Commission Policy Book
Madison Metropolitan Sewerage District
# Policy Book Contents

## Introduction

<table>
<thead>
<tr>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>4</td>
</tr>
</tbody>
</table>

## Outcomes Policies

<table>
<thead>
<tr>
<th>Code</th>
<th>Name</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>O – 1</td>
<td>Global Outcomes Policy</td>
<td>6</td>
</tr>
<tr>
<td>O – 2A</td>
<td>Wastewater Collection and Treatment</td>
<td>8</td>
</tr>
<tr>
<td>O – 2B</td>
<td>Resource Conservation and Recovery</td>
<td>10</td>
</tr>
<tr>
<td>O – 2C</td>
<td>Financial Sustainability</td>
<td>11</td>
</tr>
</tbody>
</table>

## Executive Limitations Policies

<table>
<thead>
<tr>
<th>Code</th>
<th>Name</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>EL – 1</td>
<td>Global Executive Limitations Policy</td>
<td>12</td>
</tr>
<tr>
<td>EL – 2A</td>
<td>Treatment of Customer Communities and Rate Payers</td>
<td>13</td>
</tr>
<tr>
<td>EL – 2B</td>
<td>Treatment of Staff</td>
<td>14</td>
</tr>
<tr>
<td>EL – 2C</td>
<td>Financial Planning/Budgeting</td>
<td>15</td>
</tr>
<tr>
<td>EL – 2D</td>
<td>Financial Condition and Activities</td>
<td>16</td>
</tr>
<tr>
<td>EL – 2E</td>
<td>Emergency Chief Engineer and Director Succession</td>
<td>17</td>
</tr>
<tr>
<td>EL – 2F</td>
<td>Asset Protection</td>
<td>18</td>
</tr>
<tr>
<td>EL – 2G</td>
<td>Infrastructure</td>
<td>19</td>
</tr>
<tr>
<td>EL – 2H</td>
<td>Communication and Support to the Commission</td>
<td>20</td>
</tr>
</tbody>
</table>

## Commission–Executive Delegation Policies

<table>
<thead>
<tr>
<th>Code</th>
<th>Name</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>CER – 1</td>
<td>Global Commission–Executive Delegation Policy</td>
<td>21</td>
</tr>
<tr>
<td>CER – 2A</td>
<td>Unity of Control</td>
<td>22</td>
</tr>
<tr>
<td>CER – 2B</td>
<td>Delegation to the Chief Engineer and Director</td>
<td>23</td>
</tr>
<tr>
<td>CER – 2C</td>
<td>Monitoring the Chief Engineer and Director’s Performance</td>
<td>24</td>
</tr>
<tr>
<td>CER – 2D</td>
<td>Records Management</td>
<td>25</td>
</tr>
</tbody>
</table>

## Commission Process Policies

<table>
<thead>
<tr>
<th>Code</th>
<th>Name</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>CP – 1</td>
<td>Global Commission Process Policy</td>
<td>26</td>
</tr>
<tr>
<td>CP – 2A</td>
<td>Governing Style</td>
<td>27</td>
</tr>
<tr>
<td>CP – 2B</td>
<td>Commission Job Description</td>
<td>29</td>
</tr>
<tr>
<td>CP – 2C</td>
<td>Agenda Planning to Achieve Commission Outputs</td>
<td>30</td>
</tr>
<tr>
<td>CP – 2D</td>
<td>Commission Members’ Conduct</td>
<td>31</td>
</tr>
<tr>
<td>CP – 2E</td>
<td>Commission Meeting Participation</td>
<td>33</td>
</tr>
<tr>
<td>CP – 2F</td>
<td>Per Diem for Commissioners</td>
<td>34</td>
</tr>
<tr>
<td>CP – 2G</td>
<td>President’s Role</td>
<td>35</td>
</tr>
<tr>
<td>CP – 2H</td>
<td>Vice President’s Role</td>
<td>36</td>
</tr>
<tr>
<td>CP – 2I</td>
<td>Secretary’s Role</td>
<td>37</td>
</tr>
<tr>
<td>CP – 2J</td>
<td>Commission Committee Principles</td>
<td>38</td>
</tr>
<tr>
<td>CP – 2K</td>
<td>Commission Committee Structure</td>
<td>39</td>
</tr>
<tr>
<td>CP – 2L</td>
<td>Governance Capacity</td>
<td>40</td>
</tr>
<tr>
<td>CP – 2M</td>
<td>Chief Engineer and Director Pay</td>
<td>41</td>
</tr>
<tr>
<td>CP – 2N</td>
<td>Outcomes Decision Making</td>
<td>42</td>
</tr>
<tr>
<td>ATT</td>
<td>Description</td>
<td>Pages</td>
</tr>
<tr>
<td>-----</td>
<td>------------------------------------------------------------------------------</td>
<td>-------</td>
</tr>
<tr>
<td>ATT – 1</td>
<td>Expectation for Commission Members</td>
<td>43-45</td>
</tr>
<tr>
<td>ATT – 3</td>
<td>Commission Policy Statement on Transaction Approval Authority</td>
<td>62-64</td>
</tr>
<tr>
<td>ATT – 4</td>
<td>MMSD Chief Engineer &amp; Director Annual Performance Evaluation Process</td>
<td>65-67</td>
</tr>
</tbody>
</table>
INTRODUCTION

This Commission Policy Book contains the policies of the Madison Metropolitan Sewerage District Commission. These policies include the outcomes the District will fulfill on behalf of its ownership, and the processes that are used for decision making and action.

History

The Madison Metropolitan Sewerage District (District) is a regional utility that serves the wastewater collection and treatment needs of 26 owner communities. These owner communities are municipalities that jointly or separately own or operate a sewerage collection and disposal system and have territory included in the District boundary.

This District’s authority was established by a Dane County Judge in 1930, and eventually was codified into state law. The fundamental basis for the District’s existence is that the region can achieve more together than by working independently.

In 2015, the State Legislature changed the District’s governance, expanding the Commission from five to nine members, and requiring that Commissioners be selected by owner communities. The City of Madison selects five members, the cities and villages select three and the towns select one.

In 2017, the District Commission adopted the Carver Policy Governance model as a means to bring purpose, accountability and efficiency to District policy making and implementation. This model is a refreshing shift from the traditional practice of governance, where roles are assumed, processes for decision making are not clear, and there is an intense focus on means instead of ends.

Overview

Below is an overview of the basic principles of policies contained in this book.

1. **Policies put the “trust” in trusteeship.**
   Simply put, the Commission governs on behalf of owner communities to ensure the District provides necessary regional benefits and meets statutory requirements.

2. **The Commission forges a linkage with management that is empowering and safe.**
   The Commission and Chief Engineer and Director (CED) constitute a leadership team. Clear differentiation in their roles and responsibilities enables them to fulfill and excel in them, mutually support each other, and influence each other toward ever greater integrity and capability for leadership.

3. **The Commission speaks with one voice or not at all.**
   Governance comes from the Commission as a whole, speaking with one voice. It does not come from individual Commissioners or subgroups. This one-voice principle
doesn’t require or imply unanimity. Commission involvement with committees is limited to those committees it creates to aid its own work.

4. **Commission decisions are predominantly policy decisions.**

   Policy is here defined as the value or perspective that underlies action. Commission policies express the results, accountabilities, and processes to achieve its statutory requirements, not the specific means. There are four types of policies in this book.

   - **Outcomes**: These policies define which human needs are to be met, for whom, and at what cost. These mission-related policies state the ultimate ends staff must achieve, and against which performance is measured. Outcomes reflect the District’s statutory purpose as a regional utility serving owner communities.

   - **Executive limitations**: These policies limit the means by which outcomes shall be achieved. The Commission’s role is therefore one of boundary-setting — specifying expectations in writing, including which staff means would be unacceptable, not approvable, or off-limits.

   - **Commission-Executive delegation**: These policies define the essential elements of the relationship between the Commission and the Chief Engineer & Director. Specifically, these policies address how the Commission provides direction, delegates authority, and monitors compliance and performance relative to ends and limitations.

   - **Commission process**: These policies describe how the Commission will operate and hold itself accountable for its own job, get its work done, and assure these methods provide for effective and efficient governance.

5. **Outcomes determination is the pivotal duty of governance.**

   The District exists to provide regional benefits to the communities it serves and to meet statutory requirements. The Commission’s primary duty is to ensure the correct benefits are provided and requirements met. Outcomes policies are a key Commission tool. They summarize the District’s obligations in a general way to help the Commission and staff stay oriented. How to achieve performance is a detailed matter, delegated to the CED. Distinguishing outcomes from means enables the Commission to free itself from triviality, delegate clearly and powerfully, and turn its attention to significant issues.

