



COMPENSATION COMMITTEE AGENDA
AMENDED 5/11/2018

DATE: May 14, 2018
TIME: 10:30 AM
PLACE: 21 W. Church Street
8th Floor

	Responsible Person	Action (A) Info (I)	Total Time
I. OPENING CONSIDERATIONS	Kelly Flanagan		
A. Call to Order			
B. Adoption of Agenda		A	
C. Approval of Minutes – November 27, 2017	Melissa Charleroy	A	
II. NEW BUSINESS			
A. Executive Contracts	Jody Brooks/ Aaron Zahn	A	15 mins.
B. Executive Search Firm Selection	Kelly Flanagan	A	15 mins.
C. Other New Business			15 mins.
D. Announcements			
1. Schedule Next Meeting as Appropriate			
E. Adjournment			

JEA COMPENSATION COMMITTEE MINUTES
November 27, 2017

The Compensation Committee of JEA met on Monday, November 27, 2017, 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 Member Petway called the meeting to order at 11:46 AM with Committee Member Kelly Flanagan in attendance, as well as Board Chair Alan Howard in observance. Committee Chair Delores Kesler was absent and excused. Also present were Paul McElroy, Angie Hiers, Melissa Dykes, Mike Hightower, Jody Brooks and Gerri Boyce.
- B. Adoption of Agenda – The Agenda was adopted on **motion** by Mr. Petway and second by Ms. Flanagan.
- C. Approval of Minutes – The January 6, 2017 minutes were approved on **motion** by Mr. Petway and second by Board Chair Howard.

Agenda Item II – New Business

- A. Fiscal Year 2017 Pay for Performance Program – Angie Hiers, Chief Human Resources Officer, reminded the Committee that in November 2016, the Board approved the Pay for Performance Program for 2017, which included corporate-wide stretch goals for the company. Ms. Hiers stated such programs as this assist in attracting, motivating and retaining high caliber employees. Ms. Hiers added JEA's program delivers an incentive when goals are achieved and O&M cost savings are realized to pay for the program. Ms. Hiers provided an overview of the FY17 final results for the following categories: Customer Satisfaction – JEA reached a new record performance level on the J.D. Power Residential Electric Customer Satisfaction survey in 2017. JEA's customers' overall satisfaction improved for the fifth consecutive year to a score of 747, the highest Overall Customer Satisfaction score since 2013. Customers scored JEA 44 points above the 2016 results. JEA also placed 1st Quartile for five of the six drivers of customer satisfaction. In the area of Safety, JEA achieved a final recordable incident rate of 2.01 for FY17, which did not meet the corporate safety goal for the fiscal year. In the area of Cost Control, JEA's total O&M savings for FY2017 was \$17.5 million. Ms. Hiers added the total possible payout to employees under the Pay for Performance Plan as authorized by the Board was \$6.7 million, if all metrics were exceeded. Based on the performance results, the actual payout to employees is \$4.7 million, or 3.2% of the total base salaries as of October 1, 2017. Upon **motion** by Mr. Petway and second by Board Chair Howard, the Committee recognized the excellent performance by the JEA team and approved the payout amounts of the FY2017 Pay for Performance Program. This item will be presented to the full Board for approval at the November 28, 2017 meeting.
- B. Fiscal Year 2017 CEO Performance – Jody Brooks, Chief Legal Officer, stated the Board approved the CEO FY2017 goals at the November 2016 meeting and finalized the scoring at the January 17, 2017 meeting. With Board direction and feedback, a prescriptive CEO scorecard was developed and approved. The Committee was presented with a final scorecard including goals, performance metrics, objectives and results. Ms. Brooks highlighted that Key Stakeholders is the only subjective factor requiring approval. Mr. McElroy reminded the Committee that Ms. Brooks works with JEA, but is employed by the Office of General Counsel, and all financials included within the scorecard are provided by a JEA staff analyst. On **motion** by Mr. Petway and second by Board Chair Howard, the Committee held discussions regarding the Key Stakeholders metric. On **motion** by Ms. Flanagan and second by Mr. Petway, the Committee held discussions and

approved the subjective Key Stakeholders metric score of 2.14. On **motion** by Mr. Petway and second by Board Chair Howard, the Committee approved an overall CEO evaluation score of 10.69%. This item will be presented to the full Board for approval at the November 28, 2017 meeting.

