



# **AAATA Board Policy Manual**

Version: 2.11

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# 1. ENDS

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*These policies define the purpose of the Ann Arbor Area Transportation Authority, what results are to be achieved, for whom, and at what cost. Although sections and subsections are numbered, the numbering is not intended to indicate the importance or weight of the underlying section, unless otherwise stated.*

The Board establishes its Ends policies within its Vision for public transportation:

A robust public transportation system that adapts to the area's evolving needs, environment, and quality of life.

**1. AAATA exists so that an increasing proportion of residents, workers and visitors in the Ann Arbor-Ypsilanti Area utilize public transportation options that contribute to the Area's social, environmental and economic vitality at a cost that demonstrates value and efficient stewardship of resources.**

**1.1. Residents in the area have equitable access to public transportation services that enables full participation in society.**

1.1.1. People with economic challenges have affordable public transportation options.

1.1.2. People with disabilities or mobility impairments, seniors, minors, and non-English speakers have equitable access to opportunities and destinations in the area.

**1.2. Public transportation positively impacts our environment.**

1.2.1. Public transportation options are increasingly chosen over use of a personal car.

1.2.2. Public transportation options minimize energy use and pollution, and conserve natural resources.

1.2.3. Public transportation options produce conditions favorable to more compact and walkable land development.

1.2.4. Relevant public policy is transit supportive.

**1.3. Public transportation positively impacts the economic prosperity of the area.**

1.3.1. Public transportation facilitates labor mobility.

1.3.2. Students can access education opportunities without need of a personal vehicle.

1.3.3. Visitors use public transportation in the area.

1.3.4. Public transportation connects the area to the Metro Detroit region.

**1.4. Passengers are highly satisfied with public transportation services.**

**1.5. Residents of the area recognize the positive contributions of public transportation to the area's quality of life.**

## 2: EXECUTIVE LIMITATIONS

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*These policies limit the unilateral authority of the CEO and address what the Board values as imprudent or unethical conditions or actions. Although sections and subsections are numbered, the numbering is not intended to indicate the importance or weight of the underlying section, unless otherwise stated.*

### 2.0 GLOBAL EXECUTIVE CONSTRAINT

The CEO shall not cause, allow or fail to address any practice, activity, decision, or organizational circumstance that is either unlawful, imprudent, or in violation of commonly accepted business practices or professional ethics.

### 2.1 TREATMENT OF THE TRAVELING PUBLIC

With respect to the agency's operations and interactions with riders, potential riders, pedestrians, cyclists, other road users, and the general public the CEO shall not cause, allow or fail to address conditions, procedures, or decisions that are unsafe, undignified, disrespectful, unclear, or overly intrusive. Further, without limiting the scope of the foregoing by this enumeration, the CEO shall not:

- 2.1.1 Provide facilities, vehicles, or services that are not reasonably accessible to potential riders regardless of mobility limitations.
- 2.1.2 Allow anyone, including people who have disabilities or seniors, to be discriminated against with respect to the AAATA's services.
- 2.1.3 Operate without providing effective, comprehensible, accessible, and timely information.
  - 2.1.3.1 Fail to respond to questions or complaints in a timely and reasonable manner.
- 2.1.4 Discourage persons from asking questions, airing a complaint, or being heard.
- 2.1.5 Operate without established and enforceable standards for customer service and the safety of the public including pedestrians, cyclists and other road users.
  - 2.1.5.1 Fail to communicate standards and expectations to the public and riders.
- 2.1.6 Use methods of collecting, reviewing, transmitting, or storing personal information that allows improper access or inappropriate disclosure
  - 2.1.6.1 Use forms that elicit personal information for which there is no clear necessity.

## 2.2 TREATMENT OF STAFF

The CEO will not cause or allow employment conditions that are inconsistent, discriminatory, unfair, unsafe, unhealthy, undignified, disorganized, or unclear.

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

2.2.1 Operate in a manner that undermines the organization as a workplace of choice.

2.2.1.1 Operate with a work environment that devalues the humanity, creativity and knowledgeable contribution of its workforce or inhibits the recruitment of highly qualified people.

2.2.2 Operate without up-to-date, clear, available, written, and enforced personnel rules or contracts that clarify standards and expectations, provide for effective handling of grievances, and protect against wrongful conditions, such as nepotism and unfairly preferential treatment for personal reasons

2.2.2.1 Fail to provide internal controls necessary to enforce such policies.

2.2.3 Allow retaliation against any staff member for non-disruptive expression of dissent.

2.2.4 Allow staff to be unprepared to deal with emergency situations.

2.2.5 Operate without an adequate labor agreement covering unionized personnel.

## 2.3 COMPENSATION AND BENEFITS

With respect to employment compensation and benefits, the CEO will not cause, allow or fail to respond to any situation which jeopardizes to the agency's effectiveness, fiscal integrity, or public image.

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

- 2.3.1 Operate without a compensation and benefits program that attracts and retains highly qualified employees.
  - 2.3.1.1 Offer a benefits program that does not include health insurance.
- 2.3.2 Establish compensation and benefits that deviate materially from the geographic or professional market for the skills employed.
- 2.3.3 Change the CEO's own paid compensation and benefits, except to make his or her benefits consistent with a package for all other non-unionized employees, without Board approval.
- 2.3.4 Operate without a robust, impartial, and transparent process for determining employee compensation.
  - 2.3.4.1 Allow compensation for agency employees (union and non-union), suppliers, or contracted employees to be less than a "living wage", as defined by ordinance of the City of Ann Arbor.
- 2.3.5 Establish or change retirement benefits so as to cause unpredictable or inequitable situations, including those that:
  - A. Incur unfunded liabilities.
  - B. Provide less than some basic level of benefits to all full-time employees.
  - C. Treat the CEO differently from other senior employees.

## 2.4 FINANCIAL PLANNING/BUDGETING

Financial planning for any fiscal year or the remaining part of any fiscal year shall not deviate from Board's Ends priorities, risk fiscal jeopardy, or fail to be derived from a strategic multi-year plan. Further, without limiting the scope of the foregoing by this enumeration, the CEO shall not cause, allow or fail to address budgeting that:

- 2.4.1 Risks incurring those situations or conditions described as unacceptable in the Board policy "Financial Condition and Activities."
- 2.4.2 Fails to place business decisions in a comprehensive, strategic context that illustrates progress towards Ends and compliance with Executive Limitations.
- 2.4.3 Omits credible projection of revenues and expenses, separation of capital and operational items, cash flow, and disclosure of planning assumptions.
- 2.4.4 Is unclear about long-term funding needs and growth projections.
- 2.4.5 Causes deficit spending.
- 2.4.6 Does not provide for adequate reserves.
- 2.4.7 Provides less for Board prerogatives during the year than is set forth in the Cost of Governance policy.
- 2.4.8 Funds ongoing operations via debt or creates unfunded future obligations.