6. **District performance is evaluated against policy criteria.**

   The Commission’s role is to ensure that Commission outcomes and limitations policies are being fulfilled. The CED provides monitoring information to support this role, limiting information to material that is relevant and meets Commission needs. When the Commission feels a performance concern is unaddressed, the Commission updates policy criteria and requests relevant monitoring information. Detailed performance monitoring is delegated to the CED.
COMMISSION POLICY

SECTION 1: OUTCOMES POLICIES

Category: Outcomes Policies
Title: Global Outcomes Policy
Policy Number: O – 1
Adopted: 09-28-2017 (original adoption date)
Revised: 10-29-2020

District owners are confident that the regional sewerage system delivers appropriate benefits for public health, the environment and the economy at an acceptable cost.

District owners are each municipality which jointly or separately owns or operates a sewerage collection and disposal system which has territory included in the District boundary.

CED Interpretation:

1. **Confident** means customer communities believe a policy decision was arrived at in a fair and open process and is the best option for the District at this time. (Annual with performance review)
   Compliance will be demonstrated when the District:
   - Conducts regular meetings with customer communities to gain input on emerging policy issues that may affect them.
   - Obtains customer communities’ mutual understanding of the challenges and opportunities facing the District and recognition that public interests are taken into consideration during policy making.

2. **Delivers benefits at an acceptable cost** is further defined by the Commission in policy O — 2C.

3. **District owners are the following municipalities:**
   - City of Fitchburg
   - City of Madison
   - City of Middleton
   - City of Monona
   - City of Verona
   - Town of Dunn
   - Town of Madison
   - Town of Pleasant Springs
• Town of Verona
• Town of Vienna
• Town of Westport
• Village of Cottage Grove
• Village of Dane
• Village of DeForest
• Village of Maple Bluff
• Village of McFarland
• Village of Shorewood Hills
• Village of Waunakee
• Village of Windsor
Madison Metropolitan Sewerage District

COMMISSION POLICY

SECTION 1: OUTCOMES POLICIES

<table>
<thead>
<tr>
<th>Category:</th>
<th>Outcomes Policy</th>
</tr>
</thead>
<tbody>
<tr>
<td>Title:</td>
<td>Wastewater Collection and Treatment</td>
</tr>
<tr>
<td>Policy Number:</td>
<td>O — 2A</td>
</tr>
<tr>
<td>Adopted:</td>
<td>09-27-2018</td>
</tr>
<tr>
<td>Revised:</td>
<td>10-29-2020</td>
</tr>
</tbody>
</table>

District owners’ wastewater is collected and treated in a manner that is consistently safe, reliable, efficient, environmentally responsible and forward thinking.

CED Interpretation:

1. **Consistently safe** means District operations minimize sanitary sewer overflows. The District returns treated water to the environment that meets or exceeds applicable regulatory requirements. Compliance will be demonstrated when the District:
   - Complies with its Wisconsin Pollutant Discharge Elimination System permit. When not in compliance, there shall be a compliance plan in place. Monthly
   - Does not experience overflows due to human error, lack of planning or a slow response. Report immediately
   - Conducts after-action reviews for overflow events, prepares a summary report and completes high priority actions. Annually
   - Adheres to Capacity Management Operations and Maintenance (CMOM) manual. Annual report
   - Prepares a Compliance Management Annual Report (CMAR) and completes identified action items. Annual report

2. **Reliable and efficient** means customer communities have convenient access to dependable wastewater services now and in the future while minimizing total lifecycle costs. The District works to increase system resiliency and avoids infrastructure configurations that increase vulnerability to extreme weather events, natural disasters and economic conditions. Compliance will be demonstrated when the District:
   - Acts upon annexations, sewer service area adjustments and sanitary sewer extension requests within four weeks of receiving a complete application. Annual
   - A collection system facility plan and plant asset management plan is compiled every five years that anticipates future service and capacity needs.
   - The District uses formalized sustainability frameworks such as (LEED, ENVISION and SAM) to evaluate major projects for system resiliency. Annual
• The District performs reliability centered maintenance. Annual

3. *Environmentally responsible* means the District preserves and enhances surface water, groundwater, land, air and habitat quality while collecting and treating wastewater. Compliance will be demonstrated with the District:
   • Effectively manages a wildlife observation area.
   • Evaluates major projects and initiatives to identify multiple benefits and avoids unwanted impacts on the environment.

4. Forward thinking means that future generations will experience the same or greater public health and environmental benefits. The District seeks innovative technologies and solutions while weighing benefits, costs and risks. The District engages with others through watershed-based approaches, innovative partnerships and flexible techniques. The District anticipates regulatory requirements and plans for them. Compliance will be demonstrated when the District:
   • Has an approved strategic plan with a vision, goals and strategies that is updated every year. The plan will identify contaminants of emerging concern and potential future regulatory requirements.
   • Has a collection system facility plan and plant asset management plan that is updated every five years.
   • Considers innovative options, methods, technologies, collaborations or processes (whether implemented or not) to achieve major policy goals and projects or overcome significant problems, barriers or limitations.
   • Conducts research, pilot studies and implements incremental actions to address potential future regulatory requirements.
natural resources are conserved, recovered and used in an environmentally responsible manner.

CED Interpretation:

1. Conservation means to limit consumption of natural resources and where possible, replace use of nonrenewable with renewable resources for District operations, projects and purchases. Compliance will be demonstrated when the District:
   - Identifies and implements projects, products and operational practices that conserve natural resources. Annual
   - Seeks efficiencies in existing operations to minimize consumption of resources. Annual

2. Recovery means to separate, extract, reuse and convert valuable water, energy, nutrients and commodities from wastewater to reduce costs, increase revenues and strengthen the local economy. Compliance will be demonstrated when the District:
   - Prepares an annual report on water reuse, energy consumption and production and nutrient production and reuse.
   - Identifies opportunities for further resource recovery.

3. Environmentally responsible means use minimizes detriment to surface water, groundwater, land, air and habitat quality. Compliance will be demonstrated when the District:
   - Evaluates uses to identify multiple benefits and avoids unwanted impacts to the environment.
Madison Metropolitan Sewerage District
COMMISSION POLICY

SECTION 1: OUTCOMES POLICIES

Category: Outcomes Policy
Title: Financial Sustainability
Policy Number: O — 2C
Adopted: 09-28-2018
Revised: 10-29-2020

Charges for service are justified, adequate, equitable and predictable.

CED Interpretation:

1. *Justified* means clear benefits are received that fulfill outcomes 0 — 2A and B. Compliance will be demonstrated when the District:
   - Prepares a business case evaluation that determines there is a large enough net benefit.

2. *Adequate* means charges are sufficient to recover present costs and invest for future needs. Charges reflect the full cost of service. Compliance will be demonstrated when the District:
   - Identifies critical needs in the annual budget, six-year Capital Improvements Plan and facilities plans.
   - Recovers sufficient service charges, connection charges and fees to fund critical needs.

3. *Equitable* means costs are distributed fairly and reasonably and that future customers will receive the same economic, environmental and social benefits as current customers. Compliance will be demonstrated when the District:
   - Recovers service charges based on impact to the system.
   - Uses affordability programs when feasible to assist low income households or as incentives for gaining compliance.

4. *Predictable* means the District’s sound fiscal practices smooth revenues and expenditures and avoid the need for unexpected rate increases. Compliance will be demonstrated when the District:
   - Anticipates major expenditures and phases them in where practical.
   - Provides notice to customers so that they have adequate time to adjust their budgets and charges.
The chief engineer and director shall not knowingly cause or allow any practice, activity, decision or organizational circumstance that violates any applicable and relevant requirements of:

1) U.S. or Wisconsin Constitutions, laws, court decisions, administrative regulations and requirements, District ordinances and policies or binding contracts.

2) The District’s conflict of interest policy.

3) Commonly accepted standards of business and professional ethics.
Madison Metropolitan Sewerage District
COMMISSION POLICY

Category: Executive Limitations Policies
Title: Treatment of Customer Communities and Rate Payers
Policy Number: EL – 2A
Adopted: 09-28-2017
Revised:

With respect to interactions with customer communities and rate payers or those applying to be customer communities or rate payers, the chief engineer and director shall not cause or allow conditions, procedures or decisions that are unsafe, untimely, undignified or that fail to provide appropriate confidentiality or privacy.
With respect to interactions with staff, the chief engineer and director shall not cause or allow conditions, procedures or decisions that are unsafe, undignified, disrespectful or unprofessional.

Accordingly, the chief engineer and director shall not cause or allow conditions, procedures or decisions that:

1) Violate the District’s employee handbook.

2) Fail to maintain written department-specific work rules that clarify personnel guidelines for staff, and provide an employee notification and comment process before promulgation of any changes to department-specific work rules.

3) Fail to acquaint staff with their rights under this policy.

4) Prevent staff members from communicating with the Commission with regard to assertions that Commission policies have been violated or that Commission policies do not adequately protect their human rights.

5) Diminish the ability of the employee leadership council to strengthen communication, encourage meaningful employee participation and develop leadership within the District.

6) Discourage employees from participating in voluntary associations.

