

Category: Board-Staff Linkage
Policy No.: BL-8
Title: 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.
- 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 contractor community in its contracting opportunities.
- e) **Economic Development:** SMUD's procurement practices shall promote the economic development of the 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 contractors. 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 contractor's social, environmental ethical, and safety accountability where applicable.
- h) **Contractor Code of Conduct:** SMUD shall set minimum expectations or standards for all contractors 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.

- 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 Contractor 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 Contractor.
- 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 contractors 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.

| <u>Category</u> | <u>Amount*</u> |
|---|---|
| Competitive Awards: | |
| 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 |
| Sole Source: | |
| All types except Maintenance/Licensing Fees | \$1.5 million |
| 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 |

| <u>Category</u> | <u>Amount*</u> |
|---|-----------------------------|
| Emergency Procurements: | |
| All types | \$2 million |
| Nonprofit Entities: | |
| Memberships/Project Participation Agreement | \$3 million |
| Contingencies: | |
| Board Awarded Contracts | Up to 10% of Contract Award |

***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.**

Monitoring Method: CEO Report

Frequency: Quarterly

Versioning:

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|--------------------|-------------------------|------------------------------------|
| August 21, 2003 | Resolution No. 03-08-07 | Date of Adoption. |
| October 16, 2003 | Resolution No. 03-10-14 | Date of Revision. |
| June 3, 2004 | Resolution No. 04-06-04 | Date of Revision. |
| October 16, 2008 | Resolution No. 08-10-09 | Date of Revision. |
| October 1, 2009 | Resolution No. 09-10-05 | Date of Revision. |
| August 4, 2011 | Resolution No. 11-08-04 | Date of Revision. |
| November 17, 2011 | Resolution No. 11-11-06 | Date of Revision. |
| March 15, 2012 | Resolution No. 12-03-13 | Date of Revision. |
| August 21, 2014 | Resolution No. 14-08-03 | Date of Revision. |
| December 15, 2016 | Resolution No. 16-12-18 | Date of Revision. |
| July 16, 2020 | Resolution No. 20-07-05 | Date of Revision. |
| March 18, 2021 | Resolution No. 21-03-04 | Date of Revision. |
| June 15, 2023 | Resolution No. 23-06-04 | Date of Revision. |
| September 21, 2023 | Resolution No. 23-09-02 | Date of Revision. |
| June 20, 2024 | Resolution No. 24-06-03 | Date of Revision. [Current Policy] |