

Exhibit to Agenda Item #7

Board Policy Committee and Special SMUD Board of Directors Meeting
Wednesday, August 15, 2018, scheduled to begin at 5:30 p.m.
Customer Service Center, Rubicon Room

BL-6 Evaluating the CEO/GM's Performance

5 Board Members responded to the survey

The General Manager's job performance shall be evaluated by comparing the organization's results, operations and the General Manager's personal performance to the policies established by the Board.

Specifically:

- a) The Board shall evaluate the General Manager's performance on an annual basis.**
- b) The evaluation will be based on an evaluation of the organization's performance and the General Manager's personal performance against the desired results established by the Board.**

Compliance Scores:

High 5

Med

Low

- c) The Board will use data to determine the degree to which Board policies are being met.**
- d) Through the annual budget process, the General Manager shall propose performance criteria in December for the following year that represents his or her reasonable interpretation of achieving the results defined by the Board.**
- e) All policies that instruct the General Manager shall be monitored at a frequency and by a method chosen by the Board.**

Compliance Scores:

High 5

Med

Low

BL-7 Delegation to the CEO/GM

5 Board Members responded to the survey

The Board will instruct the Chief Executive Officer and General Manager through written policies that define the results that the organization is to achieve, and which describe the delegation of authority to the Chief Executive Officer and General Manager.

Specifically:

a) The Board shall identify and define those results or conditions of SMUD that are acceptable and not acceptable to the Board and communicate them in the form of policy.

b) The Board shall develop policies that define the delegation to the Chief Executive Officer and General Manager with regard to the Chief Executive Officer and General Manager's authority.

c) The Chief Executive Officer and General Manager is authorized to establish all further policies, make all decisions, take all actions, establish all practices, and develop all activities related to the operations or business affairs of SMUD.

Compliance Scores:

High 5

Med

Low

d) The Chief Executive Officer and General Manager shall use prudent judgment in the exercise of the delegations and in a manner that is operationally and economically sound, serves the best interests of SMUD's customers and the community, comports with prudent business practices, balances the risks and benefits of the actions, and does not expose SMUD to unreasonable risk. If the Chief Executive Officer and General Manager reasonably determines that an activity related to the delegations presents, regardless of the size of the financial commitment: (i) a unique and significant operational risk to SMUD; (ii) a significant impact to customers; (iii) a significant impact to community relations; (iv) a significant impact to SMUD's reputation; or (v) materially compromises the policies and goals established by the Board, the Chief Executive Officer and General Manager shall timely inform the Board and may request the Board to take appropriate actions.

Compliance Scores:

High 4

Med 1

Low

e) The Board may change its delegation to the Chief Executive Officer and General Manager at any time, subject to the conditions of the Board's contract with the Chief Executive Officer and General Manager, thereby expanding or limiting the authority of the Chief Executive Officer and General Manager. But as long as any particular delegation is in place, the Board will abide by the Chief Executive Officer and General Manager's decisions in those areas that are delegated to him or her.

Compliance Scores:

High 5

Med

Low

BL-8 Delegation to the CEO/GM With Respect to Procurement

5 Board Members responded to the survey

The procurement of goods and services is an integral part of SMUD operations. SMUD's procurement activities shall take place in accordance with the following principles:

- a) Competition: SMUD's procurement activities shall be competitive whenever practical.**
- b) Direct Procurement: Direct procurement may be utilized when it is in SMUD's best interest. Direct procurement is the purchase of goods or services without competition when multiple sources of supply are available.**
- c) 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.**

Compliance Scores:

High 5

Med

Low

- d) Inclusiveness: SMUD's procurement practices shall promote inclusiveness of the entire supplier community in its contracting opportunities.**
- e) Economic Development: SMUD's procurement practices shall promote the economic development of the rate-paying community.**

Compliance Scores:

High 5

Med

Low

f) Environmental Procurement: SMUD shall 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.

Compliance Scores:

High 4

Med 1

Low

Comment:

Can we get an example of how we minimize the impact on the environment through procurement practices? - BR

g) Responsible Bidder: SMUD shall only do business with reputable and responsible suppliers. A Responsible Bidder demonstrates the attribute of trustworthiness, as well as quality, fitness, capacity, financial capability, and experience to satisfactorily perform SMUD work.

Compliance Scores:

High 5

Med

Low

Comment:

Do we want to include language that ensures fair labor practices and fair treatment of employees? - GF

h) 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.

l) 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.

j) Protest Policy: SMUD shall ensure that suppliers are afforded the opportunity to have their grievances heard through a fair protest process.

Compliance Scores:

High 5

Med

Low

k) Delegation of Authority to the Chief Executive Officer and General Manager: The Chief Executive Officer and General Manager is delegated authority to perform and approve the procurement activities in accordance with the below matrix.

Competitive Awards:

Operational Inventory	\$8 million
Non-inventory Materials	\$8 million
Construction and Maintenance Services	\$8 million
Information Technology	\$8 million
Professional and Consulting Services	\$2 million
Rents and Leases	\$1 million

Sole Source:

All types except Maintenance/Licensing Fees	\$1 million
Maintenance/Licensing Fees	\$3 million or original approved amount

Direct Procurement:

Materials/Supplies/Services	\$50k
Government Entities	\$1 million
Nonprofit Entities (services/goods)	\$1 million

Emergency Procurements:

All types	\$1 million
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Nonprofit Entities:

Memberships/Project Participation Agreements	N/A
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Contract Amendments:

Time Extension Only; Other Non-cost changes	N/A
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Contingencies: Board Awarded Contracts	Up to 10% of contract award
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Compliance Scores:

High 5

Med

Low

Comments:

Arlen, are these numbers working for you? – GF

Occasionally, the Board is presented contracts that are below these thresholds when they might be a sensitive issue or could be of interest. Should there be language to clarify the flexibility the GM has? Just a thought. - BR