7) Fail to provide regular updates on the Employee Leadership Council to the Commission and involve the Commission in a manner that encourages and fosters an inclusive, open and positive work environment through reliance on the Council.
Madison Metropolitan Sewerage District
COMMISSION POLICY

Category: Executive Limitations Policies
Title: Financial Planning/Budgeting
Policy Number: EL – 2C
Adopted: 09-28-2017
Revised:

The chief engineer and director shall not cause or allow financial planning to deviate materially from the Commission’s outcomes priorities, risk financial jeopardy or fail to be derived from a multiyear plan.

Accordingly, the chief engineer and director shall not cause or allow conditions, procedures or decisions that:

1) Fail to provide the Commission with a budget document that contains, at a minimum, credible projection of revenue and expenses, separation of capital and operational items, cash flow and disclosure of planning assumptions.

2) Fail to comply with Commission policy statements on capital projects budget and debt service budget development and approval, debt financing, financial reporting, fund reserves, fund structure, operating budget development and approval and strategic financial planning, all included as an attachment (ATT – 2).

3) Allow budgeting that would risk incurring those situations or conditions described as unacceptable in the financial condition and activities policy (EL – 2D).
Madison Metropolitan Sewerage District
COMMISSION POLICY

Category: Executive Limitations Policies
Title: Financial Condition and Activities
Policy Number: EL – 2D
Adopted: 09-28-2017
Revised:

With respect to the actual, ongoing financial condition and activities of the District, the chief engineer and director shall not cause or allow the development of fiscal jeopardy or a material deviation of actual expenditures from Commission priorities established in outcomes policies.

Accordingly, the chief engineer and director shall not cause or allow conditions, procedures or decisions that:

1) Exceed total appropriations for the fiscal year.

2) Use reserves for purposes other than those for which they are designated, unless directed to do so by the Commission.

3) Fail to comply with the District’s procurement policy.

4) Fail to comply with the District’s transaction approval authority, included as an attachment (ATT – 3).

5) Fail to preserve the District’s funds in a prudent manner to insure the availability of adequate annual operating funds, preserve the capital of the District and provide the necessary liquidity to meet cash requirements for operations and construction while obtaining the highest possible current income through investing in the types of investments authorized by Section 66.0603 of the Wisconsin Statutes.
Madison Metropolitan Sewerage District
COMMISSION POLICY

Category: Executive Limitations Policies
Title: Emergency Chief Engineer and Director Succession
Policy Number: EL – 2E
Adopted: 09-28-2017
Revised:

To protect the Commission and District from sudden loss of the chief engineer and director services, the chief engineer and director shall not fail to ensure that the assistant chief engineer and director is sufficiently familiar with Commission and chief engineer and director issues and processes such that he/she would be able to take over with reasonable proficiency as an interim successor.
The chief engineer and director shall not fail to comply with industry standards regarding protection of the District’s assets.
The chief engineer and director shall not cause or allow conditions, procedures or decisions that prevent the District from meeting its obligation to serve present and future customer communities and rate payers and retire its debts.

Accordingly, the chief engineer and director shall not cause or allow conditions, procedures or decisions that:

1) Fail to assure that required rates fund all expenditures for timely and prudent capital improvements to existing District systems, and that those capital improvements are driven by reliability, operational or regulatory requirements, replacement of aging infrastructure, District relocations for public works and road projects or extension of the life of existing systems.

2) Fail to identify and plan for resource and infrastructure needs for the provision of service to customers within the District’s service areas consistent with a reasonable planning period for that service.
The chief engineer and director shall not cause or allow the Commission to be without such information as may be required periodically for fully informed Commission deliberations and choices, including internal and external data as well as staff and external opinions and points of view.

Accordingly, the chief engineer and director shall not cause or allow conditions, procedures or decisions that:

1) Allow the Commission to be unaware of any actual or anticipated noncompliance with any outcomes or executive limitations policy of the Commission regardless of the Commission’s monitoring schedule.

2) Fail to advise the Commission if, in the chief engineer and director’s opinion, the Commission is not in compliance with its own policies on Commission process and Commission–executive delegation, particularly in the case of Commission behavior that is detrimental to the work relationship between the Commission and the chief engineer and director.
Pursuant to the authority delegated by the Wisconsin Legislature, including as stated in Wisconsin Statutes Chapter 200, the Commission is charged with management and operation of the Madison Metropolitan Sewerage District. All authority and accountability delegated by the Commission to District staff shall be delegated through the chief engineer and director.
Only decisions of the Commission acting as a body are binding on the chief engineer and director.

Individual Commissioners still may make requests to the chief engineer and director for information and assistance without specific Commission authorization.
Madison Metropolitan Sewerage District
COMMISSION POLICY

Category: Commission-Executive Delegation Policies
Title: Delegation to the Chief Engineer and Director
Policy Number: CER – 2B
Adopted: 09-28-2017
Revised:

The Commission will instruct the chief engineer and director through written policies which prescribe the organizational outcomes to be achieved and which describe organizational situations and actions to be avoided, allowing the chief engineer and director to use any reasonable interpretation of these policies.
Systematic and rigorous monitoring of the chief engineer and director’s performance will be based solely on her or his expected job outputs: the District’s accomplishment of the Commission’s outcomes policies and operation within the boundaries established by the Commission’s executive limitations policies. The Commission will conduct an annual evaluation of the CED’s performance using the process outlined in ATT – 4.
Madison Metropolitan Sewerage District
COMMISSION POLICY

Category: Commission-Executive Delegation Policies
Title: Records Management
Policy Number: CER — 2D
Adopted: 07-25-2019
Revised:

Madison Metropolitan Sewerage District (the District) is a public body subject to state public records law under Wis. Stat. §§ 19.21-19.39. The Commission has designated the chief engineer and director as the public records custodian for the District. The chief engineer and director may adopt administrative guidelines as necessary for administration of the program.

Furthermore, pursuant to Wis. Stat. §16.61 and §16.612, District electronic records are to be considered original records of the District for all purposes. Staff members are authorized to keep and preserve District records in electronic format and are directed to comply with electronic records standards under state law.

Finally, the chief engineer and director shall maintain a records retention schedule for the District and shall obtain Commission authorization of the schedule and for changes to the schedule as required by law.
The purpose of the Commission, on behalf of the District’s customer communities and their sewer customers, is to see to it that the Madison Metropolitan Sewerage District achieves appropriate results for appropriate persons for an appropriate cost (as specified in Commission outcomes policies), avoids unacceptable actions and situations (as prohibited in Commission executive limitations policies) and is prepared to protect public health and the environment into the future.
The Commission will govern lawfully with an emphasis on (a) outward vision; (b) encouragement of diversity in viewpoints; (c) strategic leadership more than administrative detail; (d) clear distinction of Commission and chief engineer and director roles; (e) collective rather than individual decisions; (f) future orientation; and (g) proactivity rather than reactivity.

Accordingly:

1) The Commission will adopt and hold to the highest standards of ethical conduct in applying due diligence in all aspects of its guidance of, decision-making for and leadership of the District.

2) The Commission will cultivate a sense of group responsibility. The Commission will work in partnership with the chief engineer and director. The Commission will be an initiator and the approver of policy, not merely a reactor to staff initiatives. The Commission will use the expertise of individual members to enhance the understanding of the Commission as a body, but will not substitute individual judgments for the Commission’s collective values.

3) The Commission will lead and inspire the District through the careful establishment of broad written policies reflecting the ownership’s values and perspectives. The Commission’s major policy focus will be on intended long-term benefits (as stated in outcomes policies) and the limitation of risk (through executive limitations policies), not on administrative or programmatic means of attaining those effects.

4) The Commission will hold itself accountable to govern with excellence. This self-discipline will apply to matters such as attendance, preparation for meetings, policymaking principles, respect of roles and ensuring the continuity of governance capacity.

5) The Commission will not allow any officer, individual or committee of the Commission to hinder the fulfillment of its commitments or be an excuse for not fulfilling those commitments.
6) Commission development will include ongoing education for existing and new members regarding the Commission’s governance process. The Commission periodically will discuss and evaluate its process and performance to assure continuous improvement.

7) Although the Commission can change its Commission process and Commission–executive relationship policies at any time, it will observe them scrupulously while in force. The Commission will monitor its performance by comparing actual activity and discipline to policies in the Commission process and Commission–executive relationship categories.
Specific job outputs of the Commission as an informed agent of the District’s ownership are those that ensure appropriate performance of the District, namely:

1) A credible and authoritative linkage between the ownership and the District.

2) Written governing policies that realistically address the broadest levels of all organizational decisions and situations.
   (a) Outcomes: Expected organizational performance desired by owners framed in terms of benefits, recipients of those benefits and their relative worth in cost or priority.
   (b) Executive Limitations: Constraints on executive authority that establish the prudence and ethics boundaries within which all executive activity and decisions must take place.
   (c) Commission–Executive Relationship: How power is delegated and its proper use monitored; the chief engineer and director’s role, authority and accountability.