## 2.5 FINANCIAL CONDITION AND ACTIVITIES

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

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

- 2.5.1 Operate without policies, processes and procedures that are necessary to meet generally accepted standards for financial management, cash handling, and accounting.
- 2.5.2 Operate in a manner that would jeopardize federal and state funding, including an up-to-date procurement manual.
- 2.5.3 Receive, process or disburse funds under controls that are insufficient to meet the Board-appointed auditor's standards.
- 2.5.4 Compromise the independence the Board's audit or other external monitoring or advice.
  - 2.5.4.1 Fail to provide the Board with timely information regarding fraud, suspected fraud or financial mismanagement.
  - 2.5.4.2 Fail to provide the Board with information and access to internal controls that allows Board review of fraud, suspected fraud or financial mismanagement.
- 2.5.5 Allow expenditures that exceed the overall Board-approved budget.
  - 2.5.5.1 Allow cost overruns on capital projects.
- 2.5.6 Authorize contracts not anticipated in the current budget with a value greater than \$250,000.
  - 2.5.6.1 Split purchases or contracts into smaller amounts in order to avoid the above limit.
- 2.5.7 Operate without a reserve policy that covers near-term core operating expenses in case of funding shortages.
- 2.5.8 Adjust transit passenger fares or tax rates assessed by the Authority.
- 2.5.9 Acquire, encumber, or dispose of real estate.
- 2.5.10 Encumber the agency with financial debt without previous authorization from the Board.

## 2.6 CASH AND INVESTMENTS

The CEO will not fail to hold cash for short-term operations or surplus capital for investment according to the Board's investing priorities: first ensuring safety of principal, next providing adequate liquidity, and third, returning the highest yield compatible with prudent investing.

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

- 2.6.1 Hold AAATA operating cash or surplus capital in insecure instruments, including federally-uninsured checking accounts or non-interest-bearing accounts except where necessary to facilitate ease in operational transactions.
- 2.6.2 Deviate from the "Investment Policy to Comply with Michigan PA 20 of 1943" as stated in the Appendices, invest in instruments other than those so authorized, or invest unlawfully with respect to state and federal laws, including Michigan PA 20 of 1943.

## 2.7 ENDS FOCUS OF GRANTS OR CONTRACTS

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

## 2.8 ASSET PROTECTION

The CEO will not cause, allow or fail to address circumstances in which corporate assets are to be unprotected, inadequately maintained, or unnecessarily risked.

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

- 2.8.1 Allow Board members, staff, and the organization itself to be inadequately insured against theft, embezzlement, casualty, and liability losses.
- 2.8.2 Operate without ensuring appropriate risk management.
  - A. Subject property, plant, and equipment to improper wear and tear or insufficient maintenance.
  - B. Fail to proactively anticipate the financial requirements needed to maintain assets.
  - C. Operate without internal processes, procedures and systems that encourage informed decisions and would deter and prevent theft, fraud or malfeasance.
- 2.8.3 Unreasonably expose the organization, its Board or staff to claims of liability.

- 2.8.4 Allow intellectual property, information and files to be exposed to loss, significant damage or unauthorized access.
- 2.8.5 Endanger the organization's public image, credibility, or its ability to accomplish Ends by.
  - 2.8.5.1 Operating the organization in a manner that jeopardizes grantor relationships.
  - 2.8.5.2 Ignoring the social, environmental and economic implications of major decisions.
  - 2.8.5.3 Allowing third-party advertising that violates stated agency guidelines for community standards.
  - 2.8.5.4 Hiring a former Board member as an agency employee or supplier within one year of that member's departure from the Board.
  - 2.8.5.5 Hiring a sitting elected official or former elected official that has not been out of office for at least one year from any jurisdiction that appoints members to the AAATA Board.
  - 2.8.5.6 Ignoring exploration for innovation or opportunities that open capacity for the organization.

## 2.9 EMERGENCY CEO SUCCESSION

In order to protect the Board from sudden loss of CEO services, the CEO may have no fewer than one, and preferably two, other executives who are sufficiently familiar with Board and CEO issues and processes to be able to temporarily assume the duties of CEO.

## 2.10 EXTERNAL RELATIONSHIPS

In order to facilitate the continued success of AAATA and its achievement of Ends, the CEO shall not operate without creating collaborative, strategic relationships with external stakeholders.

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

- 2.10.1 Ignore opportunities for collaboration for the community benefit.
- 2.10.2 Ignore opportunities to promote multi-modal solutions, transit-supportive land development, or first mile/last mile considerations whether internally or to outside decision makers.
- 2.10.3 Fail to develop relationships with community stakeholders, including elected officials, which contribute to community support for the AAATA.
- 2.10.4 Fail to reasonably engage riders, residents, and stakeholders when considering material changes to services, programs, fares, or transit facilities.
- 2.10.5 Fail to operate in a publicly transparent manner.

## 2.11 COMMUNICATION AND SUPPORT TO THE BOARD

The CEO will not permit the Board to be uninformed or unsupported in its work.

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

- 2.11.1 Withhold, impede, or confound information relevant to the Board's informed accomplishment of its job.
  - 2.11.1.1 Neglect to submit monitoring data required by the Board in Board-Management Delegation policy "Monitoring CEO Performance" in a timely, accurate and understandable fashion, directly addressing provisions of Board policies being monitored, and including CEO interpretations consistent with Board-Management Delegation policy "Delegation to the CEO," as well as relevant data.
  - 2.11.1.2 Allow the Board to be unaware of any actual or anticipated noncompliance with any Ends or Executive Limitations policy, regardless of the Board's monitoring schedule.
  - 2.11.1.3 Allow the Board to be without decision information required periodically by the Board, including the agency and situational context and implications for a decision.
  - 2.11.1.4 Present information in unnecessarily complex or lengthy form or in a form that fails to differentiate among information of three types: monitoring, decision preparation, and other.
  - 2.11.1.5 Let the Board be unaware of material internal changes, including changes in policy interpretation, significant reputational, legal, political, or financial risks, developments that have significant negative implications for the budget, threatened or pending lawsuits, relevant trends and any other incidental information requested by the Board. Incidental information includes:
    - A. operational and financial performance metrics
    - B. customer satisfaction metrics,
    - C. updates on capital improvement projects,
    - D. quarterly budget to actual financial reports,
    - E. timely notification of execution of budgeted items over \$250,000 and grant requests or awards over \$100,000.
    - F. unbiased information on industry norms for CEO compensation at least every two years.
    - G. advance notification of intended changes to staff rules (unionized or non-unionized), procurement manual, benefits, or compensation structure.

