ISSUE BRIEF:
Monitoring Report: Policy 2.7 Ends Focus of Grants or Contracts

Finance Committee Meeting Date: December 10, 2019

Board Member Meeting Date: December 19, 2019

INFORMATION TYPE:
Decision

RECOMMENDED ACTION(S):
Complete the survey before EOB Monday, Dec 2nd, 2019.   Make a decision to accept the report during the Board meeting on Dec 19th, 2019.

ISSUE SUMMARY:
In accordance with the Board's Policy Manual; I present the Monitoring report on Executive Limitation Policy 2. 7 Ends Focus of Grants or Contracts   I certify that the information is true and complete, and I request that the Board accept this report as indicating an acceptable level of compliance.

BACKGROUND:
This monitoring report provides interpretation and evidence of the level of compliance of Policy 2. 7 Ends Focus of Grants or Contracts within the monitoring period. Monitoring Reports are a key Policy Governance tool to assess organizational/CEO performance in achieving Ends (1.0) within Executive Limitations (2.0).

IMPACTS OF RECOMMENDED ACTION(S):
- Budgetary/Fiscal: NA   - Social: NA   - Environmental: NA   - Governance: Monitoring reports facilitate transparency and accountability.

ATTACHMENTS:
1. Monitoring Report: Policy 2.7 Ends Focus of Grants or Contracts   2. Survey Results: Monitoring Report Policy 2.7 Ends Focus of Grants or Contracts

Monitoring Report for Policy 2. 7 Ends Focus of Contracts

POLICY TITLE: 2. 7 Ends Focus of Contracts	Page #	Compliance
The CEO may not enter into any grant or contract arrangements that fail to directly support the Ends and Executive Limitations policies enumerated herein.	3	🟢

🟢 Fully Compliant   🟡 Partially Compliant   🔴 Non-Compliant

TheRide
Ann Arbor Area Transportation Authority

EXECUTIVE LIMITATIONS POLICY 2.7:

The CEO may not enter into any grant or contract arrangements that fail to directly support the Ends and Executive Limitations policies enumerated herein.

Degree of Compliance: Fully Compliant

EXECUTIVE LIMITATIONS POLICY 2.7: Interpretation

I interpret this policy to mean that all AAATA financial *expenditures* made by new contracts must advance the achievement of the Board's Ends policies and/or enhance compliance with Executive Limitations policies. Any contracts should fit into one of these categories:

- **Ends**: access to destinations, increase in use of services, contribution to social, environmental, and economic vitality, demonstration of value, efficient stewardship of resources
- **Executive Limitations:** commonly accepted business practices, compliance with legal mandates, proper treatment of the traveling public, proper treatment of staff, compensation and benefits, financial planning/budgeting, financial condition and activities, cash and investments, asset protection, external relationships, and board support and communication.

I am excluding "grants" from my interpretation of this policy for the following reasons. The AAATA does not award "grants" to expend funds, only "contracts." Furthermore, I interpret this policy to apply only to *expenditures*. The AAATA receives some routine formula funding from the State of Michigan or the US government called "grants", but these are considered revenue, not expenditures. I believe that Board expectations covering how those funds are expended are already addressed under policies 2.4 and 2.5. It may be that this boilerplate policy is redundant at the AAATA. John Carver (Reinventing Your Board, p. 83, 99) considers this policy to be "*an atypical policy, one that applies only to grant-making or subcontracting organizations.*"

Finally, I am excluding pass through funding to subrecipients from my interpretation. Federal funding is funneled through the AAATA to smaller community-based organizations, called subrecipients, in a manner that could look like a grant or contract. However, the AAATA has no choice in these matters and is required by federal law to funnel these funds in the manner directed. Therefore, we have no means to ensure they comply with any Board policies, so they are excluded from this policy.

Monitoring Report for Policy 2.7 Ends Focus of Contracts

EXECUTIVE LIMITATIONS POLICY 2.7: Evidence

Below is a list of all expenditure contracts entered during the monitoring period. Previously executed contracts are not included. Staff have identified the Board policies we believe these contracts support or advance. We attest that this list is complete, and no contracts have been omitted.

Contracts (expenditures)	Category
• Camera System Upgrade - Camera Upgrade for 2700	Treatment of Staff, Asset Protection
• Budgeting Software	Financial Conditions and Activities
• Fence Improvements for the BTC	Treatment of the Travelling Public, Asset Protection
• Roofing & HVAC Renovations - Roof replacement and HVAC renovations for 2700	Treatment of Staff, Asset Protection
• FlexRide Services - Demand responsive transportation service for Ypsilanti & Pittsfield Townships	Ends, Treatment of the Travelling Public
• Clean Agent Fire Supression System - for Data Server Room	Asset Protection
• Compensation and Benefits Study - Consultation and advice for non-union employee benefits program	Compensation and Benefits
• Public Transit Buses - Contract for replacement buses	Ends, Asset Protection
• Auditing Services - Contract to perform Annual Financial Auditing Services for the Authority	Financial Conditions and Activities
• Fireproof File Cabinets	Asset protection
• Transmissions, Allison Remanufactured	Asset Protection
• Ride Guide Printing Services - Contract rate for printing of the RideGuide schedules.	Treatment of the Traveling Public
• Bike Share Management - Contract operator to relaunch ArborBike program.	Financial Conditions and Activities Asset Protection
• TheRide Website Improvements	Ends, Asset Protection, Treatment of the Travelling Public
• Cloud Based Backup Services	Asset Protection
• Translation Services	Ends, Treatment of the Travelling Public

Monitoring Policy 2.7 Ends Focus of Contracts

Guidance on Determining "Reasonableness" of CEO Interpretations

The International Policy Governance Association has developed the following guidance for Board members to use in deciding whether a CEO's interpretation is "reasonable":

An interpretation is deemed to be reasonable when it provides an operational definition which includes defensible measures and standards against which policy achievement can be assessed…

Defensible measures and standards are those that:
- *Are objectively verifiable (e.g., through research, testing, and/or credible confirmation of observable phenomena.)*
- *Are relevant and conceptually aligned with the policy criteria and the board's policy set.*
- *Represent an appropriate level of fulfillment within the scope of the policy.*

-"*What makes an Interpretation Reasonable and What are the Expectations for the Operational Definition: Policy Governance Consistency Framework Report Number 2".* International Policy Governance Association. June 11, 2016. Available on the IPGA website.

Board's conclusion on monitoring report

The Board has received and reviewed the CEO's Monitoring Report references above. Following the Board's review and discussion with the CEO, the Board makes the following conclusions:

Executive Limitations Report   (select one)
The Board finds that the CEO:
A.   Is in compliance
B.   Is in compliance, except for item(s) noted.
C.   Is making reasonable progress toward compliance.
D.   Is *not* in compliance <u>or</u> is *not* making reasonable progress toward compliance
E.   Cannot be determined.

Board notes: (If applicable)

The Board accepted the report as in compliance on December 19, 2019.
(A) Is in compliance.