Madison Metropolitan Sewerage District
COMMISSION POLICY

Category: Commission Process Policies
Title: Agenda Planning to Achieve Commission Outputs
Policy Number: CP – 2C
Adopted: 09-28-2017
Revised:

To accomplish its job products with a governance style consistent with Commission policies, the Commission will follow an annual agenda that (a) completes a re-exploration of outcomes policies annually; (b) updates executive limitations policies as needed to ensure sufficient protection from risk; and (c) continually improves Commission performance through Commission education, rich input and deliberation.

Accordingly:

1) The annual cycle will start each year with the Commission’s development of a master agenda intended to guide the Commission throughout the next year. This master agenda will include a provisional plan for gaining ownership input and a provisional schedule for and education related to governance as well as outcomes determination. The Commission president’s final adjustments to each meeting agenda before publication will provide flexibility to respond to emerging issues, requests from individual Commission members and required public comment periods.

2) The cycle will conclude each year on the date most appropriate so administrative planning and budgeting can be based on accomplishing a one-year segment of the Commission’s most recent statement of long-term outcomes. The Commission will establish its governance capacity budget for the next fiscal year as part of the District’s annual budget process.

3) Throughout the year, the Commission will attend to consent agenda items as expeditiously as possible.

4) Chief engineer and director monitoring will be on the agenda if reports have been received since the previous meeting.

5) An every-other-year review of the chief engineer and director’s performance based on monitoring reports received in the last year will be conducted as soon as practical during the first quarter.
Madison Metropolitan Sewerage District
COMMISSION POLICY

Category: Commission Process Policies
Title: Commission Members’ Conduct
Policy Number: CP – 2D
Adopted: 09-28-2017

The Commission commits itself and its members to ethical, professional and lawful conduct including proper use of authority and appropriate decorum when acting as Commission members. The Commission shall have the authority and responsibility to interpret and apply these standards of conduct.

Accordingly:

1) Members should demonstrate unconflicted loyalty to the ownership of the District.
   
   (a) This accountability supersedes any conflicting loyalty to other advocacy or interest groups, including any interest group or geographic region from whom the Commission member was appointed, and membership on other commissions, boards or staffs.
   
   (b) It also supersedes the personal interest of any Commission member who is also a District customer or stakeholder.

2) Members must avoid any conflict of interest with respect to their fiduciary responsibility.

3) Members shall not attempt to exercise individual authority over the District except as explicitly set forth in Commission policies.
   
   (a) Members’ interactions with the chief engineer and director and staff must recognize the lack of authority vested in any individual Commission member to give direction except when explicitly authorized by the Commission.
   
   (b) Members’ interactions with the public, the press or other entities must recognize this same limitation and the lack of authority of any Commission member to speak for the Commission except to repeat explicitly stated Commission decisions.
   
   (c) Members shall endeavor not to publicly make or express individual judgments about the chief engineer and director or staff performance. Judgments of the chief engineer and director’s performance will be made only through Commission deliberation.
4) Members will maintain the confidentiality appropriate to issues of a sensitive nature, respectful of applicable public body open meeting requirements.

5) Members will properly prepare themselves for Commission deliberation.

6) Members will support the legitimacy and authority of the final determination of the Commission on any matter, without regard to the member’s personal position on the result.

7) Members will conduct themselves consistent with adopted expectations of Commission members, included as an attachment (ATT – 1).
Maximizing Commissioner participation in agenda discussions and votes is essential to good governance.

Accordingly:

1) One or more Commissioners may participate in a Commission meeting by any means of communication by which all participating Commissioners may simultaneously hear each other during the course of the meeting (as well as any presentations made to the meeting).

2) A Commissioner so participating will count to the making of a quorum for the meeting and may vote on questions coming before the meeting.

3) Any member of the public attending at the place noticed for the meeting will likewise be able to simultaneously hear each of the participating Commissioners and any presentations made to the meeting.

4) However, a Commissioner may not participate electronically in a contested case hearing before the Commission.
Madison Metropolitan Sewerage District
COMMISSION POLICY

Category: Commission Process Policies
Title: Per Diem for Commissioners
Policy Number: CP – 2F
Adopted: 09-28-2017

Section 200.09(7) of the Wisconsin Statutes indicates that a per diem compensation may be paid to Commissioners and that Commissioners may be reimbursed for actual expenses incurred as Commissioners in carrying out the work of the Commission.

Accordingly:

1) Commissioners will be paid a per diem for the following activities:
   
   (a) Regular scheduled Commission meetings.
   
   (b) Attendance at informational meetings or hearings associated with District business.
   
   (c) Participation in consultant selection procedures.
   
   (d) Attendance at court or administrative hearings involving the District.
   
   (e) Participation in activities where the Commissioners’ involvement requires more than minimal time and effort and is of direct benefit to the District.

2) Per diem will not be paid to Commissioners for the following activities:
   
   (a) Attendance at conferences.
   
   (b) Attendance at socially oriented events.
   
   (c) Attendance at bid openings.
   
   (d) Attendance at all other events or meetings where the Commissioners’ involvement is not of direct benefit to the District.

3) If there should be any question as to the appropriateness of paying a per diem, the issue shall be referred to the president of the Commission for consideration, and subsequently to the full Commission if a clear determination cannot be made by the president.
The president of the Commission is responsible for ensuring the integrity of the Commission’s process and, secondarily, representing the Commission as needed to outside parties.

Accordingly:

1) The president shall ensure that the Commission behaves consistently with the Commission’s policies in the Commission process and Commission–executive relationship categories and those rules legitimately imposed upon it from outside the organization.

2) The president will chair Commission meetings with the commonly accepted powers of that position (for example, preparing agendas, ruling, recognizing) and;

   (a) Ensure that meeting discussions consists solely of issues that, according to Commission policy, clearly belong to the Commission (not the chief engineer and director) to decide or to monitor.

   (b) Ensure that deliberations are fair, open and thorough, but also timely, orderly and kept to the point.

   (c) Ensure that there is an opportunity for input from individuals and organizations, including staff and affiliated organizations with expertise and interests specifically related to Commission decisions and Commission policies.

3) The president represents the Commission to outside parties in announcing Commission-stated positions and in stating the president’s decisions and interpretations in the area delegated to him or her.

4) The president has no authority to make decisions about policies created by the Commission within the outcomes and executive limitations areas and, therefore, has no authority to supervise or direct the chief engineer and director.

5) The president may use any reasonable interpretation of the provisions in these policies.

6) The president may delegate any part of this authority while remaining accountable for its use.
The vice-president shall serve in the absence of the president and perform such other duties as may be assigned by the president or the Commission.
The secretary’s purpose is to ensure the integrity of the Commission’s documents.

Accordingly:

1) The secretary shall see to it that all Commission documents and filings are accurate and timely.

2) The secretary may delegate any part of this authority while remaining accountable for its use.
Commission committees, when used, will be assigned so as to reinforce the wholeness of the Commission’s job, not to interfere with delegation from Commission to chief engineer and director.

Accordingly:

1) Commission committees are to help the Commission do its job, never to help or advise the staff. Committees ordinarily will assist the Commission by preparing policy alternatives and implications for Commission deliberation. In keeping with the Commission’s broader focus, Commission committees normally will not be involved with staff operations.

2) Commission committees may not speak or act for the Commission 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 chief engineer and director.

3) Commission committees cannot exercise authority over staff. Because the chief engineer and director work for the full Commission, she or he will not be required to obtain approval of a Commission committee before an executive action.

4) Commission committees will not be used in lieu of the full Commission to monitor organizational performance.

5) Commission committees will be used sparingly and ordinarily in an ad hoc capacity.

6) This policy applies to any group that is formed by Commission action, whether it is called a committee or not and whether the group includes Commission members or not. It does not apply to committees formed under the authority of the chief engineer and director.
As the Commission authorizes committees, the Commission will create policies for each committee specifying the product(s) each committee is to produce and the authority (in terms of organizational resources) each committee is granted.
Because poor governance costs more than learning to govern well, the Commission will invest sufficient resources in leadership development for its members and fulfillment of its governance charge. The Commission will regularly plan and monitor the participation of Commission members in self-education, outreach and other activities associated with governance, including the cost of such activities.
Madison Metropolitan Sewerage District
COMMISSION POLICY

Category: Commission Process Policies
Title: Chief Engineer and Director Pay
Policy Number: CP – 2M
Adopted: 11-09-2017
Revised: 

Compensation for the chief engineer and director will be treated in a manner consistent with other salaried employees. Therefore, market increases approved by the Commission through the budget process will also apply to the chief engineer and director and will not require separate Commission action or approval. Performance based salary adjustments will require Commission approval.
It is the intent of the Commission to move in the direction of all end outcomes simultaneously. At times, there will be competing priorities. In such situations, the Commission will:

- Partner with District leadership and staff to identify potential benefits, costs and risks for achieving Commission outcomes and weigh priorities for decision making.
- Select actions that create and maintain flexible platforms for future actions and avoid dead ends. This allows flexibility to change direction as technology and knowledge improve.
- Avoid high fixed costs or heavy reliance on resources that could become scarce or very expensive in the future.
- Consider total costs and benefits in accordance with social and environmental factors as part of the drive to achieve multiple benefits.
- Leverage investments by seeking multiple benefits that can be documented by science or reliable data.
- Seek input from customer communities when appropriate.
Title: Expectations of Commission Members  
Attachment Number: ATT – 1  
Adopted: 09-28-2017  
Revised:  

The following expectations are not Commission process policies. They comprise a key part of the Commission job description and are incorporated into policy by reference. 

