

KAUA'I ISLAND UTILITY COOPERATIVE ("KIUC")
BOARD POLICY NO. 2
(Revised 06/27/2017)

AUTHORITY AND RESPONSIBILITY OF
THE CHIEF EXECUTIVE OFFICER ("CEO")

PURPOSE OF POLICY:

To describe the authority and responsibility of the CEO to enable him/her to adequately direct the operations of KIUC and to report to the KIUC Board of Directors ("Board") on the results achieved, and to express the Board's expectations regarding managerial performance.

POLICY CONTENT:

The Board of Directors and the CEO form a team united to serve the best interests of the membership. The need for them to work effectively and efficiently together is critical to the success of the Cooperative.

The CEO is the senior employee and manager of KIUC, capable of binding it legally and responsible for its day-to-day operations. To enable KIUC to achieve its mission, the CEO is delegated the following authority, responsibilities and duties:

A. Planning

- 1) Assist in identifying the mission, objectives, and strategic priorities of KIUC by periodically engaging in a planning process with the Board.
- 2) Develop policies to be recommended to the Board for its consideration. The CEO shall review such policies as appropriate with recommendations regarding revisions.
- 3) Conduct studies and market research, utilizing staff and develop proposed action plans and reports in such areas as load forecasts, power requirements, financial plans, energy management and marketing plans, and engineering requirements.
- 4) Arrange for member satisfaction surveys and other techniques to measure consumer satisfaction, and also on a periodic basis conduct needs assessments to determine consumer interest in additional products or services that might be offered by KIUC.
- 5) Develop plans for annual and other member meetings of KIUC and make appropriate recommendations to the Board regarding the conduct of such meetings.
- 6) Develop long-range financial plans, cash management plans, and work plans and

budgets for recommendation to the Board, and provide periodic reports on revenue, expenses, and other results compared to such plans.

- 7) In coordination with the Board and the National Rural Electric Cooperative Association analyze and determine County, State and Federal legislative and regulatory matters to be proposed, supported, or opposed.
- 8) Periodically analyze the system's rates and service rules and regulations to make sure they meet operating requirements and make appropriate recommendations to the Board.

B. Organization and Human Resource Management

- 1) Review activities of KIUC and determine the organizational structure best suited to carry out its objectives within the limitations of the budget, including recommending to the Board the need for additional positions.
- 2) Ensure written position descriptions and job specifications are prepared in accordance with all laws and regulations and reviewed as necessary for all personnel.
- 3) Develop or approve standards and qualifications for use in recruitment, transfer, and promotion of personnel, and select, appoint, transfer, promote and terminate personnel as appropriate for Non-bargaining Unit personnel, and consistent with the requirements of the Collective Bargaining Agreement for Bargaining Unit personnel.
- 4) Ensure staff members are trained in accordance with the qualifications and requirements of their positions.
- 5) Appraise, at least annually, the performance of immediate staff members, and ensure a performance appraisal program is established and carried out for all personnel.
- 6) Develop and propose a compensation plan for Board approval.
- 7) Determine all salary adjustments, except the CEO's within the Board-approved compensation plan and policy and within the limitations of the budget. The Board shall determine salary adjustments for the CEO.
- 8) Negotiate, with or without consulting assistance, labor contracts and make recommendations to the Board. Administer the approved labor contract and see that the appropriate managers and supervisors understand the provisions of the contract and its administration.

- 9) Authorize and approve travel expenses of personnel (except the CEO's) on company business within the limitations of the budget and within established policy. Such expenses shall be supported by itemized expense accounts with receipts attached, as appropriate. The Treasurer will review expenses of the CEO.
- 10) Select and appoint consultants to provide advice and assistance within the limitations of the work plan and budget, and advise the Board of actions taken. The selection of consultants working in areas that affect the functions of the Board requires Board approval. Report to the Board periodically on services provided and the fees received by consultants.

C. **Operations**

- 1) Direct day-to-day operations of KIUC except as specified otherwise by the bylaws or the Board of Directors; delegate authority to immediate staff; authorize further delegation of authority to any level of management with full recognition the CEO cannot be relieved of overall accountability.
- 2) Designate an appropriate person to serve as acting CEO in an extended absence of the CEO. In case the CEO becomes incapacitated, the Chief Financial Officer shall serve as acting CEO until the Board takes action.
- 3) Participate in national, regional, state, and local meetings that further the best interests of KIUC, within the limitations of Board policy and the approved budget. Participation by the CEO in such activities that require considerable time over a sustained period requires the prior approval of the Board. The CEO's serving on the Board of other organizations shall require prior approval of the Board.
- 4) Serve as the authorized spokesperson for KIUC and report to the Board on major issues and keep the Board up to date on such issues in a timely manner.
- 5) Administer the approved budget, provided, however, the CEO may not:
 - a. Make or approve any single non-budgeted expenditure in an amount in excess of \$100,000. For all single non-budgeted items in an amount greater than \$50,000, the CEO will provide the Board Chairman and the Finance and Audit Committee Chairman with 5 days advanced notification, if possible, and include items in the monthly CEO report to the Board.
 - b. Execute or cause or allow the execution of any check, draft or electronic transfer of funds in or out of the normal course of business, whether solely or with co-signatures, in an amount in excess of \$2,500,000; provided, however, the CEO may, without further authority of the Board;
 - i) make electronic fund transfers up to \$10,000,000 for the purpose of making contractual fuel payments; and provided, further with the

