

SMUD BOARD POLICY

Category: Board-Staff Linkage	Title: Delegation To The General Manager With Respect To Real and Personal Property Policy
Date of Adoption: September 21, 2006	Policy Number: BL-10
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	Resolution No. 08-12-11

Normal business operations require SMUD to engage in: (i) the acquisition, disposition, and lease of interests in real property; (ii) disposition of surplus personal property; (iii) the purchase, sale, and/or exchange of air emission credits (ERCs); and (iv) the leasing of unused capacity on SMUD's fiber optic infrastructure.

- a) **Prudent Judgment:** It is SMUD's policy that such transactions be administered in a manner that is operationally and economically sound, serves the best interests of SMUD's ratepayers, comports with prudent business practices, and does not expose SMUD to unreasonable risk. Further, it is SMUD's policy that due diligence and prudent judgment be exercised in the making of decisions related to the real and personal property of SMUD, including conducting a risk assessment. If the General Manager reasonably determines that an activity related to these transactions presents, regardless of the size of the financial commitment, either: (i) a unique and significant operational risk to SMUD; (ii) a significant impact to customers; or (iii) a significant impact to community relations, the General Manager shall inform the Board.
- b) **Reporting:** The General Manager shall report annually to the Board a summary of the actions taken with respect to the categories of transactions within this policy.
- c) **Delegation of Authority:** The General Manager is delegated decision making and approval authority consistent with Board policies and within the parameters that follow.

d) **Real Estate Transactions:**

- i) Purchase, Sale or Exchange of Real Property. The purchase price does not exceed \$5 million and is within 115% of the appraised value of the property. The sale of real property shall be at fair market value after first offering the property interest to local agencies; then, as appropriate, to the prior owner if able to be identified and located; and third to general public for maximum sale. In an exchange of real property, SMUD shall remain financially whole or benefit from the transaction.
- ii) Lease of SMUD Property. Leases shall be for fair market value and shall not adversely impact SMUD operations or anticipated future operations.
- iii) Easements, Rights of Way, Licenses or Quitclaim Deeds. Easements, rights of way, licenses and quitclaim deeds may be granted where SMUD operations or anticipated future operations are not adversely impacted.
- iv) Lease, Easements, Licenses and Rights of Way from Third Parties. Leases, easements, licenses and rights-of-way may be obtained at or below fair market value.

e) **Special Assessments, Governmental Fees and Property Taxes:** The General Manager is authorized to cast ballots, negotiate, pay taxes assessments, fees, levies or charges arising from SMUD's ownership or other interests in real property, including but not limited to Mello-Roos, Lighting and Landscape, Flood Control, Reclamation, Fire Suppression, School District, and Business Improvement. In addition, the General Manager is authorized to cast ballots on behalf of SMUD pursuant to Article XIID(4) of the California Constitution (Proposition 218, 11/15/1996).

f) **Purchase, Sale, or Exchange of Air Emission Reduction Credits:**

- i) Purchase of ERCs. The ERCs are: (a) needed or anticipated to be needed for SMUD operations; and (b) the price is at or below fair market value and does not exceed \$5 million.
- ii) Sale of ERCs. The ERCs are: (a) surplus to SMUD's actual or anticipated needs; (b) for use within the SMUD service territory; and (c) the price is at or above fair market value and does not exceed \$50,000.
- iii) Exchange of ERCs. The ERCs obtained: (a) provide present or future operational flexibility; (b) are of equal or superior quality and value; and (c) do not exceed a fair market value of \$50,000.

- g) **Disposal of Surplus, Scrap or Obsolete Personal Property:**
- i) Sale by competitive process.
 - ii) Sale by incidental sale after public notice or advertising.
 - iii) Sale by direct negotiations when the property cannot be disposed of, or is unlikely to be disposed of, through methods (i) and (ii) above.
 - iv) Donation or abandonment of surplus, scrap or obsolete personal property where: (a) the property cannot be reasonably disposed of through methods (i) through (iii) above; and (b) the receiving organization is a state or local public agency, a charitable, education or welfare association or organization; provided, however, personal property may be donated to an educational organization without first using methods (i) through (iv) where the donation furthers a legitimate governmental or business purpose and provides a benefit to SMUD.
- h) **Leasing of Access to Use SMUD's Fiber Optic Network (Dark Fiber).** SMUD Dark Fiber will only be leased to public agencies and under the following conditions: (i) the Dark Fiber is excess to SMUD's needs; (ii) the lease price is at or above fair market value or SMUD receives an in-kind exchange of goods and/or services of comparable value; and (iii) the lease includes a right for SMUD to terminate the contract at its convenience.

Monitoring Method: GM Report
Frequency: Annual