H. CEO's personal expense report to the Governance Committee of the Board at least quarterly, with explicit notation of the expenses of any other employee which benefited the CEO, aside from group expenses where the CEO's participation was incidental.

2.11.1.6 Fail to provide Board education on the business of the agency relevant to the public at the request of the Board or in anticipation of the Board's need to be responsive to community concerns.

2.12.1.6.1 - Fail to periodically update the Board regarding the longer-term strategic context in which delegated decisions are being made.

2.11.1.7 Let the Board be unaware if, in the CEO's professional opinion, the Board or individual Board members may not be in compliance with the Board's own policies on Governance Process and Board-Management Delegation, particularly in the case of Board behavior that could be detrimental to the agency's reputation or the working relationship between the Board and the CEO.

2.11.2 Withhold from the Board and its processes logistical and clerical assistance.

2.11.2.1 Allow the Board to be deprived of a legal, workable, user-friendly mechanism for official Board, officer, or committee communications.

2.11.2.2 Allow the Board to be deprived of pleasant, productive and efficient settings and arrangements for Board and committee meetings.

2.11.2.3 Hinder access to the Board for any person who alleges unethical or unlawful action or circumstance in the organization or by its representatives.

2.11.2.4 Neglect to transfer policy updates to the official record of the Board's Policy Manual in a timely manner.

## 2.12 CONSTRUCTION

The CEO shall not allow construction of a new building or facility or major renovation that is inconsistent with industry standards and grantor expectations, environmentally irresponsible, risks financial jeopardy, or is not aligned with achievement of the Board's Ends.

Further, without limiting the scope of the above by the following list, the CEO shall not:

- 2.12.1 Proceed with grant applications, detailed architecture or engineering, procurement of construction services, or real-estate transactions for a construction or major renovation project.
  - 2.12.1.1 Request authorization to proceed with a project prior to providing information that demonstrates that such construction is fiscally responsible and aligned with achievement of the board's Ends, and without providing data that supports an informed decision by the board – including but not limited to clearly articulated information about the following:
    - A. Definition of the project's purpose and goals.
    - B. Definition of the project's key elements and rationale for their inclusion.
    - C. Definition of the project's strategic context, and contribution to advancing the board's Ends or other policies.
    - D. Explanation of the project's priority relative to other capital needs.
    - E. Estimates of the capital cost, ongoing operating and maintenance costs, and expected useful life associated with the project.
    - F. Explanation of anticipated funding sources and financing mechanisms.
    - G. Definition of risks associated with the project.
    - H. Project timeline.
    - I. Public involvement process.
  - 2.12.1.2 Request authorization to proceed with a project without incorporating it into an annual budget or a budget amendment.
- 2.12.2 Expend funds on a construction project prior to having confirmed funding for that stage.
- 2.12.3 Proceed with construction that does not minimize inconvenience to the travelling public and those businesses and residences directly impacted to the extent that is reasonably practicable.
  - 2.12.3.1 Proceed without providing timely and accurate information to the travelling public, residents and business owners.
  - 2.12.3.2 Proceed with construction project or changes to the project that could be foreseen to create significant resistance from the traveling public and external stakeholders because they had not had the opportunity for consultation.

- 2.12.4 Allow the board to be unaware of political, residents' and businesses' issues related to the proposed construction.
- 2.12.5 Allow the board to be without regular reports on the project's implementation, including but not limited to:
  - A. Changes to the anticipated cost of the project.
  - B. Changes to the elements/scope of the project.
  - C. Changes to scheduled completion, delays or impacts to timelines.
  - D. Timely notice of possible cost overruns and planned action to reduce impact.

### 3: GOVERNANCE PROCESS

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*These policies define the Board's job and expectations for how the Board will function.*

#### 3.0 GLOBAL GOVERNANCE PROCESS

The purpose of the Board, on behalf of the residents and workers of the member jurisdictions and government jurisdictions with whom we have service agreements (Ownership), and as stewards of the future, is to see to it that the Ann Arbor Area Transportation Authority (AAATA)

- (a) achieves appropriate results for appropriate persons at an appropriate cost, and
- (b) avoids unacceptable actions and situations.

### 3.1 GOVERNING STYLE

The Board will govern lawfully, observing the principles of the policy governance, with an emphasis on

- (a) the best interests of the entirety of the ownership and stewardship of the agency,
- (b) outward vision rather than an internal preoccupation,
- (c) encouragement of diversity in viewpoints,
- (d) strategic leadership more than administrative detail,
- (e) clear distinction of Board and chief executive roles,
- (f) collective rather than individual decisions,
- (g) future rather than past or present, and
- (h) proactivity rather than reactivity.

On any issue, the Board must insure that all divergent views are considered in making decisions, yet may not require the CEO to act without majority approval from a quorum of the Board.

Accordingly:

- 3.1.1 The Board will cultivate a sense of group responsibility. The Board, not the staff, will be responsible for excellence in governing. The Board will be the initiator of policy, not merely a reactor to staff initiatives.
- 3.1.2 The Board will encourage a diversity of viewpoints and work to ensure all views are heard. The Board may use the expertise of individual members to enhance the ability of the Board as a body. However, the Board will not allow dominant personalities or individual agendas to usurp the Board's broader perspective, collective responsibilities or values.
- 3.1.3 The Board will direct, control and inspire the organization through the careful establishment of broad written policies reflecting the Board's values and perspectives. The Board's major policy focus will be on the intended long term impacts outside the organization, not on the administrative or programmatic means of attaining those effects.
  - 3.1.3.1 The Board will only allow itself to address a topic after it has answered these questions:
    - 1. What is the nature of the issue? Is the issue within the scope of the agency?
    - 2. What is the value that drives the concern?
    - 3. Whose issue is this? Is it the Board's or the CEO's?
    - 4. Is there already a Board policy that adequately covers the issue? If so, what has the Board already said on this subject and how is this issue related? Does the Board wish to change what it has already said?

