



Memo

To: Hot Springs Village Board of Directors
From: Governance Committee
Date: December 19, 2018
Re: Motion – Approve Chapter 8, Article 6 CEO Performance Evaluation Policy

Motion

I move to approve Chapter 8, Article 6 CEO Performance Evaluation Policy as presented.

Background

On August 16, 2017, the Board of Directors established the Governance Committee, directing its purpose: “to ensure that the Board fulfills its legal, ethical, functional and fiduciary responsibilities through recommendation and application of”, among other things, governance policies and periodic governing documents reviews. Throughout 2017, the Governance Committee identified and prioritized governance gaps. In late 2017, independent third parties were recruited to educate Board members on governance-related best practices. Kathleen McComber, SPHR, SHRM-SCP, CCP, CBP of The Heart Group was selected to assist with executive evaluation policies and procedures. From those efforts, the Governance Committee submitted a proposed CEO Performance Evaluation Policy for the Board’s consideration at the November board meeting. The attached redline version of the proposed policy incorporates revisions based on Board and property owner input as follows:

Section II CEO Performance Evaluation Process

- 2. a. The performance standards, which include strategy, operating metrics, leadership, people management, board relations and stakeholder relations, should be completed and approved prior to the start of the **review performance period**.
- 3.c. A separate step will include interviews with all direct reports conducted by an independent third party, **who is qualified and experienced in leading governing boards through CEO evaluations**, using predetermined questions for staff.
- 5. The independent third party will forward the tabulated results, the composite matrix and the final evaluation to the **Board Chair** ~~entire Board~~.

ARTICLE 6
CEO Performance Evaluation Policy

Section I Purpose

The CEO Performance Evaluation policy serves as a mechanism to insure consistent and predictable practices between the Board of Directors and the CEO in the setting of expectations, evaluating performance and enhancing professional development. This policy requires an annual five-step process that is required by the employment contract between the POA and the CEO.

Section II CEO Performance Evaluation Process

1. **Performance period.** The performance year is January 1-December 31, annually.
2. **Developing the performance standards.** The purpose of this stage of the process is to determine for the CEO what is important to accomplish over the next performance period and to define what the CEO will be evaluated on. Development of the performance standards should be a collaborative process between the CEO and the full Board, with 2/3 of the Board needed for approval.
 - a. The performance standards, which include strategy, operating metrics, leadership, people management, board relations and stakeholder relations, should be completed and approved prior to the start of the performance period.
 - b. The Board will evaluate the CEO compensation as outlined in the CEO's contract.
3. **Preparing the evaluation.** This step involves gathering performance information. Documents that may be helpful include monthly CEO reports to the Board, audit findings, any relevant discussion and/or meeting outcomes between the Board and the CEO, the Comprehensive Master Plan, the Enterprise Goals and the CEO job description. If needed, the Board Chair with assistance by a human resource professional, will update as needed the CEO job description during this process. At this point, each Board Member will rate the CEO's performance on predefined performance standards.

The CEO is required to complete a self-assessment. The evaluation will encompass and include all accomplishments and shortfalls during the year.

- a. The CEO is required to provide a performance self-assessment to the Board Chair annually. A copy will be provided to each Board member.
 - b. Each Board Member will individually evaluate the CEO's performance and separately the CEO will complete the self-assessment, and both provide the documents to the independent third party.
 - c. A separate step will include interviews with all direct reports conducted by an independent third party, who is qualified and experienced in leading governing boards through CEO evaluations, using predetermined questions for staff. The independent third party will prepare a written summary of the interview and the assessments completed by the direct reports.
4. **Tabulating and preparing the overall evaluation.** The independent third party will tabulate the individual Board evaluations and the CEO self-assessment and summarize them as a unified evaluation of the CEO's performance, A composite matrix will be developed that displays the Board's rating, per performance standard, as compared to the CEO's self-assessment.

5. **Conducting the evaluation.** The independent third party will forward the tabulated results, the composite matrix and the final evaluation to the entire Board. The final performance evaluation will be discussed with the CEO, one-on-one, by the Board Chair and the independent third party in February.

The CEO will be provided the opportunity to draft written comments for attachment to the final evaluation. They must be submitted to the Board Chair within 15 days of the final evaluation. The Board Chair is responsible for forwarding the final evaluation to the POA's Human Resource Director for inclusion in the CEO's personnel file and administration of the CEO performance increase and shall remain confidential in accordance with Article XV of the Bylaws and Chapter 1, Article 12 in the Association's Administrative Policies.