concurrence of the Chair of the Board's Finance and Audit Committee or the Board's Chair, such electronic fund transfers in excess of \$10,000,000 may be made in the normal course of business;

- ii) pay the annual KIUC Franchise Tax and;
 - iii) make payments on any previously approved credit lines or long term debt loan payments.
- c. Pay any attorney invoice for an amount in excess of \$100,000, whether or not budgeted. All attorney invoices will be reviewed by General Counsel prior to being paid.
 - d. Enter into any multi-year contract where the total expected contract amount will exceed \$500,000.
 - e. Enter into any extension of an existing contract where the total expected additional contract amount will exceed \$150,000.
 - f. Borrow any funds in the name of KIUC excluding draws from any previously approved credits lines from National Rural Utilities Cooperative Finance Corporation ("CFC") or advance requests from any previously approved loans from the Federal Financing Bank ("FFB"). Any credit line draws or advance requests will be reported to the board at the next scheduled regular board meeting.
 - g. Borrow any funds in the name of KIUC or based upon its credit in an amount in excess of \$10,000,000 from the previously approved "Disaster" line of credit from CFC. Provided, further, however, under emergency circumstances, the CEO may take action in contravention of such limits as is reasonable and necessary to protect the assets of KIUC or the safety of its personnel or members in such an emergency, so long as such action is immediately reported to the Board.
- 6) Determine insurance coverage required for effective risk management and negotiate purchase of such coverage within the limitations of the budget and Board policy.
 - 7) Authorize memberships in civic clubs and organizations and company memberships in local organizations in which membership would be beneficial to KIUC.

While both the CEO and the Board are part of the governance/management team, each of them has distinct areas of responsibility. The following table is an example of the distinctions between responsibilities of the Board and the responsibilities of the CEO:

<u>BOARD AREAS</u>	<u>CEO AREAS</u>
1) Accountable to members	1) Accountable to Board
2) Makes idea decisions	2) Makes action decisions
3) Makes long-term decisions	3) Makes shorter-term decisions
4) Determines overall goals	4) Decides how to carry out Board-established goals
5) Establishes policy	5) Proposes policies and manages within Board approved policies
6) Plans CEO succession	6) Plans staff succession
7) Determines job responsibility for directors and CEO	7) Determines job responsibilities for Staff
8) Sets standards of performance for directors and CEO	8) Sets standards of performance for staff
9) Appraises organizational performance	9) Appraises operational results
10) Approves budgets	10) Manages activities within approved budget limits

The preceding information can be summarized by stating the Board of Directors is responsible for hiring a CEO; developing the long-term goals and objectives for the Cooperative; developing the necessary Board policies to attain these goals and objectives; reviewing, revising as appropriate and approving staff prepared budgets. Furthermore, the Board of Directors is responsible for measuring the performance of the organization (comparisons between planned and achieved results).

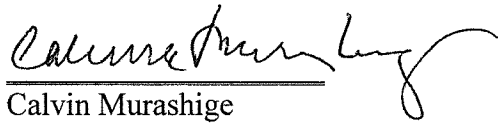
The CEO is authorized and responsible for hiring and training a competent staff of employees. The CEO is authorized and responsible for developing the necessary Administrative policies and procedures to comply with Board policy, and designed to achieve the Board established goals and objectives. The CEO is also responsible for the activities of the organization, and for developing and using reporting systems to keep the Board informed of the results of the organization's activities.

Authority in a Cooperative flows from the Board of Directors to the CEO. The CEO then delegates authority to individual staff members. It is the policy of the Board of Directors to refrain, as individuals, from directing the activities of Cooperative staff members. Exceptions to this normal flow of authority must be authorized in advance by an approved Board resolution and/or approval of the CEO.

RESPONSIBILITY:

- A. The CEO shall report to the Board on how these delegated duties are being carried out. The CEO may delegate any of the foregoing authorities to the acting CEO.
- B. The Board of Directors is responsible for seeing the performance of the CEO is appraised each year by the Board, including a recommendation on a salary adjustment when appropriate, and that the results of such appraisal are discussed with the CEO.

Adopted this 27th day of June, 2017.



Calvin Murashige
Secretary

Revised: 06/27/2017
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