ORIENT TO THE UNIQUE ROLE OF A COMMISSION MEMBER 

1) **Think upward and outward more than downward and inward.** You are not a Commission member to listen to routine reports or tackle short-term, concrete matters. You are a Commission member to make governance decisions. There will be great temptation to focus on what goes on with management and staff instead of what benefit the utility should make in the District. The latter is a daunting task for which no one feels really qualified, yet it is the Commission member’s job to tackle these more complex issues. In many cases, these big decisions are made by default through Commission inaction. 

2) Do not tolerate the making of big decisions by the timid action of not making them. **Keep the conversation about benefits, beneficiaries and costs of the benefits alive at all times.** Converse with staff, other Commission members and the public about these matters. Ask questions, consider options and otherwise fill most of the Commission consciousness with issues of outcomes and ends. 

3) You may tend to understand and personally identify with one or more constituencies more than others. You have been appointed by one or more constituencies. Yet you are **a Commission member for the broad public purpose served.** There is no way that the Commission can be big enough to have a representative for every legitimate interest, so in a moral sense you must stand for them all. Think of yourself as being from a constituency, but not representing only it. 

4) **Use your special expertise to inform the Commission’s wisdom, but never to substitute for it.** If you work in accounting, law, construction or another field, be careful not to take your colleagues off the hook with respect to Commission decisions about such matters. To illustrate, an accountant Commission member shouldn’t assume personal responsibility for assuring fiscal soundness. She or he may, however, help Commission members understand what fiscal jeopardy looks like or what indices of fiscal health to watch carefully. With that knowledge, the Commission can pool its human values about risk, brinkmanship, overextension and so forth, in the creation of fiscal policies.
5) Even if your expertise and comfort lie in some subpart of the District’s challenge, the subpart is not your job as a Commission member. Do not expect agendas to be built around these areas or interests. **Agendas will be carefully constructed to accomplish the Commission’s job of governing.**

6) No matter how considerable your expertise or how well you can do a staff job, as a Commission member you are not there to do it or even to advise on it. You may offer your individual expertise to the chief engineer and director, should he or she wish to use it. But in such a role, accept that you are being a volunteer consultant and leave your Commission member hat at home.

**BE RESPONSIBLE FOR GROUP BEHAVIOR AND PRODUCTIVITY**

7) **Be prepared to participate responsibly.** Do your homework, come prepared to work (sometimes the work is to listen), engage with curiosity and a commitment to understanding diverse points of view, agree and disagree as your values dictate, and accept the group decision as legitimate even if not—in your opinion—correct.

8) **Register your honest opinion on issues the Commission takes up.** Consider this an obligation of Commission service that applies to you and each of your colleagues. To foster this essential exchange of ideas, speak for yourself and listen with resilience. Encourage your colleagues to express their opinions without allowing your own to be submerged by louder or more insistent voices. Avoid making grand pronouncements or characterizing the views of others in a critical spirit. Ask clarifying questions to check your assumptions. Don’t try to represent a whole group or ask others to represent, defend or explain an entire group.

9) While doing your own job as an individual Commission member is important, it does not complete your responsibility. **You must shoulder the potentially unfamiliar burden of being responsible for the group.** That is, if you are part of a group that does not get its job done, meddles in administration or breaks its own rules, you are culpable. Regular evaluation and improvement of actual Commission activities compared to the “Commission Process and Commission–Executive Relationship” policies is an essential component of fulfilling this accountability.

10) Although the Commission as a whole is responsible for its own discipline, it will have charged the president with a special role in leading the group to confront its own process. **Support the president in Commission discipline.** Don’t make the president’s job harder; rather ask what you can do to make it easier.

**SPEAK WITH ONE VOICE**

11) Support the Commission’s final choice. While diversity and dialog are essential to the process of policy development and adjustment, once a policy is in place every Commission member must support and not undermine it. **No matter which way you voted, you are obligated to support the Commission’s choice.** This obligation doesn’t
mean you must pretend to agree with that choice; you may certainly maintain the integrity of your dissent even after the vote. What you must support is the legitimacy of the choice that you still don’t agree with. For example, you must support without reservation that the chief engineer and director follows the formal Commission decision, not yours, and you must not speak publicly in a way that undermines the legitimacy of the Commission’s decision.

12) **Squelch your individual points of view during monitoring.** Your own values count when the Commission is creating policies. But when the chief engineer and director’s performance is monitored, you must refer only to the criteria the Commission decided, not your opinion about those criteria. In other words, the chief engineer and director must be held accountable to the Commission’s decisions and in fairness cannot be judged against your opinion. You should present any opinion you may have about amending the policies, of course, but not so as to contaminate the monitoring process.
Madison Metropolitan Sewerage District
INTEGRATED INTO COMMISSION POLICY BY REFERENCE


Attachment Number: ATT – 2

Madison Metropolitan Sewerage District
Commission Policy Statement

Commission Policy Statements on Capital Projects Budget and Debt Service Budget Development and Approval

POLICY OBJECTIVE:
The District’s plans for capital expenditure and financing are intended to effectively develop and maintain the District’s infrastructure assets to meet the demands of growth and timely repair and replacement. The “Capital Projects Budget and Debt Service Budget Development and Approval Policy” is intended to ensure that the District’s capital project expenditure and financing plans are developed and approved by the Commission under a defined schedule that will provide for stakeholder review and engagement. The District will control expenses and service charge rates consistent with our mission to protect public health and the environment. This policy clarifies when staff must obtain approvals for changes to the capital projects and debt service budgets.

POLICY STATEMENT
I. Definitions

In this policy, the following words and phrases (listed alphabetically) have the meanings indicated below.

A. “Capital Projects Budget” is the annual financing plan for the budget year’s anticipated capital projects fund expenditures.

B. “Capital Improvements Plan” (CIP) is the six-year plan identifying projects, total project costs and the estimated project costs for each year of the plan. The plan provides information on the level and type of future capital expenditures and identifies sources of funds and anticipated capital expenditures in each year of the plan.

C. “Debt Service Budget” is the annual plan for transfers to and disbursements from the debt service fund.
D. “Debt Service Plan” is the six-year plan identifying planned transfers to and scheduled disbursements from the debt service fund.

E. "Project" means any of several activities that are integrally related to and may result directly in the creation of or modifications to a District asset. Such activities include, but are not limited to, feasibility studies, facilities planning studies, engineering and design studies and plans, and construction. A single project may consist of one or more of these activities and may or may not include construction, and, in general, has a cost of $100,000 or more.

F. “Proposed Capital Projects Budget” is the chief engineer and director’s annual budget recommendation for the upcoming calendar fiscal year. The proposed capital projects budget becomes the capital projects budget after review and adoption by the Commission.

G. “Proposed Debt Service Budget” is the chief engineer and director’s annual budget recommendation for the upcoming calendar fiscal year. The proposed debt service budget becomes the debt service budget after review and adoption by the Commission.

H. "Total Project Cost" includes all estimated costs for activities to complete a single project over one or more years.

II. Capital Projects Budget and Debt Service Budget Development

A. The chief engineer and director shall annually submit to the Commission the following for Commission action:

1. Total Project Costs – A list of all projects previously approved, all projects new to the current budget year, and a list of all existing projects that have changed estimates of previously approved total project cost along with the estimated costs to complete each project.

   Commission action on the total project costs and the capital projects budget allows expenditures of project funds subject to other pertinent statutory or policy requirements including policies related to Commission approval of contracts and other transactions and the District’s procurement policy.

2. Capital Improvements Plan - The plan identifies projects and anticipated sources of funds for capital expenditures in each year of the six-year plan. Commission action on the capital improvements plan approves capital projects, expenditures and the financial plan for planning purposes only. It does not authorize expenditures, sources of funds, the tax levy, or the amount of the tax levy to be abated in subsequent years. Commission
approval of the capital projects plan records an indication of the projects the Commission plans to move forward with in the future.

3. Capital Projects Budget - The annual financing plan for a fiscal year’s anticipated expenditures. The budget identifies projects, expenditures and sources of funds for capital expenditures for the budget year. It also includes a summary of actual revenues and expenditures for the preceding calendar year and an estimate of revenues and expenditures based on the first six months (or most current actual data) for the current calendar year.

   Commission approval of the capital projects budget identifies the amount of the tax levy and other sources of funds anticipated for the budget year’s capital expenditures. Approval of the capital projects fund budget by the District’s Commission authorizes expenditures of funds subject to other pertinent statutory or policy requirements including policies related to Commission approval of contracts and transactions and the District’s policy for procurements.