- 3.1.4 The Board must provide the strategic leadership for the AAATA and recognizes that its greatest contribution to long-range planning is an explication of its vision for the AAATA through creating ends policies with a long-range perspective. The Board also recognizes that the operational planning of the AAATA to meet Board end policies is a staff function, and organizational performance on ends will be closely monitored by the Board. Accordingly, the Board will periodically review its ends policies to ensure alignment with its owners and the long-range demands of the AAATA.
- 3.1.5 The Board will enforce upon itself whatever discipline is needed to govern with excellence. Discipline will apply to matters such as attendance, preparation for meetings, policymaking principles, respect of roles, and ensuring the continuance of governance capability. Although the Board can change its governance process policies at any time, it will observe them scrupulously while in force.
- 3.1.6 Continual Board development will include orientation of new Board members in the Board's governance process, periodic Board discussion of process improvement and timely identification of quality candidates to be recommended for appointment by our municipal partners.
- 3.1.7 The Board will allow no officer, individual or committee of the Board to hinder or be an excuse for not fulfilling its governance commitments.
- 3.1.8 The Board will monitor its process and performance according to its established schedule. Self-monitoring will include comparison of Board activity and discipline to policies in the Governance Process and Board-Management Delegation categories, following the monitoring schedule in Appendix A.

## 3.2 BOARD JOB DESCRIPTION

Specific job outputs of the Board, as an informed agent of the ownership, are those that ensure appropriate organizational performance.

Accordingly, the Board has direct responsibility to create:

3.2.1 The authoritative linkage between the ownership and the operational organization.

3.2.1.1 Members shall maintain effective ambassadorship and coordinated advocacy with member municipalities.

3.2.2 Strategic leadership and vision of the organization through its policymaking.

3.2.3 Written governing policies that address the broadest levels of all organizational decisions and situations.

- A. Ends: Organizational products, impacts, benefits, outcomes, recipients; and their relative worth in cost or priority (what good for which recipients at what cost).
- 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. Governance Process: Specification of how the Board conceives, carries out and monitors its own task.
- D. Board-Management Delegation: How power is delegated and its proper use monitored; the CEO role, authority and accountability.

3.2.4 Assurance of successful organizational performance on Ends and Executive Limitations

3.2.5 Assurance of CEO performance includes evaluation of organizational performance on Ends and Executive Limitations.

3.2.6 Annual performance review and appropriate adjustment of CEO salary.

3.2.7 Approval of the annual budget developed and recommended by the CEO.

3.2.8 A contract with the CEO that will stipulate compensation, benefits and other terms and conditions for the CEO.

3.2.9 Approval of rider fare increases and millage rates assessed by the Authority.

3.2.10 Approval of real estate acquisition, encumbrance, or disposal.

### 3.3 BOARD CODE OF CONDUCT

The Board commits itself and its members to ethical, businesslike, and lawful conduct, including proper use of authority and appropriate decorum when acting as Board members.

- 3.3.1 Members must demonstrate loyalty to the ownership of the AAATA, unconflicted by loyalties to the CEO or staff, other organizations, or any personal interest as consumers.
- 3.3.2 Members must avoid conflicts of interest with respect to their legal duties of care and loyalty.
  - 3.3.2.1 There will be no self-dealing or business by a member with the organization. Members will, each January, disclose in writing their involvements with other organizations, with vendors, or any associations which might be or might reasonably be seen as being a conflict.
  - 3.3.2.2 When the Board is to decide upon an issue, about which a member has an unavoidable conflict of interest, that member shall absent herself or himself without comment from not only the vote, but also from the deliberation by leaving the room.
  - 3.3.2.3 Board members will not use their Board position to obtain employment or financial benefit in the organization for themselves, family members, or close associates.
- 3.3.3 Board members may not attempt to exercise individual authority over the organization.
  - 3.3.3.1 Members' interaction with the CEO or with staff must recognize the lack of authority vested in individual members except when explicitly authorized by the Board. While individual members should share their perspectives and advice with the CEO, they shall not give (or imply) direction to the CEO or any staff.
  - 3.3.3.2 Members' interaction with public, press or other entities must recognize the same limitation and the inability of any Board member to speak for the Board except to repeat explicitly stated Board positions.
  - 3.3.3.3 Except for participation in Board deliberation about whether reasonable interpretation of Board policy has been achieved by the CEO, members will not express individual judgments on performance of the CEO or other staff.
- 3.3.4 Members shall conduct themselves in a calm, professional and respectful manner. Members shall not intimidate or harass other Board members, staff or members of the public.

- 3.3.5 Members will respect the confidentiality appropriate to issues of a sensitive nature.
- 3.3.6 Members will be properly prepared for Board deliberation.
- 3.3.7 Members will support the legitimacy and authority of the final determination of the Board on any matter, without regard to the member's personal position on the issue.
- 3.3.8 Members will follow the rule of "no surprises" and shall keep the CGO and CEO informed in advance of intended actions that could be perceived as conflicting with current policy and direction of the organization.
- 3.3.9 When serving on other Boards, members remain accountable to the AAATA Board for their actions and statements regarding transit-related issues.

### 3.4 AGENDA PLANNING

To accomplish its job products with a governance style consistent with Board policies, the Board will follow an annual agenda cycle which:

- (a) completes a re-exploration of Ends Policies annually,
- (b) continually improves Board performance through Board education and enriched input and deliberation, and
- (c) re-examines for relevance the underlying values that support existing policy.

- 3.4.1 The cycle will conclude each year so that administrative planning, strategic planning and budgeting can be based on accomplishing a one-year segment of the Board's most recent statement of long term Ends.
- 3.4.2 The cycle will start with the Board's development of its agenda for the next year.
  - A. Consultations with selected groups in the ownership, or other methods of gaining ownership input will be determined and arranged in the first quarter, to be held during the balance of the year.
  - B. Governance education, and education related to Ends determination, (e.g. presentations by researchers, demographers, advocacy groups, staff, etc.) will be arranged in the first quarter, to be held during the balance of the year.
- 3.4.3 Throughout the year, the Board will attend to consent agenda items as expeditiously as possible.
- 3.4.4 CEO monitoring will be on the agenda if reports have been received since the previous meeting, if plans must be made for direct inspection monitoring, or if arrangements for third-party monitoring must be prepared.
- 3.4.5 A Board member may recommend or request an item for Board discussion by submitting the item to the CGO no later than two days before the Board meeting.
- 3.4.6 Information that is neither for monitoring performance nor for Board decisions will be avoided or minimized and always noted as such
- 3.4.7 CEO remuneration will be decided during the month of June after a review of monitoring reports received in the last year.

3.4.8 Individual meeting agendas will generally follow the format below:

**1) Opening Items**

- a. Approve Agenda
- b. Public Comment
- c. General Announcements

**2) Consent Items**

- a. Approval of Minutes
- b. Mandatory Approvals

**3) Policy Monitoring and Development**

- a. Policy Monitoring
- b. Other Board Reports & Ownership Linkages
- c. Board's Annual Plan of Work Item & Ends Policies

**4) Strategy and Operational Updates**

**5) Board Development**

- a. Governance Policy Monitoring
- b. Board Education

**6) Emergent Business**

**7) Closing Items**

- a. Topics for Next Meetings
- b. Public Comment
- c. Board Assessment of Meeting
- d. Adjournment

### 3.5 CHIEF GOVERNANCE OFFICER ROLE

The Chief Governance Officer (CGO), whom we call “Chair” assures the integrity of the Board's process and, secondarily, occasionally represents the Board to outside parties.

