

Exhibit to Agenda Item #2

Discuss proposed revisions to:

- a. **Board-Staff Linkage BL-1, Board-CEO Relationship;**
- b. **Board-Staff Linkage BL-5, Unity of Control; and**
- c. **Board-Staff Linkage BL-6, Evaluating the CEO's Performance.**

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-1, Board-CEO Relationship

The Board of Directors governs the Sacramento Municipal Utility District and is the policy-making body of SMUD. The Board operates under the provisions of the Municipal Utility District Act of the State of California (the MUD Act) and all other applicable statutes and laws.

- a) The Board of Directors is responsible for the following:
 - i) Identify and define the purpose, values and vision of SMUD, along with the results that are acceptable and not acceptable for SMUD to achieve, and communicate them in the form of policy.
 - ii) Make certain operational decisions as are designated by law.
 - iii) Hire, evaluate, and terminate the Chief Executive Officer and General Manager (CEO).
 - iv) Serve as a conduit of community input to the CEO.

BL-1, Board-CEO Relationship (cont.)

- b) The CEO is responsible for the following:
 - i) Manage all operations and business affairs of SMUD.
 - ii) Achieve the results established by the Board within the appropriate and ethical standards of business conduct set by the Board.
 - iii) Prepare and submit to the Board for approval each year a budget to achieve the Board's strategic directives.
 - iv) Enforce SMUD ordinances, administer the civil service system (including hiring and terminating of all officers and employees except the Chief Legal Officer and General Counsel and the Board Special Assistant), attend meetings of the Board and report on the general affairs of SMUD, and keep the Board advised as to the needs of SMUD.
 - v) Establish and enforce a code of ethics applicable to all employees, which provides clear guidelines for ethical standards and conduct.

BL-1, Board-CEO Relationship (cont.)

- vi) Implement and maintain an integrated enterprise risk management process that identifies, assesses, prudently manages and mitigates a variety of risks facing SMUD.
- vii) Ensure the smooth continuous operation of SMUD in the event of the planned or unplanned absence of the CEO.
- viii) Interact with the public and other utilities and government agencies, pursuant to policies adopted by the Board. The CEO shall assure, in cooperation and consultation with the Board, that SMUD is appropriately represented in the community it serves.
- ix) Perform other responsibilities as may be delegated by the Board either by resolution or through the CEO's contract of employment.

BL-5, Unity of Control

Only decisions of the Board acting as a body are binding on the Chief Executive Officer and General Manager (CEO), the Chief Legal Officer and General Counsel, and the Internal Auditor.

Specifically, ~~in or out of the Board meeting~~:

- a) Decisions or instructions of individual Board members, officers, or committees are not binding on the CEO, Chief Legal Officer and General Counsel or Internal Auditor except in instances when the Board has specifically authorized such exercise of authority.
- b) In the case of Board members or committees requesting information or assistance without Board authorization, the CEO, Chief Legal Officer and General Counsel or Internal Auditor must refuse such requests that require, in their opinion, a material amount of staff time, or funds, ~~or are disruptive~~.

BL-5, Unity of Control (cont.)

- c) Board members may communicate directly with SMUD employees or contractors. However, the Board as a body and the Board members will never give direction to persons who report directly or indirectly to the CEO, with the exception of the Chief Legal Officer and General Counsel, Internal Auditor and Special Assistant. If individual Board members are dissatisfied with the response they receive, they may seek a resolution by the Board.
- d) Board members may provide feedback about staff, but Board ~~M~~m members will refrain from evaluating, either formally or informally, any staff.
- e) The Board as a body will refrain from evaluating, either formally or informally, any staff other than the CEO, the Chief Legal Officer and General Counsel, the Internal Auditor, and the Special Assistant.
- f) Board members will refrain from attending any staff meetings unless explicitly invited by the CEO, the Chief Legal Officer and General Counsel, or the Internal Auditor.

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.~~
- 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~~ Board's Strategic Direction policies and Board-Staff Linkage policies.
- c) The Board will use data to determine the degree to which Board policies are being met.

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

- d) In the same month **December**, the CEO shall **will** propose performance criteria for the following year that represent their reasonable interpretation of achieving the results defined by the Board.
- e)e) Additional performance discussions and check-ins with the CEO should occur at mid-year.
- ~~d) The Board will use data to determine the degree to which Board policies are being met.~~
- e)f) All policies that instruct the CEO shall be monitored at a frequency and by a method chosen by the Board.