

Exhibit to Agenda Item #7

Adopt proposed revisions to Board-Staff Linkage BL-8, Delegation to the Chief Executive Officer and General Manager with Respect to Procurement.

Special Board of Directors Meeting

Tuesday, June 9, 2020, scheduled to begin at 5:30 p.m.

Board Ad Hoc Committee on BL-7 and BL-8

Committee Participants

Board Members: President Rob Kerth, Director Heidi Sanborn
Staff: Arlen Orchard, Laura Lewis, Gary King, Casey Fallon
Facilitator: Eric Douglas

Goals for Ad Hoc

- ✓ SMUD contracts with reputable companies
- ✓ SMUD's procurement investments align with its values
- ✓ Clear policy guidance and language

Suggested Revisions to BL-8 Policy

- 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.
- 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 **we serve**.
- 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.
- 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, **fair labor practices**, and experience to satisfactorily perform SMUD work **through the bidding and evaluation process. In addition, SMUD will determine Responsible Bidders by considering a supplier's social, environmental, ethical, and safety accountability where applicable.**
- h) **Best Value Procurement:** SMUD may procure **supplies and materials goods and services** 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.
- i) **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) **Supply Chain Risk: SMUD's procurement activities shall identify, manage, and mitigate supply chain risks through a coordinated effort across the enterprise.**
- k) **Protest Policy:** SMUD shall ensure that suppliers are afforded the opportunity to have their grievances heard through a fair protest process.
- l) **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. **This delegation includes establishing memberships or project participation agreements with non-profit entities in furtherance of SMUD's purpose. The Chief Executive Officer and General Manager has the delegation to amend contracts for time extensions or other changes at no cost to SMUD.**

Suggested Revisions to BL-8 Policy

<u>Category</u>	<u>Amount</u>	<u>Category</u>	<u>Amount</u>
Competitive Awards:		Emergency Procurements:	
Operational Inventory	\$8 million	All types	\$1 million
Non-inventory Materials	\$8 million	Nonprofit Entities:	
Construction and Maintenance Services	\$8 million	Memberships/Project Participation Agreement	N/A
Information Technology	\$8 million	Contract Amendments:	
Professional and Consulting Services	\$2 million	Time Extension Only	N/A
Rents and Leases	\$1 million	Other Non-cost changes	N/A
Sole Source:		Contingencies:	
All types except Maintenance/Licensing Fees	\$1 million	Board Awarded Contracts	Up to 10% of contract award
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		