4. Debt Service Budget - The annual plan for a fiscal year’s anticipated transfers to and disbursements from the debt service fund to meet District debt obligations.

   Commission approval of the debt service budget authorizes the amount of operating fund transfers to and debt service payments for the budget year’s debt service obligations.

5. Debt Service Plan - The plan identifies planned transfers to and scheduled disbursements from the debt service fund for a six-year period.

   Commission action on the capital improvements plan approves the plan for incurrence of debt obligations and servicing for the budget year and the next five years required to support the District’s capital projects plan.

B. The chief engineer and director, with the Commissioners’ approval, shall establish a calendar for public hearings and the Commission’s review of the proposed capital projects budget and debt service budget. The proposed capital project budget and proposed debt service budget are subject to a public hearing preceded by a public notice pursuant to Wisconsin Statutes chapter 65.90. The District’s proposed capital project expenditure and financing plans shall be made available for public inspection at least 15 days before the public hearing. These plans consist of the District’s: (1) capital improvements plan, (2) debt service plan, (3) proposed capital projects budget and (4) proposed debt service budget (collectively referred to as the District’s “capital projects expenditure and financing plans”). A notice of the public hearing shall be published at least 15
days before the hearing. The chief engineer and director will also send written notice of the proposed budget and budget hearing to District owners and relevant stakeholders in advance of the public hearing.

1. The chief engineer and director may provide for additional public hearings or meetings with interested stakeholder groups to review the proposed capital project expenditure and financing plans at his/her discretion, subject to compliance with the Commission approved public hearing schedule.

C. The Commission shall review the proposed capital improvements plan and may amend it through normal budget deliberations.

D. The proposed capital projects budget and the proposed debt service budget are subject to change either through Commission-sponsored or staff-sponsored amendments. The proposed capital projects budget becomes a capital projects budget for the succeeding fiscal year when the Commission adopts an approving resolution(s) following consideration of the proposed capital projects budget; comments of the public following the noticed public hearing on the proposed capital budget; staff-proposed amendments; and Commissioner-sponsored amendments. The same procedure holds for the debt service budget review and adoption.

III. Commission Action, When Required

A. Commission action is required for the following with a simple majority vote unless otherwise noted:

1. Approval of the annual capital projects budget and the debt service budget.

2. Amendments to the adopted capital projects budget that increase the capital projects budget total: The resolution presented to the District Commission for approval must include the sources and uses of funds in the amendment.

   Approval of amendments to an adopted budget requires a two-thirds vote of all Commissioners and the publication of a class one notice of the change within 10 days per Wisconsin Statutes chapter 65.90.

3. The addition of a new project not included in the adopted capital projects budget. The resolution presented to the Commission for approval must describe the total project cost, including the amount estimated to be spent in the current year and over the life of the project.

   a. If funds are available within the capital projects budget without increasing the capital budget total.
b. If funds are transferred from the operating fund a two-thirds vote is required in accordance with State law.

4. Approval to increase a previously approved total project cost.

5. The combining or consolidation of individual projects for bidding of construction contracts.

6. The issuance of bonded debt and notes or promissory notes to finance the capital projects budget.

7. The issuance of municipal obligations in anticipation of receiving proceeds from Clean Water Fund Program loans.

8. The levying of property taxes.

IV. Force Account

Approval of the capital projects budget authorizes force account expenditures (District staff time and expenses) upon the effective date of the budgets adopted by the Commission.

V. Project Cost Carry-over

Project costs approved for expenditure in the previous year’s capital projects budget but not expended in that year can be carried over and expended in the succeeding budget year without additional approval by the Commission. The approved total project cost shall not be exceeded without prior approval of the Commission.

VI. Project Consolidation for Bidding

Individual CIP projects may be combined and bid as a single construction project when advantageous. When projects are so combined, the combined total project cost cannot exceed the sum of the individual project costs as previously approved by the Commission. For purposes of meeting the total project cost requirements of this policy, the previously approved total project cost for the formerly separate projects are no longer controlling, rather, the new combined total project cost applies. Costs for each individual project shall be tracked throughout construction and shall be provided in the CIP for informational purposes. Combining projects shall be approved by the Commission prior to advertising for bids for construction contracts.
VII. Chief Engineer and Director Responsibility

A. The chief engineer and director shall ensure that capital projects expenditures do not exceed the total funds budgeted (as may be amended) for the year and that the total project costs for a project do not exceed the approved amount.

1. When it is apparent that budgeted total capital projects expenditures will be exceeded a request for a budget amendment shall be brought to the Commission before an overrun.

2. When it is apparent that the approved total project costs for a project will be exceeded a request for a project cost amendment shall be brought to the Commission before an overrun.

B. The chief engineer and director shall ensure that required debt service payments are made as required to meet District debt obligations.

None of the specific provisions of this statement shall be interpreted to require actions that will frustrate accomplishment of the stated policy objective.

Adopted by Commission action June 13, 2013
Amended by Commission action on April 11, 2019
Amended to refer to “District owners” per Commission direction, October 29, 2020
Madison Metropolitan Sewerage District
Commission Policy Statement

Debt Financing Policy

POLICY OBJECTIVE:
The District’s capital project financing policy related to the incurrence of debt obligations is intended to ensure an appropriate balancing of the use of District equity (e.g., cash, pay-as-you-go) and various forms of debt obligations to minimize rate increases while ensuring strong financial performance and the ability to obtain debt on favorable terms.

POLICY STATEMENT:
I. The District will generally employ the State of Wisconsin’s Clean Water Fund Loan Program to finance eligible capital projects.
   A. The District will incur other debt obligations to finance capital projects (or portions thereof) for which no other funding source is available.

II. All debt-financed capital projects must render capital assets with expected service lives that equal or exceed the term of the associated debt obligations.

III. In the event that debt obligations are employed, the District will consider use of alternative forms of debt to limit financial risks and mitigate potential rate impacts.

IV. The District will target current revenue or capital fund balance financing of recurring capital projects (e.g., annual pipeline replacements) to the extent that equity financing will not impose rate increase requirements (that may be deferred through use of debt).

None of the specific provisions of this statement shall be interpreted to require actions that will frustrate accomplishment of the stated policy objective.

Adopted by Commission action June 13, 2013
Madison Metropolitan Sewerage District
Commission Policy Statement

Financial Reporting

POLICY OBJECTIVE:
The District’s financial reporting policy is intended to ensure timely and accurate reporting of financial information to facilitate resource allocation decision-making by the District’s Commission and management.

POLICY STATEMENT:
I. Annual Financial Reporting
   A. The chief engineer and director shall submit to the Commission annual, audited financial statements.

II. Midyear Reporting
   A. The chief engineer and director shall submit to the Commission within 90 days of the midpoint of the then current fiscal year the following financial reports:
      1. O&M Expenses: Budget versus Actual – reporting of fiscal year to date (thru midpoint) operating fund actual expenditures and end-of-year estimated operating fund expenditures relative to budget.
      2. Capital Projects Expenditures: Planned versus Actual – reporting of fiscal year to date (thru midpoint) capital projects fund actual expenditures and end-of-year estimated capital projects fund expenditures relative to budget.

No Commission action is required based on the annual reporting – though reports may suggest needs for budget amendments per the operating budget, and capital projects budget and debt service budget policies.

None of the specific provisions of this statement shall be interpreted to require actions that will frustrate accomplishment of the stated policy objective.

Adopted by Commission action June 13, 2013
POLICY OBJECTIVE:
The District’s reserves policy is intended to ensure that the District has adequate working capital to meet financial demands of unforeseen circumstances, provide adequate liquidity to support efficient operations and secure debt obligations.

POLICY STATEMENT:
The District will maintain reserves in each of its funds as delineated below. In the event that circumstances necessitate the use of available reserves in any of its funds, the District will restore the designated reserve amount within one to three years of its depletion below the targeted minimum end-of-year reserve level.

I. Operating Fund Reserves – the District will maintain an end-of-year minimum balance in its operating fund not less than the sum of:
   A. Operating expense reserves to cover 180 days of budgeted operating expenses. In addition, the Commission authorizes the budgeting of reserves up to 210 days;
   B. the equipment replacement fund requirements of the Wisconsin Clean Water Fund (CWF) Program; and
   C. any amounts set aside for designated purposes approved by the Commission.

Operating expense reserves in excess of 210 days shall be used for one-time expenses and not for recurring operating expenses in order to avoid pressure on future budgets. When budgeting for the use of reserves, the Commission will consider options in this order: (1) contributions to the equipment replacement fund; (2) transfers to the capital projects fund; (3) transfers to the debt service fund; (4) funding one-time expenditures; and (5) a buy-down of the required service charge revenues.

The primary purpose of maintaining operating expense reserves to cover between 180 and 210 days is to protect the District from unpredictable revenue fluctuations.

