

Exhibit to Agenda Item #3

Board Monitoring: Board-Staff Linkage BL-6, Evaluating the Chief Executive Officer and General Manager's Performance; Board-Staff Linkage BL-7, Delegation to the Chief Executive Officer and General Manager; and Board-Staff Linkage BL-8, Delegation to the Chief Executive Officer and General Manager with Respect to Procurement.

Board Policy Committee and Special SMUD Board of Directors Meeting
Wednesday, June 7, 2023, scheduled to begin at 6:00 p.m.

Auditorium, SMUD Headquarters Building

BL-6, Evaluation of the Chief Executive Officer and General Manager's Performance

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

Specifically:

- a) The Board shall evaluate the Chief Executive Officer and General Manager's performance on an annual basis in December. In the same month, the Chief Executive Officer and General Manager shall propose performance criteria for the following year that represent their reasonable interpretation of achieving the results defined by the Board.
- b) The evaluation will be based on a review of the organization's performance and the Chief Executive Officer and General Manager's personal performance against the performance criteria proposed under subsection a), as accepted by the Board.

BL-6, Continued

- c) Additional performance discussions and check-ins with the Chief Executive Officer and General Manager should occur at mid-year.
- d) The Board will use data to determine the degree to which Board policies are being met.
- e) All policies that instruct the Chief Executive Officer and 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 Delegation to the Chief Executive Officer and General Manager

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.

BL-7 Continued

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.

BL-7 Continued

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 Chief Executive Officer and General Manager with Respect to Procurement

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.

Compliance Scores:

High 5

Med

Low

Comment: I prefer to do this as little as possible. RH

BL-8 Continued

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

Comment: I prefer to do this as little as possible, too. RH

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 community we serve.

BL-8 Continued

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 5

Med

Low

Comment: I don't know the answer to this – how do we evaluate? RH

BL-8 Continued

- g) Responsible Bidder: SMUD shall only do business with reputable and responsible suppliers. A Responsible Bidder demonstrates trustworthiness, quality, 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 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.

BL-8 Continued

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 the authority to amend contracts for time extensions or other changes that create no additional cost to SMUD.

Compliance Scores:

High 5

Med

Low

BL-8 Continued

| <u>Category</u> | <u>Amount</u> |
|---------------------------------------|---------------|
| <i>Competitive Awards:</i> | |
| Operational Inventory | \$8million |
| 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 |

BL-8 Continued

| <u>Category</u> | <u>Amount</u> |
|---|---------------|
| <i>Direct Procurement:</i> | |
| Material/Supplies/Services | \$50k |
| Government Entities | \$1 million |
| Nonprofit Entities (services/goods) | \$1 million |
| <i>Emergency Procurements:</i> | |
| All types | \$2 million |
| <i>Nonprofit Entities:</i> | |
| Memberships/Project Participation Agreement | \$3 million |

BL-8 Continued

Category

Amount

Contingencies:

Board Awarded Contracts

Up to 10% of contract award

Compliance Scores:

High 5

Med

Low