

# Exhibit to Agenda Item #5

**Board Monitoring: Board-Staff Linkage BL-6, Evaluating the CEO's Performance; Board-Staff Linkage BL-7, Delegation to the CEO; and Board Staff Linkage BL-8, Delegation to the CEO with Respect to Procurement.**

Board Policy Committee and Special SMUD Board of Directors Meeting  
Wednesday, June 12, 2024, scheduled to begin at 6:00 p.m.  
SMUD Headquarters Building, Auditorium

# BL-6 Evaluating the CEO's Performance

The CEO'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 CEO's performance on an annual basis in December. In the same month, the CEO shall propose performance criteria for the following year that represent their reasonable interpretation of achieving the results defined by the Board.

## BL-6 Evaluating the CEO's Performance (cont.)

- b) The evaluation will be based on a review of the organization's performance and the CEO's personal performance against the performance criteria proposed under subsection a), as accepted by the Board.
  
- c) Additional performance discussions and check-ins with the CEO should occur at mid-year.

# BL-6 Evaluating the CEO's Performance (cont.)

## Comments:

*Are we doing a mid-year evaluation?*

*We are planning to revise wording of this section, as discussed at the last offsite.*

## Compliance Scores:

High 6

Med

Low

## BL-6 Evaluating the CEO's Performance (cont.)

- d) The Board will use data to determine the degree to which Board policies are being met.
- e) All policies that instruct the CEO shall be monitored at a frequency and by a method chosen by the Board.

### Compliance Scores:

High 6

Med

Low

# BL-7 Delegation to the CEO

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

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.

## BL-7 Delegation to the CEO (cont.)

- b) The Board shall develop policies that define the delegation to the CEO with regard to the CEO's authority.
  
- c) The CEO 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 Delegation to the CEO (cont.)

## Comments:

*In 2023, I think several members engaged in what were operations issues delegated to the CEO and we should be careful not to cross that line.*

## Compliance Scores:

High 5

Med 1

Low



## BL-7 Delegation to the CEO (cont.)

- d) The CEO 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 CEO 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 CEO shall timely inform the Board and may request the Board to take appropriate actions.

## BL-7 Delegation to the CEO (cont.)

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

### Compliance Scores:

High 5

Med 1

Low

## BL-8 Delegation to the CEO 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.

# BL-8 Delegation to the CEO with Respect to Procurement

## Comments:

*Is this specific enough? “in **SMUD’s best interest**” might describe a lot of situations in which we would still prefer competitive bidding.*

## Compliance Scores:

High 6

Med

Low

## BL-8 Delegation to the CEO with Respect to Procurement (cont.)

- 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 community we serve.

## BL-8 Delegation to the CEO with Respect to Procurement (cont.)

- 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 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.

## BL-8 Delegation to the CEO with Respect to Procurement (cont.)

- h) **Supplier Code of Conduct:** SMUD shall set minimum expectations or standards for all suppliers to follow in the course of doing business with SMUD (in some cases by submitting data and reporting annually) including but not limited to, labor and human rights, environmental, social, governance (ESG), health and safety accountability, ethics and compliance, and diversity, equity, inclusion, and belonging practices.
  
- i) **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.

## BL-8 Delegation to the CEO with Respect to Procurement (cont.)

- j) **Leveraged Procurement Agreement (LPA):** SMUD may procure goods and services where another lead public agency or organization competitively procures the same goods or services under applicable state and federal laws to streamline procurement processes and leverage collective buying power of multiple agencies to achieve cost savings and other benefits to SMUD. Leveraged procurement agreements are generally referred to by other public agencies as “Cooperative Purchasing Agreements.”
  
- k) **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 Delegation to the CEO with Respect to Procurement (cont.)

- l) **Supply Chain Risk:** SMUD's procurement activities shall identify, manage, and mitigate supply chain risks through a coordinated effort across the enterprise.
  
- m) **Protest Policy:** SMUD shall ensure that suppliers are afforded the opportunity to have their grievances heard through a fair protest process.
  
- n) **Delegation of Authority to the CEO:** The Chief Executive Officer and General Manager (CEO) 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.

## BL-8 Delegation to the CEO with Respect to Procurement (cont.)

| <u>Category</u>                       | <u>Amount*</u> |
|---------------------------------------|----------------|
| <b>Competitive Awards:</b>            |                |
| Operational Inventory                 | \$11 million   |
| Non-inventory Materials               | \$11 million   |
| Construction and Maintenance Services | \$11 million   |
| Information Technology                | \$11 million   |
| Professional and Consulting Services  | \$3 million    |
| Rents and Leases                      | \$1 million    |

## BL-8 Delegation to the CEO with Respect to Procurement (cont.)

### Category

### Amount\*

#### **Sole Source:**

All types except Maintenance/Licensing Fees  
Maintenance/Licensing Fees

\$1.5 million  
\$3 million or original  
approved amount

#### **Direct Procurement:**

Materials/Supplies/Services

\$50k\*\*

Government Entities

\$1 million

Nonprofit Entities (services/goods)

\$1 million

## BL-8 Delegation to the CEO with Respect to Procurement (cont.)

### Category

### Amount\*

#### **Emergency Procurements:**

All Types

\$2 million

#### **Nonprofit Entities:**

Memberships/Project Participation Agreement

\$3 million

#### **Contingencies:**

Board Awarded Contracts

Up to 10% of  
Contract Award

## BL-8 Delegation to the CEO with Respect to Procurement (cont.)

\*The amounts for all categories except Direct Procurement Materials/Supplies/Services shall be adjusted automatically on an annual basis beginning Jan 1, 2024, consistent with the U.S. Bureau of Labor Statistics (BLS) published national consumer price index (CPI) per the Federal Reserve Bank of Minneapolis Average Annual CPI calculator.

\*\*The amount shall be adjusted automatically on an annual basis pursuant to the implicit price deflator as set forth in California Public Utilities Code section 12751, using the base year of 1997.

## BL-8 Delegation to the CEO with Respect to Procurement (cont.)

### Comments:

*We could discuss the amounts, if needed.*

### Compliance Scores:

High 6

Med

Low