Accordingly:

- 3.5.1 The job result of the CGO is that the Board behaves consistently with its own rules and those legitimately imposed upon it from outside the organization.
  - 3.5.1.1 Meeting discussion content will consist solely of issues that clearly belong to the Board to decide or to monitor according to Board policy.
  - 3.5.1.2 Deliberation will be fair, open, and thorough, but also timely, orderly, and kept to the point.
- 3.5.2. The authority of the CGO consists in making decisions that fall within topics covered by Board policies on Governance Process and Board-CEO Linkage, with the exception of (a) employment or termination of a CEO and (b) where the Board specifically delegates portions of this authority to others. The CGO is authorized to use any reasonable interpretation of the provisions in these policies.
  - 3.5.2.1 The CGO is empowered to chair Board meetings with all the commonly accepted power of that position (e.g., ruling, recognizing).
  - 3.5.2.2 The CGO has no authority to make decisions about policies created by the Board within Ends and Executive Limitations policy areas. Therefore, the CGO has no authority to supervise or direct the CEO.
  - 3.5.2.3 The CGO may represent the Board to outside parties in announcing Board-stated positions and in stating CGO decisions and interpretations within the area delegated to that role.
  - 3.5.2.4 The CGO may delegate this authority, but remains accountable for its use.

### 3.6 BOARD COMMITTEE PRINCIPLES

Board committees, when used, will be assigned so as to reinforce the wholeness of the Board's job and so as never to interfere with delegation from Board to CEO.

Accordingly:

- 3.6.1 Board committees are to help the Board do its job, not to help or advise the staff. Committees ordinarily will assist the Board by preparing policy alternatives and implications for Board deliberation. In keeping with the Board's broader focus, Board committees will normally not have direct dealings with current staff operations.
- 3.6.2 Board committees may not speak or act for the Board except when formally given such authority for specific and time-limited purposes. Expectations and authority will be carefully stated in order not to conflict with authority delegated to the CEO.
- 3.6.3 Board committees cannot exercise authority over staff. Because the CEO works for the full Board, he or she will not be required to obtain approval of a Board committee before an executive action.
- 3.6.4 Board committees are to avoid over-identification with organizational parts rather than the whole.
- 3.6.5 Other work groups will be used in an ad hoc capacity.
- 3.6.6 This policy applies to any group which is formed by Board action, whether or not it is called a committee and regardless whether the group includes Board members. It does not apply to committees formed under the authority of the CEO.

### 3.7 BOARD COMMITTEE STRUCTURE

Committees are intended to expedite work of the Board so that monthly meetings can be efficient and as advisory bodies. The full Board retains *all* decision-making powers. Committees are, therefore, empowered to:

- Conduct detailed reviews of monitoring reports, and recommend acceptance or rejection to the full Board,
- Conduct reviews of policy language and make recommendations for changes to the full Board,
- Receive preliminary Strategy Updates from the CEO,
- Discuss Ends policies, and
- Advise the Board.

Standing committees are arranged by function and have formal responsibility for monitoring certain policies which have been grouped by theme (governance, financial, service) so the committees can emphasize those subjects.

#### 3.7.1 Governance Committee

##### A. Products:

- a. Plans Board annual agenda, retreat planning, etc.
- b. Monitors Governance policies and practices. Advise on possible changes to policy.
- c. CEO/Board relationship (annual evaluation, expenses, pay, etc).
- d. Board Development & Self-Assessment (Recruitment, Orientation, Training, etc).
- e. Strategy Update (CEO seeks feedback) & Ends Discussion.
- f. Will have primary responsibility for monitoring governance-related Executive Limitations (Global Governance Process, Agenda Planning, Governing Style, Board Job Description, Board Member's Code of Conduct, Chair's Role, Board Committee Principles & Structure, Cost of Governance, Accountability of CEO, Monitoring CEO Performance).

B. Membership: Chair of the Board, Chairs of other Committees. Chaired by Chair of Board.

C. Term: One year.

#### 3.7.2 Executive Committee

##### A. Products:

- a. Limited emergency powers (Acting CEO Appointment, Urgent Purchases Only).
- b. Task-force appointments, one-off issues, Emergent Issues.
- c. Will have primary responsibility for monitoring Board-CEO delegation and other Executive Limitations (Global Board-Management Delegation, External Relations, Unity of Control, Delegation to CEO, Emergency CEO Succession).

B. Membership: Elected Board Officers – Chair, Treasurer, Secretary. Chaired by Chair of Board.

C. Term: One year.

### 3.7.3 Finance Committee

#### A. Products:

- a. Assists Board by pre-vetting monitoring reports. Will have primary responsibility for monitoring finance-related Executive Limitations (Compensation & Benefits, Financial Planning/Budgeting, Financial Condition & Analysis, Investments, Asset Protection)
- b. Advise on possible changes to policy.
- c. Reviews quarterly Financial Reports.
- d. Strategy Update (CEO seeks feedback) & Ends Discussion.

#### B. Membership: Appointed by Chair of Board (as per Bylaws).

#### C. Term: One year.

### 3.7.4 Service Committee

#### A. Products:

- a. Assists Board by pre-vetting monitoring reports (See table for assigned policies). Advise on possible changes to policy. Will have primary responsibility for monitoring service and customer related Executive Limitations (Treatment of Riders, Treatment of Staff, Ends Focus of Contracts, Communication & Support).
- b. Reviews quarterly Customer Satisfaction Reports.
- c. Strategy Update (CEO seeks feedback) & Ends Discussion.

#### B. Membership: Appointed by Chair of Board (as per Bylaws).

#### C. Term: One year.

### 3.7.5 Audit Task Force

#### A. Products:

- a. Conduct annual Board audit of agency finances.

#### B. Membership: Appointed by Chair of Board (as per Bylaws). Cannot include chair of Finance Committee.

#### C. Term: One year.

The only Board committees are those which are set forth in this policy or the Bylaws (Governance Committee). Unless otherwise stated, a committee ceases to exist as soon as its task is complete.

### 3.8 COST OF GOVERNANCE

Because poor governance costs more than learning to govern well, the Board will invest in its governance capacity.

