



COMPENSATION COMMITTEE AGENDA

DATE: January 6, 2017
TIME: 1:00 – 2:00 PM
PLACE: 21 W. Church Street
 8th Floor

	Responsible Person	Action (A) Info (I)	Total Time
I. OPENING CONSIDERATIONS	Delores Kesler		
A. Call to Order			
B. Adoption of Agenda		A	
C. Approval of Minutes – November 8, 2016	Cheryl Mock	A	
II. NEW BUSINESS			
A. Weighting of Fiscal Year 2017 CEO Goals	Jody Brooks/ Angie Hiers	A	15 mins.
B. Performance Management and Pay Practices	Paul McElroy	I	15 mins.
C. Other New Business			15 mins.
D. Announcements			
1. Schedule Next Meeting as Appropriate			
E. Adjournment			

JEA COMPENSATION COMMITTEE MINUTES
November 8, 2016

The Compensation Committee of JEA met on Tuesday, November 8, 2016, in the 8th Floor Conference Room, JEA Plaza Tower, 21 W. Church Street, Jacksonville, Florida.

Agenda Item I – Opening Considerations

- A. Call to Order – Committee Chair Kesler called the meeting to order at 11:01 AM with Members Tom Petway and Kelly Flanagan in attendance. Also present were Paul McElroy, Angie Hiers, Melissa Dykes, Gerri Boyce and Jody Brooks.
- B. Adoption of Agenda – The Agenda was adopted on **motion** by Mr. Petway and second by Ms. Flanagan.
- C. Approval of Minutes – The February 10, 2016 minutes were approved on **motion** by Mr. Petway and second by Ms. Flanagan.

Agenda Item II – New Business

- A. Fiscal Year 2016 Pay for Performance Program – Angie Hiers, Chief Human Resources Officer – Ms. Hiers reminded the Board that in January 2016, the Board approved the Pay for Performance Program for FY2016. Ms. Hiers stated programs such as this assist in attracting, motivating, and retaining high caliber employees. In FY2016, JEA set aggressive goals with the understanding that each employee would collectively work toward achieving the important metrics of Customer Satisfaction, Safety, and Cost Control. The organization understood unless there were savings in the budget, an incentive would not be paid. Ms. Hiers presented that JEA met the exceptional cost control goals established in FY2016 for the Electric and Wastewater, but fell slightly short in the Water system. JEA had phenomenal results in the J. D. Power Business Survey, but this year's goal was focused on Residential and while JEA improved in all drivers, the aggressive goals were not met. JEA fell short of the safety goal, with a Recordable Incident Rate (RIR) of 1.82. The goal of 1.2 Recordable Incident Rate (RIR) is an aggressive goal, which is well above the industry performance. Ms. Hiers stated that the FY2016 expense savings was \$22.5 million. The estimated payout given performance is \$3.1 million, which is 2.2% of salaries. Upon **motion** by Ms. Flanagan and second by Mr. Petway, the Committee recognized the excellent performance by the JEA team and approved the payout amounts for the FY2016 Pay for Performance Program. This item will be presented to the full Board for approval at the November 15, 2016 Board Meeting.
- B. Fiscal Year 2017 Pay for Performance Plan – Angie Hiers, Chief Human Resources Officer – Ms. Hiers provided the Board with an overview of the FY2017 Pay for Performance Plan. This plan recommends JEA continue to focus on five key metrics including: Customer Satisfaction, Safety, and Cost per unit of Electricity, Water, and Wastewater delivered, in addition to keeping employees safe and providing exceptional utility services to our customers. The FY2017 Performance plan has two performance components; 50% individual performance and 50% company performance. Certain levels of both components must be met in order to receive a payout. This type of plan is commensurate with the market and the organization's ability to remain competitive with the local market to attract, motivate, and retain talent. Upon **motion** by Ms. Flanagan and second by Mr. Petway, the Committee approved the Pay for Performance Program for FY2017 using the metrics of Customer Satisfaction, Safety, Cost Control, with recommendations for Safety and Cost Metrics goal presentations. This item will be presented to the full Board for approval at the November 15, 2016 Board Meeting.

