

SMUD BOARD POLICY

Category: Board-Staff Linkage	Title: Delegation to the GM With Respect to Procurement
	Policy Number: BL-7
Date of Adoption: August 21, 2003	Resolution No. 03-08-07
Revision: October 16, 2003	Resolution No. 03-10-14
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Revision: October 16, 2008	Resolution No. 08-10-09
Revision: October 1, 2009	Resolution No. 09-10-05

The procurement of goods and services is an integral part of SMUD operations. It is SMUD's policy that such procurement shall take place in accordance with applicable legal requirements in a fair, competitive and inclusive manner to maximize the benefit to SMUD's ratepayers and the economic development of the community.

- a) **Prudent Judgment:** It is SMUD's policy that due diligence and prudent judgment be exercised in the making of procurement decisions, including conducting a risk assessment. If the General Manager reasonably determines that a procurement activity 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) **Competition:** It is SMUD's policy that its procurement activities be competitive whenever practical.

- c) **Direct Procurement:** Direct procurement may be utilized when it is in SMUD's best interest and is in conformance with the Procurement Policy. Direct procurement is the purchase of goods or services without competition when multiple sources of supply are available.
- d) **Sole Source Procurement:** Sole source procurement shall be performed only in the case of emergency or when a competitive process would be an idle act.
- e) **Inclusiveness:** SMUD's procurement practices shall promote inclusiveness of the entire supplier community in its contracting opportunities.
- f) **Economic Development:** SMUD's procurement practices shall promote the economic development of the rate-paying community.
- g) **Environmental Procurement:** It is SMUD's policy to minimize the impact on the environment through its procurement practices. In making procurement decisions, staff shall consider the environmental impacts in assessing total cost and benefits.
- h) **Responsible Bidder:** It is SMUD's policy to do business only with reputable and responsible suppliers.
- i) **Best Value Procurement:** SMUD may procure supplies and materials by the best value at the lowest cost methodology where cost and other factors are used to obtain the maximum value while ensuring a fair and equitable process.
- j) **Strategic Alliances:** SMUD may enter into strategic alliance contracts for the procurement of goods or services. A Strategic Alliance is a competitively bid multi-year contract for goods and/or services in which the Supplier and SMUD work collaboratively over the life of the contract to improve quality, and to explore design and process improvements to reduce the cost of production, service delivery, and the total cost of ownership. These benefits are shared both by SMUD and the Supplier.
- k) **Protest Policy:** SMUD shall ensure that suppliers are afforded the opportunity to have their grievances heard through a fair protest process.
- l) **Reporting:** The General Manager shall report quarterly to the Board a summary of the actions taken with respect to the procurement policy elements.

- m) **Delegation of Authority to the General Manager:** The General Manager is delegated authority to perform and approve the procurement activities in accordance with Board policy and the below matrix.

<u>Category</u>	<u>Amount</u>
Competitive Awards:	
Operational Inventory	\$5 million
Non-inventory Materials	\$3 million
Construction and Maintenance Services	\$5 million
Professional and Consulting Services	\$1 million
Rents and Leases	\$1 million
Sole Source:	
All types except Maintenance/Licensing Fees	\$1 million
Maintenance/Licensing Fees approved amount	\$3 million or original
Direct Procurement:	
Materials/Supplies/Services	\$50k
Government Entities	\$1 million
Nonprofit Entities	\$1 million
Emergency Procurements:	
All types	\$1 million
Contract Amendments:	
Time Extension Only	N/A
Other Non-cost changes	N/A
Contingencies:	
Board Awarded Contracts	Up to 10% of contract award

Monitoring Method: GM Report
Frequency: Semi-Annual