

Exhibit to Agenda Item #3

Board Monitoring: Governance Process GP-8, Board Committee Principles; Governance Process GP-12, Board Compensation and Benefits; Governance Process GP-15, Board Travel and Training Reimbursement.

Board Policy Committee and Special SMUD Board of Directors Meeting
Wednesday, November 15, 2023, scheduled to begin at 6:00 p.m.
Auditorium, SMUD Headquarters Building

GP-8 Board Committee Principles

The Board may establish standing committees and the president may establish ad hoc committees based on need and input from the Board members.

Standing committees shall assist the Board in its ongoing work and activities. Standing committees shall be composed of three Board members, including a chair and vicechair, who shall be appointed by the Board President. Any other Board member may attend and participate in the deliberations of any standing committee. Each standing committee shall have a charter describing the committee's purpose. If a standing committee lacks a quorum of members for any meeting, the President, Vice-President, or Committee chair, in that order, may appoint a non-committee Board member to serve on the Committee for that meeting.

GP-8 Continued

Ad hoc committees shall be created for a limited duration to address a specific topic of interest to the Board. Each ad hoc committee may be composed of two or three Board members, and shall include designation of a chair and a clear statement of purpose. Ad hoc committees are not required to provide public notice of their meetings under the Ralph M. Brown Act. Each ad hoc committee shall report back at a publicly noticed Board or standing committee meeting on its activities.

Specifically:

- a) All committees will ordinarily assist the Board by gaining education, considering alternatives and implications, and preparing policy alternatives.

- b) Board committees may not speak or act for the Board except when formally given such authority for specific and time-limited purposes.

GP-8 Continued

c) Board committees cannot exercise authority over staff nor interfere with the delegation from the Board to the CEO. Because the CEO works for the full Board, he or she will not be required to obtain approval of a Board committee before an executive action.

d) As a general rule, items scheduled for Board action (including items requested by a Board member) shall first be presented to a standing committee for review.

e) Standing committees shall be reviewed at least annually by the Board to determine whether they should continue. Governance Process GP-8 Page 2 of 2 Board Committee Principles

f) This policy applies to any group which is formed by Board action, whether or not it is called a committee and regardless of whether the group includes Board members. It does not apply to committees formed under the authority of the CEO.

GP-8 Continued

Compliance Scores:

High 5

Med

Low

No comments.

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.

GP-12 Board Compensation and Benefits

Comments:

The sum should change annually as we change the amount based on inflation.

GP-12 Continued

b) 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) 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.

GP-12 Continued

d) Compensation forms shall be completed by a Director and distributed by 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.

Comments:

I don't believe the Board President or Vice President approves expense reports. I have never seen one as President this year. Does the last sentence need to be updated? "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. "

GP-12 Continued

Comments Continued (d):

Do expense forms go to the president? Possibly remove.

e) 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.

GP-12 Continued

f) 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.

Compliance Scores:

High 5

Med

Low

GP-15 Board Travel and Training Reimbursement

Board members shall have the opportunity to attend conferences, meetings, training, and various activities that are appropriate to their work as Directors and provide value to SMUD.

As part of this policy:

- a) Each Board member shall have an annual budget for travel and training purposes of \$15,000, adjusted annually for inflation based on the Travel Price Index (July-June) and rounded to the nearest hundred dollars. The training budget shall include attendance at community functions.

Comments:

I think we should update the travel budget to reflect the actual amount. I think it's \$22k.

GP-15 Continued

b) If a Board member exceeds his or her annual budget, then he or she shall be responsible for reimbursing SMUD within 30 days the difference between the member's annual budget and the actual expenditure.

Comments:

I think we should update this language to be more flexible such as to allow sharing of the overall board budget (if there's room) or allow rolling into the members next year's budget - with Board or President approval. If an event is mission critical to SMUD, then this policy should not limit participation or expect a Member to pay out of pocket.

GP-15 Continued

- c) The Board shall approve its travel and training budget annually.
- d) Budgeted travel and training funds shall expire at the end of each calendar year with no rollover option.
- e) The Board travel and training budget shall be managed by the Special Assistant to the Board as part of the Board Office budget.

GP-15 Continued

- f) Requests for travel, training and events in excess of \$500 shall be accompanied by a written justification of the benefits to SMUD and consistency with Board policy and submitted to the Board Special Assistant 30 days prior to the event. Such justification will include the estimated costs, the percentage to be paid by SMUD, and whether the expenditure will span multiple years.
- i) If SMUD representation is requested with shorter than 30-day notice and travel is required, the Board Special Assistant shall notify Board members of the pending trip.
- ii) ii) Written travel and training justifications shall be distributed to all Board members in the Board packet for purposes of transparency and oversight, along with a status report on the Board's travel and training budget and individual directors' expenditures.

GP-15 Continued

Comments:

During the transition in Board Office leadership, I am not sure if this has been getting done recently. I think we need a "model" of what the justification should look like and contain, and the board office staff would need to remind Board members to submit it for circulation to the Board. - HS

I think this language should also be revised and cap raised.

GP-15 Continued

- g) Board members shall submit all relevant travel and training receipts to Board Office staff within two weeks for reconciliation. Governance Process GP-15
Page 2 of 2 Board Travel and Training Reimbursement.

Comments:

Some were very late, and I believe now we are caught up and should stay caught up as board office staff created a process to stay on top of the expenses related to mileage which has really helped.

GP-15 Continued

- h) Board members shall publicly report the results of their travel and training at a Board meeting.
- i) New Board members shall receive an orientation in the Board's travel and training policy.

Compliance Scores:

High 5

Med

Low