- C. Fiscal Year 2016 CEO Performance – Paul McElroy, Managing Director/CEO, provided a self-evaluation (9.63%) and reviewed the factors that were included. Jody Brooks, Legal Affairs Officer, advised the Committee that the Board has latitude with the amount of incentive up to the cap of 15%. Upon **motion** by Mr. Petway and second by Ms. Flanagan, the Committee held discussions and approved a 12.63% incentive pay for the CEO. This item will be presented to the full Board at the November 15, 2016 for approval.
- D. Fiscal Year 2017 CEO Goals – Paul McElroy, Managing Director/CEO presented the CEO goals for FY17. A Sewer Resiliency Plan will replace the Electric System revenue stabilization plan for this fiscal year. Upon **motion** by Mr. Petway and second by Ms. Flanagan, the Committee approved the CEO goals for FY2017, without the weighted values. It is their recommendation that these be reviewed and added at a later date. This item will be presented to the full Board at the November 15, 2016 Board Meeting for approval.
- E. Pension Discussion – Paul McElroy, Managing Director/CEO, indicated to the Committee that JEA management has meetings scheduled with most, if not all, of the bargaining units over the next 7-10 business days. JEA will use the same framework as the city. Current employees will retain all benefits, with a 2% additional self contribution. In addition, there will be a proposal that all new employees be enrolled in a direct contribution plan, with an 8% contribution from the employees and a 10% contribution from JEA. In the new plan, employees would be vested after 5 years and the plan will be mobile.
- F. Announcements – The next meeting will be scheduled to work on weighting for the CEO FY17 goals.
- G. Adjournment – With no further business claiming the attention of this Committee, the meeting was adjourned at 12:47 PM.

APPROVED BY:

Delores Kesler, Committee Chair

Date: _____

Submitted by:

Cheryl Mock
Executive Assistant



FY2017 CEO Goals as of September 30, 2017

GOAL	WEIGHT	NEEDS IMPROVEMENT	MEETS REQUIREMENTS	MEETS REQUIREMENTS	EXCEEDS REQUIREMENTS	FY16 RESULTS	FY17 GOAL	FY17 RESULTS
Scale	%	0	50	75	100			
Improve utility reliability and environmental metrics, per the attached schedule and reported to the Board monthly	3.50%	X < 6	X = 7	X = 8/9	X = 10 or more	7	7	
Exceed budgeted combined ¹ annual net revenues (excluding weather contingency), per the "Schedules of Debt Service Coverage", this is a proxy for EBITDA (schedule and source documents attached)	2.50%	X < \$739	X > \$739	X > \$747	X > \$754	\$813	\$739	
Effectively execute the Capital Investment Plan or Capital Budget (schedule attached)	1.00%	X > \$373	X < \$373	X < \$354	X < \$336	\$300	\$373	
Implement Sewer Systems Framework to Resiliency	3.00%					N/A	Scheduled Performance	
Maintain positive and constructive relationships with all key stakeholders	1.50%					Exceeds		
Achieve first quartile rankings for Residential and Commercial J.D. Power Customer Satisfaction Ratings	2.00%							
Residential		X < 2016	X = 2016 + 1	X = 2016 + 10	X = top half first quartile	2Q FY15 = 30/140 FY16 = 37/137	1Q	
Commercial		X < 2016 - 10	X = 2016 - 10	X = 2016 - 5	X = 2016	1Q FY15 = 14/87 FY16 = 1/86	Top Ten	
Improve employee satisfaction and engagement, as measured by an independent employee survey	1.50%	X < 72.0%	X > 72.0%	X > 73.0%	X > 74.0%	71.7%	72.0%	
Total	15%							

¹ Combined = Electric System plus Water and Sewer System plus District Energy

FY2017 JEA Net Revenues Goal - Excluding Weather Contingency as of October 2016

	FY17		FY2016		FY2015		FY2014		FY2013	
	<u>Actual</u>	<u>Goal</u>	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>
\$ in Millions										
Electric System	\$460.0	\$460.0	\$454.9	\$496.1	\$461.6	\$389.6	\$397.0	\$389.6	\$397.0	\$397.0
Water and Sewer System	\$290.0	\$290.0	\$280.7	\$313.1	\$278.5	\$281.7	\$276.8	\$281.7	\$276.8	\$276.8
District Energy System	\$4.0	\$4.0	\$3.7	\$3.9	\$3.9	\$3.9	\$3.4	\$3.9	\$3.4	\$3.4
Total	\$754.0	\$754.0	\$739.4	\$813.2	\$744.0	\$675.2	\$677.2	\$675.2	\$677.2	\$677.2

FY2017 JEA Capital Investment Plan/Budget Execution as of October 2016

	FY17		FY2016		FY2015		FY2014	
	<u>Actual</u>	<u>Goal</u>	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>
\$ in Millions								
Electric System	\$160.0	\$160.0	\$170.0	\$150.9	\$116.7	\$86.2	\$86.2	\$86.2
Water and Sewer System	\$210.0	\$210.0	\$225.5	\$147.4	\$100.8	\$76.9	\$76.9	\$76.9
District Energy System	\$3.0	\$3.0	\$3.1	\$1.8	\$0.9	\$0.5	\$0.5	\$0.5
Total	\$373.0	\$373.0	\$398.6	\$300.1	\$218.4	\$163.6	\$163.6	\$163.6