Accordingly:

- 3.8.1. Board skills, methods, and supports will be sufficient to assure governing with excellence.
  - 3.8.1.1 Training and re-training will be used liberally to orient new members and candidates for membership, as well as to maintain and increase existing member skills and understandings.
  - 3.8.1.2 Outside monitoring assistance will be arranged so that the Board can exercise confident control over organizational performance. This includes, but is not limited to, fiscal audit.
    - 3.8.1.2.1 Contracted auditing firms will be periodically rotated to maintain independence. Contracted auditors will serve no more than six consecutive years.
  - 3.8.1.3 Outreach mechanisms will be used as needed to ensure the Board's ability to listen to owner viewpoints and values.
- 3.8.2 Costs will be prudently incurred, though not at the expense of endangering the development and maintenance of superior capability.
- 3.8.3 The Board will develop its budget by June 30 each year to assure its inclusion in the overall budget.

## 4: BOARD-MANAGEMENT DELEGATION

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*These policies define how the Board will delegate to its CEO AAATA's accomplishment of Ends and operation within the Executive Limitations boundaries.*

### 4.0 GLOBAL BOARD-MANAGEMENT DELEGATION

The Board's sole official connection to the operational organization, its achievements and conduct will be through a Chief Executive Officer (CEO).

### 4.1 UNITY OF CONTROL

Only officially passed motions of the Board are binding on the CEO.  
Accordingly:

- 4.1.1 Decisions or instructions of individual Board members, officers, or committees are not binding on the CEO except in rare instances when the Board has specifically authorized such exercise of authority.
- 4.1.2 In the case of Board members or committees requesting information or assistance without Board authorization, the CEO can defer or refuse such requests that require, in the CEO's opinion, a material amount of staff time or funds or is disruptive.

## 4.2 ACCOUNTABILITY OF THE CEO

The CEO is the Board's only link to operational achievement and conduct, so that all authority and accountability of staff, as far as the Board is concerned, is considered the authority and accountability of the CEO.

Accordingly:

- 4.2.1 The Board will never give instructions to persons who report directly or indirectly to the CEO.
- 4.2.2 The Board will not evaluate, either formally or informally, any staff other than the CEO. Board members are not restricted from expressing any level of satisfaction in a confidential conversation with the CEO.
- 4.2.3 The Board will view organizational performance as integral to CEO performance and shall consider Board stated Ends and avoidance of Board-proscribed executive limitations as a foundation of successful CEO performance.

## 4.3 DELEGATION TO THE CEO

The Board will instruct the CEO through officially passed motions of the Board or written policies which prescribe the organizational Ends to be achieved, and describe organizational situations and actions to be avoided, allowing the CEO to use any reasonable interpretation of these policies.

Accordingly:

- 4.3.1 The Board will develop policies instructing the CEO to achieve certain results, for certain recipients at a specified cost. These policies will be developed systematically from the broadest, most general level to more defined levels, and will be called Ends policies.
- 4.3.2 The Board will develop policies which limit the latitude the CEO may exercise in choosing the organizational means. These limiting policies will describe those practices, active, decisions, and circumstances that would be unacceptable to the Board even if they were effective. These policies will be developed systematically from the broadest, most general level to more defined levels, and they will be called Executive Limitations policies. The Board will never prescribe organizational means delegated to the CEO.

- 4.3.3 As long as the CEO uses *any reasonable interpretation* of the Board’s Ends and Executive Limitations policies, the CEO is authorized to establish all further policies, make all decisions, take all actions, establish all practices and develop all activities.
- 4.3.4 The Board may change its Ends and Executive Limitations policies, thereby shifting the boundary between Board and CEO domains. By doing so, the Board changes the latitude of choice given to the CEO. But as long as any particular delegation is in place, the Board will respect and support the CEO’s choices with the boundaries described herein.

#### 4.4 MONITORING CEO PERFORMANCE

Organizational accomplishment of Board policies on Ends and organizational operation within the boundaries established in Board policies on Executive Limitations shall be evaluated rigorously by the Board and its appointed committees.

Accordingly:

- 4.4.1 Monitoring is simply to determine the degree to which Board policies are being met. Data which do not do this will not be considered to be monitoring data.
- 4.4.2 The Board will acquire monitoring data by one or more of three methods: (a) by internal report, in which the CEO discloses compliance information to the Board, (b) by external report, in which an external, disinterested third party selected by the Board assesses compliance with Board policies, and (c) by direct Board inspection, in which a designated member or members of the Board assess compliance with the appropriate policy criteria.
- 4.4.3 In every case, the Board will judge the reasonableness of the CEO’s interpretation and whether data demonstrate accomplishment of the interpretation
- 4.4.4 The standard for compliance shall be any reasonable CEO interpretation of the Board policy being monitored. The Board is the final arbiter of reasonableness, but will always judge with a “reasonable person” test rather than with an interpretation favored by Board members or by the Board as a whole.
- 4.4.5 All policies which instruct the CEO will be monitored at a frequency and by a method chosen by the Board. The Board can monitor any policy at any time by any method, but will ordinarily depend on a routine schedule (Appendix A).

## APPENDICES

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Appendix A: Monitoring and Informational Report Schedules

Appendix B: Evaluation of Executive Limitations Monitoring Reports

Appendix C: Evaluation of Ends Monitoring Reports

Appendix D: Governance Policies Monitoring Tool

Appendix E: History of Policy Changes

Appendix F: Investment Policy to Comply with Michigan PA 20 of 1943: Investment of Surplus funds of Political Subdivisions (last rev. 1997)