Operating expenses include recurring operating budget expenditures other than debt service obligations and amounts such as contributions to reserves and one-time transfers to the capital projects fund.

1 The District maintains an equipment replacement fund for unbudgeted emergency repair and replacement as restricted funds of the operating fund and provides for regular equipment replacement requirements through operating fund budgeting.
II. **Capital projects fund reserves** – the District will target a minimum end-of-year balance in its capital projects fund of the greater of $3 million dollars or 10 percent of the planned capital project expenditures for the forthcoming fiscal year.

III. **Debt service fund reserves** – the District will maintain a minimum debt service fund balance as prescribed by the terms of its current and projected Clean Water Fund and other indebtedness obligations. Balances in excess of minimum requirements, due to transfers, interest accruals or debt retirements, may be applied to District debt obligations.

None of the specific provisions of this statement shall be interpreted to require actions that will frustrate accomplishment of the stated policy objective.

    Adopted by Commission action on June 13, 2013
    Amended by Commission action on October 12, 2017
Madison Metropolitan Sewerage District
Commission Policy Statement

Fund Structure

**POLICY OBJECTIVE:**
The District’s fund structure policy is intended to delineate the individual funds to be used to hold and account for the District’s financial resources. Funds are accounted for separately and accrue and retain interest earnings.

**POLICY STATEMENT:**
The District will hold and account for flows of financial resources in the following funds:

I. Operating Fund

Accounts for revenues and expenditures used to support daily operations and maintenance of all District facilities and activities. The primary source of revenue for this fund is service charges. The annual operating budget authorizes use of the operating fund.

A. This fund includes restricted reserve amounts that address equipment replacement fund requirements under the District’s Clean Water Fund loan agreements.

B. This fund includes designated reserve amounts to provide for non-capital improvement plan capital requirements (e.g., vehicle replacement).

II. Capital Projects Fund

Accounts for revenues and expenditures required to place into service and decommission the District’s infrastructure and other capital assets. Revenues to this fund include connection charges and loan proceeds and may include transfers from the operating fund. The annual capital projects budget authorizes use of the capital projects fund.

III. Debt Service Fund

Accounts for revenues and expenditures required to meet District debt obligations. Revenues to this fund are annual budgeted transfers from the operating fund. The annual debt service budget authorizes use of the debt service fund.

None of the specific provisions of this statement shall be interpreted to require actions that will frustrate accomplishment of the stated policy objective.

Adopted by Commission action June 13, 2013
POLICY OBJECTIVE:
The District’s operating budget development and approval policy is intended to ensure that plans for expenditure of District funds are developed and approved by the Commission under a defined schedule that will provide for stakeholder review and engagement. The District will control expenses and service charge rates consistent with our mission to protect public health and the environment. This policy clarifies when staff must obtain approvals for changes to the operating budget.

POLICY STATEMENT:
I. Definitions
   A. “Operating Budget” is the annual financing plan for the budget year’s anticipated operating fund expenditures.

   B. “Proposed Operating Budget” is the chief engineer and director’s annual budget recommendation for the upcoming calendar fiscal year. The proposed operating budget becomes the operating budget after review and adoption by the Commission.

II. Budget Organization
   A. The operating budget shall be structured so that costs can be accumulated by line item, expense category and cost center.

   B. Each cost center shall develop its budget requests by line item and expense categories for accountability and control purposes. These budget requests shall include authorized actual and proposed staffing levels for each cost center. A formal statement of operating objectives shall accompany each cost center’s detailed budget request.

   C. The proposed budgets of the departments will be submitted to the director of administration and the chief engineer and director.

   D. The operating budget is a financial plan. Operating expenditures shall not exceed the approved operating budget (as may be amended) in total.
III. Budget Development

A. The chief engineer and director shall submit annually a recommended operating budget of operating and maintenance expenditures and estimated revenues for the ensuing calendar year. The operating budget expenditures shall include transfers to the debt service fund and may include transfers to the capital projects fund.

B. The chief engineer and director, with the Commissioners’ approval, shall establish a calendar for public hearings and the Commission’s review of the proposed operating budget. The proposed operating budget is subject to a public hearing preceded by a public notice pursuant to Wisconsin Statutes chapter 65.90. A summary of the proposed budget shall be made available for public inspection at least 15 days before the public hearing. A notice of the public hearing shall be published at least 15 days before the public hearing.

1. The chief engineer and director may provide for additional public hearings or meetings with interested stakeholder groups to review the proposed operating fund budget at his/her discretion, subject to compliance with the Commission approved public hearing schedule.

C. The Commission shall review the proposed operating budget. The Commission may amend the proposed operating budget through normal budget deliberations.

D. The proposed operating budget is subject to change either through Commission-sponsored or staff-sponsored amendments. The proposed operating budget becomes an operating budget for the succeeding fiscal year when the Commission adopts an approving resolution(s) following consideration of the proposed operating budget; comments of the public following the noticed public hearing on the proposed operating budget; staff-proposed amendments; and Commissioner-sponsored amendments.

IV. Commission Action, When Required

A. Commission action is required to authorize the following:

1. The adoption of the annual operating budget including adoption of amendments to the proposed operating budget (majority vote).

2. Amendments to the adopted budget that change total authorized expenditures. Such amendments require a 2/3 vote of all Commissioners and the publication of a class one notice of the change within 10 days per Wisconsin Statutes chapter 65.90.
3. The adoption of amendments to the operating budget (majority vote) that change the amount to be transferred to the debt service fund.

V. Chief Engineer and Director Responsibility

A. The chief engineer and director shall ensure that the annual expenditures do not exceed the total funds budgeted. When it is apparent that the operating budget total will be exceeded, a request for a budget amendment shall be brought to the Commission, before an overrun.

B. Within the limits of authority delegated by this or other Commission policy or action, the chief engineer and director may, without further Commission approval during the budget year, authorize the transfer of budgeted funds between any cost centers within the total approved operating budget, except that changes to the amount budgeted for transfer to the debt service fund requires Commission approval via a budget amendment.

None of the specific provisions of this statement shall be interpreted to require actions that will frustrate accomplishment of the stated policy objective.

Adopted by Commission action June 13, 2013
Madison Metropolitan Sewerage District
Commission Policy Statement

Strategic Financial Planning

POLICY OBJECTIVE:
The District’s financial planning attempts to anticipate and address regulatory requirements, provide for effective asset repair and replacement, accommodate growth and provide resilience to address unforeseen circumstances. The District’s strategic financial planning policy is intended to ensure that the District has developed an overall strategy for continued financial viability and integrity.

POLICY STATEMENT:
I. Strategic Financial Plan Submittal and Commission Consideration
   A. The chief engineer and director shall present a strategic financial plan no less frequently than bi-annually for consideration by the Commission that:

      1. Projects system cash-flows for no less than a 10-year forecast horizon.
      2. Delineates systemwide revenue generation requirements based on:
         a. Stated assumptions related to interest earnings rates on fund balances and expense escalation factors.
         b. Projected operations and maintenance expenses.
         c. Planned capital improvement project expenditures.
         d. Planned compliance with the District’s established financial policies.
      3. Projects rates to meet systemwide revenue generation requirements calculated based on projected future plant flow and loadings.

      The strategic financial plan incorporates the District’s six-year capital improvements plan and debt service plan, identifying the revenue requirements of these plans in conjunction with projected changes in future operating budget requirements.

      a. The chief engineer and director may, at his discretion, present alternative strategic financial plan scenarios to illustrate the financial implications of alternative District initiatives.
b. No Commission action is required following presentation of the strategic financial plan scenarios.

None of the specific provisions of this statement shall be interpreted to require actions that will frustrate accomplishment of the stated policy objective.

Adopted by Commission action June 13, 2013
Madison Metropolitan Sewerage District

INTEGRATED INTO COMMISSION POLICY BY REFERENCE

Title: Commission Policy Statement on Transactional Approval Authority
Attachment Number: ATT – 3
Adopted: 06-13-2013
Revised: 09-28-2017

Madison Metropolitan Sewerage District
Commission Policy Statement

Transaction Approval Authority

POLICY OBJECTIVE:
The District’s transaction approval authority policy addresses requirements for approval of financial transactions including, but not limited to, contracts, professional services agreements, equipment purchases, settlement agreements and other arrangements. This policy addresses transactions requiring Commission approval and transactions that may be approved by the chief engineer and director.

POLICY STATEMENT:
The District’s transaction approval authority policy establishes controls on District transactions to ensure that the allocations of District resources are subject to appropriate levels of review and consideration. The operating budget, capital projects budget and debt service budget authorize expenditures subject to state law, this policy and other District policy.