- C. Fiscal Year 2018 and Beyond Employee Compensation Discussion – Angie Hiers, Chief Human Resources Officer provided a handout on the FY18 Pay for Performance metrics. Mr. McElroy reminded the Committee that this item is being presented for discussion and provided the Committee with options on how to proceed with the Pay for Performance Plan in the future. Committee Members held discussions about past practices and a potential revision to the policy laying out how this program is to be approved in the future. This item was presented for information only.
- D. Fiscal Year 2018 and Beyond CEO Contract Discussion – Jody Brooks, Chief Legal Officer, stated Mr. McElroy’s contract ends in September 2018. Ms. Brooks asked the Committee if they are prepared to review the discussion of revising Mr. McElroy’s contract to eliminate the Performance Compensation Incentive and include directly into his base salary. Committee Members held discussions regarding the CEO contract. Mr. McElroy suggested revising the incentive from a 15% opportunity to a 10% fixed with an additional 3% increase each year. This item was received for information.
- E. Fiscal Year 2018 CEO Goals – This agenda item was deferred to a later date.
- F. Announcements – The next meeting will be scheduled as appropriate.
- G. Adjournment – With no further business claiming the attention of this Committee, the meeting was adjourned at 1:28 PM.

APPROVED BY:

Kelly Flanagan, Committee Chair

Date: _____

Submitted by:

Melissa Charleroy
Executive Assistant



Building Community

AGENDA ITEM SUMMARY

May 9, 2018

SUBJECT:	EXECUTIVE CONTRACTS
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Purpose:	<input type="checkbox"/> Information Only	<input checked="" type="checkbox"/> Action Required	<input type="checkbox"/> Advice/Direction
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Issue: On April 17, 2018, the Board provided direction to work on employment contracts for key executives including, but not limited to, the Interim Managing Director/Chief Executive Officer (“CEO”) and Chief Operating Officer (“COO”).

Significance: To have assurance that the CEO and COO will be engaged in providing the proper management and direction to JEA.

Effect: The JEA Board of Directors is tasked with appointing a CEO to operate the eighth largest community-owned electric utility company in the United States and the largest in Florida, with total assets of \$8.4 billion (2017), total revenue of \$1.8 billion (2017), and approximately 2000 employees (2017).

Cost or Benefit: The proposed Employment Agreements for the CEO and COO provide for certain provisions relative to: i) annual base salary; ii) benefits, iii) and other market standard employment terms consistent with Florida Statutes and for a period of one year.

Recommended Board action: Staff recommends that the JEA Board of Directors approve the CEO and COO Employment Agreements effective April 17, 2018 through April 30, 2019, unless sooner terminated in accordance with the terms of each agreement.

For additional information, contact: Aaron Zahn 665-4396

Submitted by: AFZ/AFZ

MISSION 	VISION 	VALUES 
Energizing our community through high-value energy and water solutions.	JEA is a premier service provider, valued asset and vital partner in advancing our community.	<ul style="list-style-type: none"> • Safety • Service • Growth? • Accountability • Integrity

