HB

174

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Official Business

Alaska State Legislature

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HB 174

Good public policy dictates that those who are elected by the polity have the right and the responsibility to implement their own perspective and agenda on the operational management of the organization they were elected to by selecting and hiring paid staff of their own chosing. This holds true with the President of the United States, the Governor, and on down through the ranks of municipal forms of government. In each case the elected executives are granted the authority to select staff they have confidence will implement the agenda favored by the elected official.

When first organized under the Rural Electric Association, Alaska Cooperatives were beholden to this policy by a mandate from REA that dictated no General Manager's contract should exceed three years, the typical term of the elected boards of director of cooperatives. Since the abolition of REA, there is no official policy on the record to reinforce this traditional limit on cooperative executives' contracts.

Indeed, since the demise of REA, we have seen the implementation of at least one utility cooperative General Manager contract that essentially grants a perpetual term through a unique automatic renewal clause that requires the Board to take affirmative action to negate the automatic renewal of the contract for another year on a five year term.

In the case cited above, if a new board of directors wished to terminate the current General Manager's contract, they could find themselves obligated to in effect buy-out the remainder of the term of the contract. With current utility mangers salaries and benefit packages reaching the $200,000 a year level, this could mean up to one million dollars, a figure most rural electric cooperatives would find staggering.