission fully in the region.
- Ensures that Board members are fully engaged in the governing process, that the resources they bring to the Board are fully utilized in governing, and that their governing skills are systematically developed.
- Takes accountability for its own performance as a governing body, setting detailed governing performance targets and regularly monitoring the Board's performance against these targets.
- Hires the General Manager, Secretary, and Inspector General of WMATA, works in close partnership with the GM, ensures that clear, detailed GM performance targets are set, and at least annually evaluates GM performance against these targets.

EXHIBIT C

BOARD STANDING COMMITTEES

Whereas, the Action Report of the Governance Task Force recommends that the WMATA Board of Directors adopt a structure of four standing committees consisting of Board members for the purpose of accomplishing the detailed governing work of the Board: the Governance Committee; the Planning and Budget Development Committee; the Operational Monitoring/Audit Committee; and the External/Legislative Relations Committee;

Be it resolved that:

The four Board standing committees recommended in the Action Report be adopted as the governing structure of the WMATA Board of Directors, the functions of these four standing committees adhere to the committee descriptions that are set forth in the Action Report, and the attached Standing Committee Organization Chart be employed to describe the committee structure.

**ATTACHMENT TO EXHIBIT C
COMMITTEE ORGANIZATION CHART**

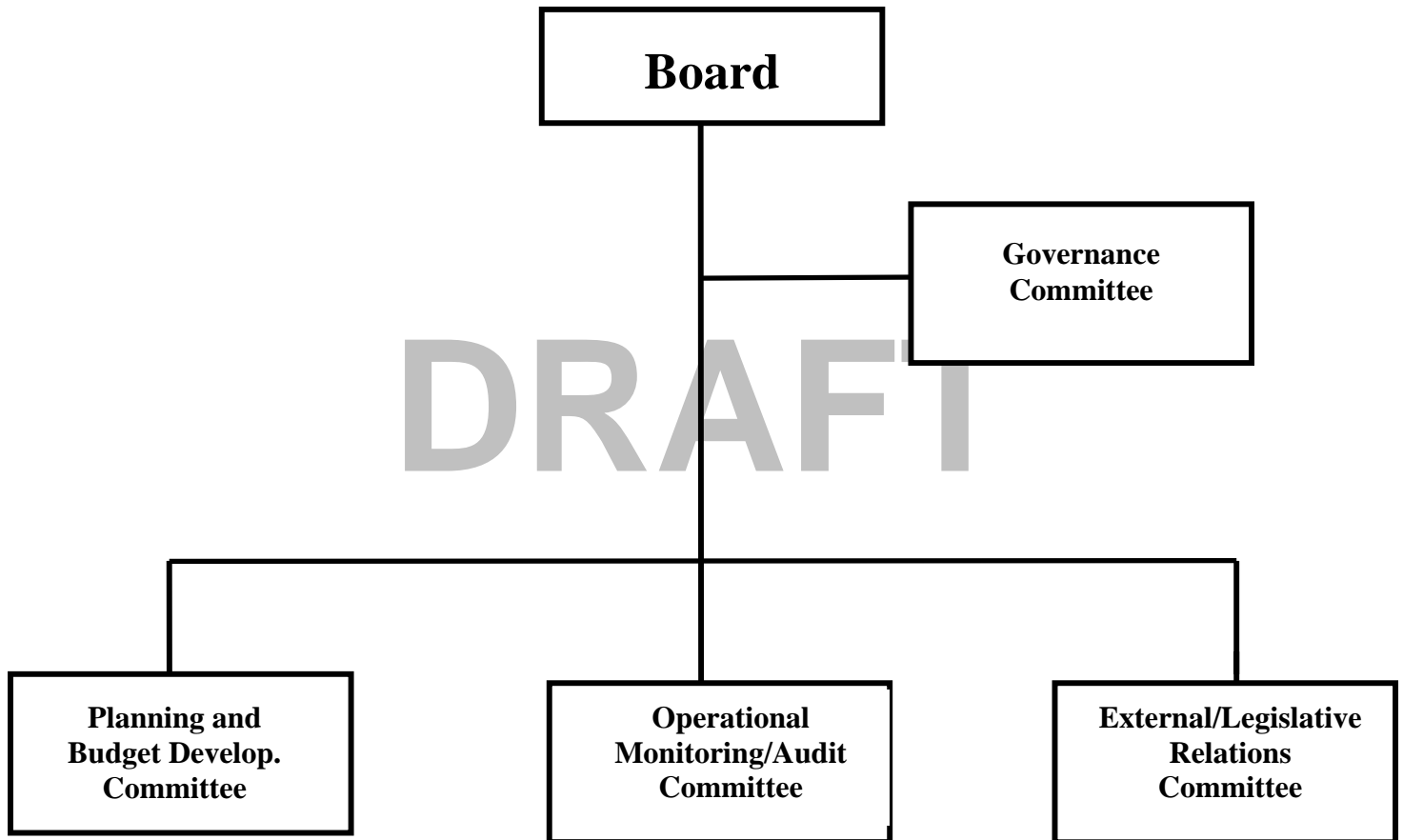


EXHIBIT D

STANDING COMMITTEE ANALYSIS

Advantages of Well-Designed Standing Committees

It is now widely recognized in the field of public/nonprofit governance that a well-designed structure of Board standing committees can serve as a powerful engine for carrying out the governing work of a board of directors at a high level, helping to ensure truly high-impact decision making. Well-designed committees produce significant benefits:

- A well-designed structure of standing committees makes it possible to divide the very complex and demanding work of governing into manageable pieces on which Board members can focus serious attention. Such division of governing labor is essential in light of the limited time that busy Board members can devote to their governing responsibilities.
- Such standing committees enable Board members to acquire in-depth experience and expertise in broad governance functions such as planning and performance oversight, and this experience can be shared through regular rotation of Board members among the standing committees.
- They help to make full Board meetings more productive by ensuring thorough preparation.