## Appendix A: Monitoring and Informational Report Schedules

| Policy | Title                            | Method            | Freq   | Due  | Assess | Body       |
|--------|----------------------------------|-------------------|--------|------|--------|------------|
| 1.0    | Ends                             | Internal          | Annual | Nov  | Dec    | Board      |
| 2.0    | Global Executive Limitation      | Internal          | Annual | Sept | Oct    | Service/Bd |
| 2.1    | Treatment of Riders              | Internal          | Annual | Dec  | Jan    | Service/Bd |
| 2.2    | Treatment of Staff               | Internal          | Annual | Oct  | Nov    | Service/Bd |
| 2.3    | Compensation & Benefits          | Internal          | Annual | Feb  | Mar    | Finance/Bd |
| 2.4    | Financial Planning/Budgeting     | Internal          | Annual | Aug  | Sep    | Board      |
| 2.5    | Financial Condition & Activities | External          | Annual | Jan  | Feb    | Finance/Bd |
| 2.6    | Investments                      | Internal          | Annual | Mar  | Apr    | Finance/Bd |
| 2.7    | Ends Focus of Contracts          | Internal          | Annual | Nov  | Dec    | Service/Bd |
| 2.8    | Asset Protection                 | Internal          | Annual | Feb  | Mar    | Finance/Bd |
| 2.9    | Emergency Succession             | Internal          | Annual | May  | June   | Service/Bd |
| 2.10   | External Relations               | Internal          | Annual | May  | June   | Service/Bd |
| 2.11   | Communication & Support          | Internal          | Annual | Mar  | Apr    | Board      |
| 3.0    | Global Governance Process        | Direct Inspection | Annual |      | Sept   | Gov/Bd     |
| 3.1    | Governing Style                  | Direct Inspection | Annual |      | Apr    | Gov/Bd     |
| 3.2    | Board Job Description            | Direct Inspection | Annual |      | Mar    | Gov/Bd     |
| 3.3    | Board Member's Code of Conduct   | Direct Inspection | Annual |      | Oct    | Gov/Bd     |
| 3.4    | Agenda Planning                  | Direct Inspection | Annual |      | Feb    | Gov/Bd     |
| 3.5    | Chair's Role                     | Direct Inspection | Annual |      | Aug    | Gov/Bd     |
| 3.6    | Board Committee Principles       | Direct Inspection | Annual |      | May    | Gov/Bd     |
| 3.7    | Board Committee Structure        | Direct Inspection | Annual |      | May    | Gov/Bd     |
| 3.8    | Cost of Governance               | Direct Inspection | Annual |      | June   | Gov/Bd     |
| 4.0    | Global Board-Mgmt Delegation     | Direct Inspection | Annual |      | Sept   | Gov/Bd     |
| 4.1    | Unity of Control                 | Direct Inspection | Annual |      | Oct    | Gov/Bd     |
| 4.2    | Accountability of the CEO        | Direct Inspection | Annual |      | Nov    | Gov/Bd     |
| 4.3    | Delegation to the CEO            | Direct Inspection | Annual |      | Dec    | Gov/Bd     |
| 4.4    | Monitoring CEO Performance       | Direct Inspection | Annual |      | Jan    | Gov/Bd     |

### Other informational reports from staff (+ others as needed/requested):

| Informational Report                                                                           | Freq.              | Board Packet month:  |
|------------------------------------------------------------------------------------------------|--------------------|----------------------|
| Financial Statements                                                                           | Quarterly          | Nov, Feb, May, Sept  |
| Customer Satisfaction and Service Perf.                                                        | Quarterly          | Oct, Jan, Apr, July  |
| Capital Improvement Projects                                                                   | Annual + as needed | Nov                  |
| CEO Personal Expense Report                                                                    | Quarterly          | Dec, Mar, June, Sept |
| CEO Compensation comparables                                                                   | Every 2 years      | April of odd years   |
| Notification of execution of budgeted items over \$250K and grants over \$100K                 | As needed          |                      |
| Notification of intended changes to non-unionized staff or procurement manuals, benefits/comp. | As needed          |                      |

## Appendix B: Evaluation of Executive Limitations Monitoring Reports

### *Board Survey Questions:*

Report date: \_\_\_\_\_

Board responses due: \_\_\_\_\_

Name of Evaluator: \_\_\_\_\_

### EVALUATION

Was this report submitted when due?

Did you find the CEO Interpretations: \* Check all that apply.

- reasonable and complete
- not complete (please specify in next question)
- not reasonable (please specify in next question)

Interpretations that were incomplete or unreasonable (if any):

Do you find the CEO is...? \* Check all that apply.

- in compliance.
- in compliance, except for items(s) noted below and is making reasonable progress toward compliance
- not in compliance on item(s) noted below and is not making reasonable progress toward compliance
- cannot be determined

Items not in compliance (if any):

### OPTIONAL: Comments for potential further discussion by the Board

Is there any area associated with this policy that concerns you that is not clearly addressed in existing policy?

What is the value that drives your concern?

What policy language would you like to see incorporated to address your worry?

### OPTIONAL: Comments for the CEO to consider. These are comments and suggestions, not direction to or assessment of CEO

Commendation(s) on progress:

Potential additional improvement(s)

Comments on the report itself:

*Compilation of Board Member Responses: Executive Limitations Monitoring Report*

**Policy Monitored:**

**Adopted:** DATE

**Date Report submitted:** DATE [On-time] [Late]

**Date of Board's Monitoring Response:**

**Monitoring Method:** External Audit and Internal Report

The Board has received and reviewed the CEO's Monitoring Report referenced above. Following the Board's review and discussions with the CEO and his representatives, the **Board makes the following conclusions on this Monitoring Report:**

| 1. The Board finds that the CEO Interpretations are:                                    | # of Board members |
|-----------------------------------------------------------------------------------------|--------------------|
| <ul style="list-style-type: none"><li>are reasonable and complete</li></ul>             |                    |
| <ul style="list-style-type: none"><li>are not complete. Specifically: _____</li></ul>   |                    |
| <ul style="list-style-type: none"><li>are not reasonable. Specifically: _____</li></ul> |                    |

| 2. The Board finds that the CEO is:                                                                                                                    | # of Board members |
|--------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------|
| <ul style="list-style-type: none"><li>is in compliance.</li></ul>                                                                                      |                    |
| <ul style="list-style-type: none"><li>is in compliance, except for items(s) noted and is making reasonable progress toward compliance: _____</li></ul> |                    |
| <ul style="list-style-type: none"><li>is not in compliance and is not making reasonable progress toward compliance</li></ul>                           |                    |
| <ul style="list-style-type: none"><li>cannot be determined</li></ul>                                                                                   |                    |

*Individual Board members had these (non-assessment) comments for potential further discussion by the Board on:*

3. Areas that may not be sufficiently addressed by The Board's policy (and value driving Board member's concern):
- -

4. Potential policy language that would address the Board Members worry?
- -

*Individual Board members had these (non-assessment) comments for the CEO to use as he/she sees fit:*

5. Commendable progress:
6. Potential additional improvement (suggestion, not direction to CEO).
7. Comments on the report itself

## Appendix C: Evaluation of Ends Monitoring Reports

### *Board Survey Questions:*

Report date: \_\_\_\_\_

Board responses due: \_\_\_\_\_

Name of Evaluator: \_\_\_\_\_

### EVALUATION

Was this report submitted when due?

Did you find the CEO Interpretations: \* Check all that apply.

- reasonable and complete
- not complete (please specify in next question )
- not reasonable (please specify in next question)

Interpretations that were incomplete or unreasonable (if any):

Do you find the CEO is..? \* Check all that apply.

