

Budgeting Using Policy Governance

Executive Limitations

Definition:

The boundaries of acceptability within staff methods and activities that can responsibly be left to staff. These limiting policies, therefore, apply to staff means rather than to ends.

Answers:

What are we concerned about?

Tasks:

- Budgeting
- Financial Condition
- Asset protection
- Communication and counsel to the Board
- Compensation and benefits
- Emergency Executive Succession
- Treatment of staff
- Treatment of Consumers

Notes:

A very few, brief Board policies can govern an extensive amount of detail. This enhances Board accountability because it saves the Board from an impossible task

Executive Limitations are based on *Board values* not on the trustworthiness of the executive.

Executive Limitations are written to the level of specificity whereby any reasonable interpretation of the policy is acceptable.

Policy Title: 2.4. Financial Planning and Budgeting

The Superintendent shall not permit financial planning for any fiscal year or the remaining part of any fiscal year to deviate materially from the board's Ends priorities, risk financial jeopardy, or fail to be derived from a multiyear plan.

Further, without limiting the scope of the foregoing by this enumeration, there will be no financial plans that

1. Risk incurring those situations or conditions described as unacceptable in the board policy "Financial Condition and Activities"
2. Omit credible projection of revenues and expenses, separation of capital and operational items, cash flow, and disclosure of planning assumptions
3. Provide less for board prerogatives during the year than is set forth in the Governance Investment Policy

Policy Title: 2.3. Financial Condition and Activities

With respect to the actual, ongoing financial condition and activities, the Superintendent shall not permit the development of financial jeopardy or material deviation of actual expenditures from board priorities established in Ends policies.

Further, without limiting the scope of the foregoing by this enumeration, the Superintendent shall not

1. Expend more funds than have been received in the fiscal year to date.
2. Incur debt in an amount greater than can be repaid by certain otherwise unencumbered revenues within sixty days
3. Use any long-term reserves [*surplus*: Spend any surplus revenues
4. Conduct interfund shifting in amounts greater than can be restored to a condition of discrete fund balances by certain otherwise unencumbered revenues within thirty days [*Line item shifting?*]
5. Fail to settle payroll and debts in a timely manner
6. Allow tax payments or other government-ordered payments or filings to be overdue or inaccurately filed
7. Fail to aggressively pursue receivables after a reasonable grace period

Monitoring

Principles

1. The board describes what it cares about, expects, and is worried about in its policies.
2. If it is important enough to care about and to describe, it must therefore be monitored to ensure the worries/expectations are being met.
3. Do not expect anything that is not in policy. If it is in policy it must be monitored.
4. Do not monitor in such a way that it becomes the primary time-consumer of the board's work.
5. Monitoring of policy is the equivalent of evaluating the CEO and evaluating the Board. There is no need for any other process for evaluating the CEO. If you want to evaluate the CEO on other measures, they need to be established in policy and then monitor the policy.

Types of monitoring

1. Internal report
2. External Report
3. Direct inspection