- And they provide a comfortable forum for intensive Board-staff interaction that is not feasible at regular Board business meetings, thereby helping to build a more cohesive “strategic leadership team.”

Committee Design Factors

Experience has taught that board standing committee structures that function as highly effective “governance engines” – supporting truly high-level governance – are built on a foundation consisting of:

- A firm commitment to function as a full-fledged **PUBLIC CORPORATE GOVERNING BODY** (in WMATA’s case a large and complex public corporation) whose primary responsibility is to guide and oversee corporate operations and growth, making sure that the corporate mission is being fully carried out. This model

of a public corporate board is in clear contrast to the traditional legislative governance model, which sees boards as essentially representative bodies whose main role is to reconcile competing constituency needs and demands. The latter model, which is still found in some public transit agencies, is without question far less effective than the Public Corporate Governing Model in terms of governance.

- A high level of trust and mutual respect among board members, which makes a division of labor among committees feasible.

In terms of specific design features, the standing committees that function effectively:

- Correspond to the broad streams of governing decisions and judgments that the Board makes (e.g., strategic/operational planning and budget development; performance oversight/monitoring), satisfying a universally accepted management principle that structure should follow function.
- Cut across all operational and administrative functions of the organization. This is the polar opposite of old-time “silo” committees that correspond to narrow programmatic and administrative functions (e.g., the personnel and paratransit committees that many transit systems still employ).
- Combine like functions (most notably: planning and budget development; financial and non-financial operating performance monitoring).
- Rotate board members among committees to enrich their governing experience and ensure diverse perspectives.

EXHIBIT E
STANDING COMMITTEE GUIDELINES

Whereas the Action Report of the Governance Task Force recommends that the Board of Directors adopt guidelines to ensure that the Board's four standing committees function effectively;

Be it resolved that:

The WMATA Board of Directors adopts the Board standing committee guidelines set forth in the Action Report and directs the WMATA Governance Committee to periodically update the guidelines to ensure that the Board's standing committees function smoothly and productively, carrying out their responsibilities in a full and timely fashion.

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