FY2017 JEA Reliability and Environmental Metrics Goal as of September 30, 2017

<u>Electric System</u>	<u>Actual</u>			<u>Goal</u>		<u>Improvement</u>
	<u>FY15</u>	<u>FY16</u>	<u>FY17</u>	<u>Yes</u>	<u>No</u>	
Customer Outage Frequency* Experiencing More than 5 Outages in the Previous Year (CEM15)*	1.7	1.4	1.5			
Customer Outage Duration*	99	71	85			
Transmission Fault Frequency Index	1.7	0.7	1.2			
Fleet Forced Outage Rate	1.8	2.0	2.0			
Reportable Environmental Events	2	4	4			

<u>Water and Sewer System</u>	<u>Actual</u>			<u>Goal</u>		<u>Improvement</u>
	<u>FY15</u>	<u>FY16</u>	<u>FY17</u>	<u>Yes</u>	<u>No</u>	
Unplanned Water Main Outages*	5,629	12,735	9,000			
Water Distribution System Pressure*	2.83	2.11	2.47			
Customer Response Time*	69	67	67			
Consumptive Use Permits	107	113	110			
Total Nitrogen Discharge	553	524	550			
Sanitary Sewer Overflows*	23	32	27			

Note: Assuming general reliability performance will remain consistent with the previous three years, CEM15 is perhaps the reliability index with the greatest impact on customer satisfaction.

* Aligned with the PSC Rule for Electric Reliability Reporting, the Operational Metrics* will exclude the impact of all service interruptions associated with a storm named by the National Hurricane Center.

<u>Electric Systems Reliability</u>	
Customer Outage Frequency – The number of extended outages (one minute or longer) experienced by the average JEA customer per year.	
Service Reliability – The cumulative number of outage minutes experienced by the average JEA customer per year.	
CEM15 – The percentage of JEA’s customers experiencing more than 5 extended outages (one minute or longer) in the last 12 months.	
Transmission Fault Frequency Index – The number of transmission line faults experienced per 100 line miles in the last 12 months.	
Fleet Forced Outage Rate - The amount of hours as a percentage of total hours, fiscal year-to-date, that JEA generators are not available and running when needed.	
Reportable Environmental Events REEs - The number of environmental events that have occurred at power plants, fiscal year-to-date, that are reportable permit violations to FDEP and the EPA.	

<u>Water and Sewer Systems Reliability</u>	
Unplanned Water Main Outages - # of Customers affected by unplanned water outages per year	
Water Distribution System Pressure - Average minutes per month less than 30 psi across a total of 110 monitoring stations across the service area	
Customer Response Time - Average annual minutes from a customer call to the ticket completion or transfer to a field crew for a more extensive repair	
Consumptive Use Permit (CUP) - Meeting annual CY basis CUP requirements including Total System Limit and South Grid Wellfield Allocation Limits	
Total Nitrogen Discharge - Amount of tons of Nitrogen discharged annually to the St. Johns River	
Sanitary Sewer Overflow - # of annual sanitary sewer overflow events	

JEA Framework to Resiliency

Nov
2016

Hurricane Matthew Assessment Report

- Detail sanitary sewer failures during Hurricane Matthew
- Include sanitary sewer overflow history and benchmarks

Nov
2016

Report Major Capital Improvements and Significant O&M Activities

- Include activities for the last twelve months
- Include activities for the next twenty four months

Apr
2017

Analyze, Plan and Implement Improvement Activities

- Review and improve all Functional Response Procedures (Emergency Plans)
- Fortify Sanitary Sewer System power supply systems
- Fortify Sanitary Sewer System communication systems
- Identify other actions to be implemented

May
2017

System Capacity, Management, Operation and Maintenance Assessment (CMOM)

- Comprehensive review by an independent source, identified in partnership with FDEP
- Review will be conducted in three phases: analyze, assess and improve
- Improvements will commence when identified

Dec
2017

System Resiliency Assessment

- Will seek strong partnership with FDEP, potential for state leadership on this issue
- To be conducted in three phases:
 - Immediate opportunities
 - Mid-range defensive actions
 - Longer-term by replacing when needed and building to new resiliency standards

Ongoing

Communication Improvements

- Identify, design and implement more effective communication plans
- Plans will be tailored to various constituents

Ongoing

Regulatory Opportunities – FDEP Partnerships

- Engage in the FDEP rule making process as it transitions from the September 26, 2016 Governor's 90-day Emergency Rule: Public Notice of Pollution, to a final rule governing reporting for all statewide pollutant spills
- Returning the system to normal operations **Oct 2016**
- Monitoring and sampling water bodies impacted by Hurricane Matthew related SSO's **Oct 2016**
- CMOM review
- Resiliency standards design