

# Exhibit to Agenda Item #1

Discuss proposed revisions to **Governance Process GP-12, Board Compensation and Benefits.**

Board Policy Committee and Special SMUD Board of Directors Meeting  
Wednesday, January 17, 2024, scheduled to begin at 6:00 p.m.  
SMUD Headquarters Building, Auditorium

# Proposed Revisions to GP-12, Board Compensation and Benefits

In keeping with the MUD Act, members of the Board of Directors are entitled to compensation for their service. Specifically:

- a) Each Board member may receive for each attendance at the meetings of the full Board, Board committee meetings, ad hoc committee meetings, publicly noticed SMUD workshops or meetings, other publicly noticed meetings where the Board member is representing the Board, state or federal legislative briefings or meetings where the Board member is representing the Board, meetings with SMUD customers or staff relating to SMUD business, community meetings or events where the Board member is representing SMUD, events where SMUD is being recognized, conferences and organized educational activities, the sum of \$317.00 per day of service. No director may receive compensation for more than ten (10) days in any one calendar month. Campaign and political meetings, events, and fundraisers are not compensable under this policy.

# Proposed Revisions to GP-12, Board Compensation and Benefits (cont.)

- b) Board member compensation shall be reviewed annually.
- ~~b)c)~~ Each Board member may also be reimbursed for expenses related to travel, meals, lodging and other actual and necessary expenses incurred in the performance of his or her official duties as described in subsection a). Reimbursement shall be in accordance with Internal Revenue Service regulations as established in Publication 463, or any successor publication.
- ~~c)d)~~ Each Board member may be reimbursed for computer and other technology purchases, rentals, and refurbishments that will aid them in the performance of their duties pursuant to reimbursement policies applicable to executive and senior leaders.

# Proposed Revisions to GP-12, Board Compensation and Benefits (cont.)

- d)e) Compensation forms shall be completed by a Director and distributed toby the Board office. ~~for review and approval prior to a Board meeting.~~ The Board shall review and approve compensation and any request for technology reimbursement at each regular Board meeting. Board member compensation, along with any requests for technology reimbursement, shall be placed on the consent calendar at each regular Board meeting, unless a Board member requests that it be placed on the discussion calendar. ~~Expense reimbursement forms and requests for expenditures for travel and training shall be completed by a Director and submitted to the Board President or Vice President for approval as appropriate.~~

# Proposed Revisions to GP-12, Board Compensation and Benefits (cont.)

- e)f) SMUD shall provide and contribute payment for health care benefits, equivalent to the contribution made to SMUD employees in the PAS employee group, to any Board member who elects such benefit, and additionally make an annual contribution payment of \$500 to a Flexible Spending Account.
  
- f)g) Subject to the applicable tax codes and IRS rules and regulations, and to the extent possible, SMUD shall direct payment to a SMUD defined contribution plan (either a 457(b) plan or a 401(k) plan) for each Director who elects to have such a benefit in the amount of 30% of compensation based on days of service. Directors who elect to receive this benefit must (1) have a SMUD defined contribution plan and (2) direct payment to the defined contribution plan of their choice at initial enrollment and then during (and only during) SMUD's open enrollment period for employee benefits.

# Potential Revisions to Board Compensation

## *Current Policy Language (adopted effective July 1, 2023)*

- a) Each Board member may receive for each attendance at the meetings of the full Board, Board committee meetings, ad hoc committee meetings, publicly noticed SMUD workshops or meetings, other publicly noticed meetings where the Board member is representing the Board, state or federal legislative briefings or meetings where the Board member is representing the Board, meetings with SMUD customers or staff relating to SMUD business, community meetings or events where the Board member is representing SMUD, events where SMUD is being recognized, conferences and organized educational activities, the **sum of \$317.00 per day of service. No director may receive compensation for more than ten (10) days in any one calendar month.** Campaign and political meetings, events, and fundraisers are not compensable under this policy.

# Statutory Requirements

Municipal Utility District (MUD) Act section 11908.2 specifies:

- Compensation amount set by the Board may be adjusted by no more than five percent each year ***following the operative date of the last adjustment.***
- Automatic annual adjustments are prohibited.

# Options for Consideration

- The Board may increase its compensation in an amount no greater than 5% following the operative date of the last adjustment, amounting to a *maximum of \$332.85 per day of service* (not to exceed 10 days of service).
- The Board compensation would be \$326.83 per day of service if the Board’s current compensation were adjusted to reflect the changes in the Consumer Price Index (capped at five percent) over the past year.
- Any changes to Board compensation would not be effective until July 1, 2024 (one year following the operative date of the last adjustment).
- The Board may decide to maintain the existing per day of service compensation of \$317.00 and move the annual review to December. This would allow changes to Board compensation to be effective every January.

Adjustment Based on CPI		
Year	CPI Annual	\$317.00 Start
2023	3.1%	\$326.83

MUD Act section 11908.2		
Year	5% Adj	\$317.00 Start
2023	5.00%	\$332.85