- has achieved the goals established in the policy.
- is making reasonable progress towards achieving the goals.
- is making reasonable progress towards achieving the goals, but a greater degree of progress is expected in some areas. Specifically: \_\_\_\_\_
- is not making reasonable progress in achieving the goals established. Specifically: \_\_\_\_\_
- cannot be determined. Specifically: \_\_\_\_\_
- Items not in compliance (if any):

### OPTIONAL: Comments for potential further discussion by the Board

Is there any area associated with this policy that concerns you that is not clearly addressed in existing policy?

What is the value that drives your concern?

What policy language would you like to see incorporated to address your worry?

### OPTIONAL: Comments for the CEO to consider These are comments and suggestions, not direction to or assessment of CEO

Commendation(s) on progress:

Potential additional improvement(s)

Comments on the report itself:

### Compilation of Board Member Responses: Ends Monitoring Report

Policy Monitored: ENDS

Adopted: DATE

Date Report submitted: DATE [On-time] [Late]

Date of Board's Monitoring Response:

Monitoring Method: External Audit and Internal Report

The Board has received and reviewed the CEO's Monitoring Report referenced above. Following the Board's review and discussions with the CEO and his representatives, the **Board makes the following conclusions on this Monitoring Report:**

| 1. The Board finds that the CEO Interpretations are:                                                                                     | # of Board members |
|------------------------------------------------------------------------------------------------------------------------------------------|--------------------|
| <ul style="list-style-type: none"><li>are reasonable and complete</li></ul>                                                              |                    |
| <ul style="list-style-type: none"><li>are not complete. Specifically:<ul style="list-style-type: none"><li>○ _____</li></ul></li></ul>   |                    |
| <ul style="list-style-type: none"><li>are not reasonable. Specifically:<ul style="list-style-type: none"><li>○ _____</li></ul></li></ul> |                    |

| 2. The Board finds that the CEO is:                                                                                                                                                        | # of Board members |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------|
| <ul style="list-style-type: none"><li>has achieved the goals established in the policy.</li></ul>                                                                                          |                    |
| <ul style="list-style-type: none"><li>is making reasonable progress towards achieving the goals.</li></ul>                                                                                 |                    |
| <ul style="list-style-type: none"><li>is making reasonable progress towards achieving the goals, but a greater degree of progress is expected in some areas. Specifically: _____</li></ul> |                    |
| <ul style="list-style-type: none"><li>is not making reasonable progress in achieving the goals established. Specifically: _____</li></ul>                                                  |                    |
| <ul style="list-style-type: none"><li>cannot be determined. Specifically: _____</li></ul>                                                                                                  |                    |

*Individual Board members had these (non-assessment) comments for potential further discussion by the Board on:*

3. Areas that may not be sufficiently addressed by The Board's policy (and value driving Board member's concern):
  -
4. Potential policy language that would address the Board Members worry?
  -

*Individual Board members had these (non-assessment) comments for the CEO to use as he/she sees fit:*

5. Commendable progress:
6. Potential additional improvement (suggestion, not direction to CEO).
7. Comments on the report itself

## **Appendix D: Governance Policies Monitoring Tool**

*Complete evaluation form and return to the Board Chair by \_\_\_\_\_.*

Board Means Policy being monitored: *(insert policy)*

*Review all sections of the policy listed and evaluate our compliance with policy.*

1. Indicate item by item if you believe ☐Yes ☐No Are we are in strict compliance with the policy as stated?

2. If you indicated that the Board is not in strict compliance with the policy as stated, please indicate what you notice that gives evidence that we are *not* in compliance?

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3. How do you think we could improve our process to be in full compliance?

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4. What do we need to learn or discuss in order to live by our policies more completely?

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5. Does this policy remain in compliance with the Policy Governance model in terms of content and format? For example, do all the subsections of this policy relate to prudence and ethics? Do the sub-policy further enlighten language of the broader policy? ☐Yes ☐No

## Appendix E: History of Policy Changes

[illegible]

## Appendix F: Investment Policy

### Investment Policy to Comply with Michigan PA 20 of 1943: Investment of Surplus funds of Political Subdivisions (last rev. 1997)

#### STATEMENT OF PURPOSE, SCOPE, OBJECTIVES

Cash funds in excess of near-term operating requirements shall be invested first ensuring safety of principal, next providing adequate liquidity, and third, returning the highest yield compatible with prudent investing. Funds shall be invested with liquidity sufficient to enable the AAATA to meet all operating requirements and in compliance with State of Michigan law. This investment policy applies to all transactions involving the financial assets and related activity of the general fund and any new fund created by the Board of Directors, unless specifically exempted. This policy does not apply to AAATA's employee pension funds which are organized and administered separately.

#### DELEGATION OF AUTHORITY TO MAKE INVESTMENTS

The Deputy CEO Finance and Administration (CFO), or the Manager of Finance (Controller) as his/her designee, is designated as the investment officer for the AAATA, and is responsible for investment decisions and activities implemented under this policy under the supervision of the CEO and Treasurer. The investment officer is authorized on behalf of AAATA to execute and deliver agreements, documents, or other instruments in connection with or relating to the opening and closing of investment accounts, the purchasing, selling, or redeeming authorized investments, and the safekeeping of investment accounts.

#### STATEMENT CONCERNING SAFETY, SAFEKEEPING, PRUDENCE

The standard of prudence to be applied by the investment officer to the overall portfolio shall be the "prudent person" rule, which states; "Investments shall be made with judgment and care under circumstances then prevailing which persons of prudence, discretion, and intelligence exercise in the management of their own affairs, not for speculation but for investment, considering the probable safety of their capital as well as the probable income to be derived." The investment officer acting in accordance with this policy and exercising prudence shall be relieved of personal responsibility for an individual investment's credit risk or market price changes, provided deviations from expectations are reported to the CEO in a timely fashion and appropriate action is taken to control adverse developments.

The status of investments shall be provided along with other financial statements to the Finance Committee and Board of Directors quarterly.

## AUTHORIZED INVESTMENT INSTRUMENTS

The following investment instruments are authorized:

1. Certificates of deposit with funds initially invested through a Federal Deposit Insurance Corporation (FDIC) financial institution that maintains a principal office or branch office located in the State of Michigan. This financial institution, acting as custodian, may arrange the investment of funds in certificates of deposit in one or more FDIC insured depository institutions throughout the United States if the principal and any accrued interest of each certificate of deposit is insured by an agency of the United States.

The total investment (exclusive of checking accounts) in any one financial institution shall not exceed the lesser of twenty percent (20%) of that financial institution's capital and surplus or \$4,000,000.

2. Bonds and other direct obligations of the United States or any agency or instrumentality thereof with a maturity of three years or less.

3. Governmental Mutual Funds operated by any of the banks listed above which invest only in authorized investments for local units of Government under State Law and which offer daily liquidity.