I. Chief Engineer and Director Responsibility
   A. The chief engineer and director are responsible for operating fund transactions as follows:
      1. The chief engineer and director shall ensure that the annual operating budget expenditures do not exceed the total funds budgeted. When it is apparent that the operating budget total will be exceeded, a request for a budget amendment shall be brought to the Commission, before an overrun.
      2. The chief engineer and director may, without further Commission approval during the budget year, authorize the transfer of budgeted operating budget funds between any cost center within the total approved budget within the limits of authority delegated by this or other Commission policy or action except that changes to the budgeted amount transferred to the debt service fund requires Commission approval.
B. The chief engineer and director are responsible for capital projects fund transactions as follows:

Within the limits of authority delegated by Commission policy or action, the chief engineer and director may, without further Commission approval during the budget year, execute contracts, contract amendments or contract modifications or change project schedules provided that:

1. Total spending for the individual affected capital project of the capital projects budget, as approved by the Commission, is not exceeded and

2. Total capital project expenditures do not exceed that budgeted for the capital projects budget in aggregate.

II. Transaction Approval: Commission Approval

A. Generally, Commission approval of the operating budget and capital projects budget authorizes expenditures except as noted below.

1. Commission approval is required for operating fund transactions as follows:

   a. Non-routine, individual operating fund expense transactions exceeding $50,000. Non-routine transactions typically require bids or a contract. Routine transactions, for example, include utility bills.

   b. Professional services contract awards exceeding $50,000 or amendments to these contracts exceeding 10 percent of the original contract amount.

2. Commission approval is required for all capital projects fund transactions as follows:

   a. Construction contract awards exceeding $100,000.

      1) For construction contracts exceeding $100,000 and less than $500,000, amendments to these contracts exceeding 10 percent of the original contract amount.

      2) For construction contract awards exceeding $500,000, amendments to these contracts exceeding 5 percent of the original contract amount.

   b. Equipment purchases exceeding $100,000.
c. Professional services contract awards exceeding $50,000 and amendments to these contracts exceeding 10 percent of the original contract amount.

3. The chief engineer and his/her designee(s) are authorized to expend monies to address emergencies. Emergency situations are those which require immediate action to protect public health and safety, employee safety, the environment or property. Management shall use reasonable judgment and control of purchases during such events and shall report to the Commission those purchases exceeding the normal limits as soon as is practically possible.

III. Transaction Reporting

The chief engineer and director shall prepare a monthly report summarizing all transactions in the operating fund, capital projects fund and the debt service funds.

None of the specific provisions of this statement shall be interpreted to require actions that will frustrate accomplishment of the stated policy objective.

Adopted by Commission action June 13, 2013
Every year, the Commission evaluates the performance of the chief engineer & director (CED). This evaluation informs the setting of goals and outcomes for the District and for the CED for the following calendar year. It is also the basis for Commission consideration of a performance-based adjustment to the CED’s salary, subject to established pay policies. The Commission may empower a working group of Commissioners to lead on this effort, review materials, solicit 360-degree feedback, meet with the CED as necessary and make recommendations to the Commission.

The Commission has established a process to evaluate the performance of the CED each year. That process includes the following:

**ANNUAL CED PERFORMANCE EVALUATION:**

I. **CED Self Evaluation**
   The CED submits to the Commission a self-evaluation that includes her/his report on the status of fulfilling District goals and outcomes for the previous calendar/budget year in a manner that does not violate executive limitations. This is done in the first several months of the year, and the focus is on the previous calendar/budget year (and on the goals and outcomes approved by the Commission for the year in question).

II. **360-degree Feedback**
   The Commission will solicit performance feedback from all directions within the organization and potentially from outside. This may include key employees and stakeholders. If a Commission workgroup is employed to carry out the 360-degree review, the workgroup should engage the full Commission in providing 360-feedback at this stage. This too will happen starting in the first several months of the year with a focus on the previous calendar/budget year.

   There are two stated goals for this process:
   - For the Commission to receive a variety of viewpoints on the CED’s skills and contributions.
   - To support/reinforce the CED’s role and priorities as s/he leads the District forward.

   The following is a summary of the 360-degree feedback process.

   A. **Director Feedback**
      Each director will have the opportunity to meet with a member or two of the Commission to answer a series of questions. These questions will be provided in advance. Meetings shall occur in a professional office setting, and the CED will make staff available to assist with setting up the meetings. The timing of these meetings will be roughly the first quarter of the year, the object of
the discussions being the previous calendar/budget year. Questions for the directors will be at the discretion of the Commission workgroup. For illustrative purposes, questions employed in the past are as follows:

1. How well does the CED promote an organizational perspective when analyzing situations? Provide specifics.
2. How well does the CED encourage efficiency and effectiveness through innovation and process improvement? Provide specifics.
3. How well does the CED engage the executive team in collaborative and creative problem solving? Provide specifics.
4. How well does the CED support the department’s needs and overcoming challenges? Provide specifics.
5. What can the CED do more of or less of to improve in the areas above?
6. What is the CED currently doing really well and should continue doing?
7. What is one thing you could do to support the CED’s success in the areas identified above?

B. Employee Leadership Council (ELC) Feedback

The Commission wishes to receive the ELC’s feedback on the CED’s performance once a year. The CED will request the ELC to provide feedback to the Commission on the CED’s performance in the previous calendar/budget year. The timing of the necessary meetings will be as fits into the ELC’s schedule through the first several months of the year, with a focus on reviewing the CED’s performance in the previous calendar/budget year.

The ELC will be asked to provide responses to a set of questions generated at the discretion of the Commission workgroup. For illustrative purposes, questions employed in the past are as follows:

1. How proactive is the CED in building/supporting effective working teams to address important issues? Provide specifics.
2. How well does the CED facilitate open two-way communication with employees? Provide specifics.
3. How well does the CED communicate the priorities and decisions of the District? Provide specifics.
4. What can the CED do more of or less of to improve in the areas above?
5. What is the CED currently doing really well and should continue doing?
6. What is one thing the ELC could do to support the CED’s success in the areas identified above?

C. External Key Stakeholder Feedback

From time to time, there may be advantages to checking in with key external stakeholders on the quality of the working relationships with the District and the CED’s ability to build public support for the District’s work. The stakeholder groups the Commission chooses to engage could change from year to year based on the specific District priorities where external engagement was active and important. The Commission will work with the CED to engage selected stakeholders in a timely fashion so that this information can fit in with all of the above for a given year’s annual CED performance evaluation.
III. Annual CED Performance Review
The annual review process will have three main phases: information gathering, discussion with the CED and the final performance review meeting between the Commission and the CED. In the first phase, the Commission or its workgroup will summarize 360-degree feedback and the CED self-evaluation. In the second phase, the Commission will review this summary and provide feedback to the CED. The CED will be provided with the summary information, including Commission feedback, prior to the final meeting and will be allowed an opportunity to respond. In the final phase, the Commission will meet with the CED to discuss the performance review and set any performance goals for the CED in the coming year. This process should happen as early as possible in the second quarter of the year such that one of the June Commission meetings can include on its agenda sufficient time for the Commission to discuss and approve the review for the previous calendar/budget year.

IV. Commission Consideration of a Performance-Based Adjustment to CED Salary
Following the review, and ideally at the same Commission meeting as the above, the Commission will consider and decide on a potential CED performance-based salary adjustment effective July 1 of that year. (The CED and full Commission will meet in closed session as needed to discuss the potential for a salary adjustment.)

V. Goal Setting for the Following Budget/Calendar Year
The Commission and the CED will also work together in the second quarter of each year to identify goals and outcomes for the following calendar/budget year. The agreed-upon goals and outcomes will be the evaluated as part of the annual CED performance evaluation, and they will help to inform budget priorities as staff works to prepare the following year’s budget for Commission deliberation and eventual approval in the fall.

At one of the June Commission meetings, the Commission meets with the CED to discuss and decide on goals and outcomes for the following year, to inform both the budget process and the CED performance review process for the following year.

Adopted by Commission action October 12, 2017
Revised on December 13, 2018
<table>
<thead>
<tr>
<th>Policy Amended or Added</th>
<th>Category</th>
<th>Policy Book Adopted/Last Revised On Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Introduction added</td>
<td>Introduction</td>
<td>03-07-22</td>
</tr>
<tr>
<td>CER-2D</td>
<td>Records Management</td>
<td>07-25-19</td>
</tr>
<tr>
<td>ATT-2 Fund Reserves</td>
<td>Attachments-Incorporated into Commission Policy by Reference</td>
<td>10-12-2017</td>
</tr>
<tr>
<td>CP-2K</td>
<td>Commission Process Policies</td>
<td>11-14-17</td>
</tr>
<tr>
<td>EL-2B</td>
<td>Executive Limitations Policy</td>
<td>11-09-17</td>
</tr>
<tr>
<td>CP-2M</td>
<td>Chief Engineer and Director Pay</td>
<td>11-09-17</td>
</tr>
<tr>
<td>CER-2C</td>
<td>Monitoring the Chief Engineer and Director’s Performance</td>
<td>10-12-17</td>
</tr>
<tr>
<td>ATT-4</td>
<td>MMSD Chief Engineer &amp; Director Annual Performance Evaluation</td>
<td>12-13-18</td>
</tr>
</tbody>
</table>

*This list tracks policy amendments and additions to existing policies.*