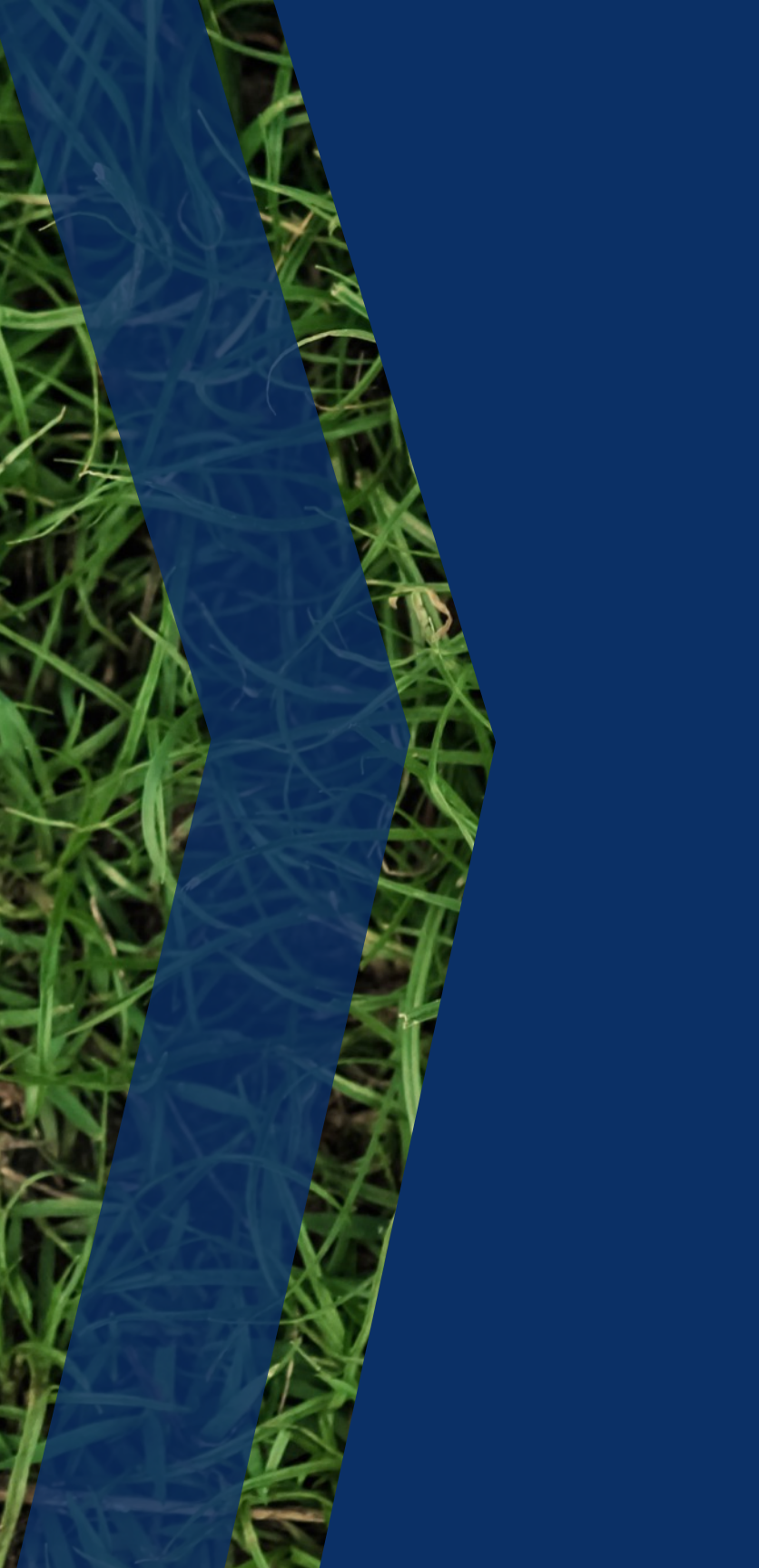
Commitments to Action

- 1** Earn Customer Loyalty
- 2** Deliver Business Excellence
- 3** Develop an Unbeatable Team

JEA[®]



The BOLD Future





Each day, JEA delivers about 115 million gallons of water from the pristine Florida aquifer to our customers.



Efficiency and Employee Initiatives

In recent weeks, the JEA team has solidified ~\$8.7MM of efficiency initiatives for the benefit of the company.

Efficiency Initiative	Estimated annual savings (\$)	Brief Description	Savings category
Vehicle maintenance	\$500,000	Better management of maintenance schedules and vehicle availability	O&M
Category Management	\$7,500,000	Realign procurement strategy to product categories instead of project focus. 2 year execution period.	Capital and O&M
Inventory Reduction	\$500,000	Evaluation of inventory quantities and low turn inventory items	Capital
Process Automation	\$200,000	Automation of AP and financial reporting tasks	O&M
Gross Annualized Savings & Efficiencies	\$8,700,000		


Itemized Savings / (Cost) for JEA	Amount (\$)	Note
Gross Annualized Savings & Efficiencies	\$8,700,000	See Efficiency Initiatives
Less pay increase to 399 appointed staff	(\$1,172,932)	Average 3.0% in 2017/2018 budget
Less addition of Interim CEO	(\$330,000)	See proposed Employment Agreement
Less net change for COO & CFO	(\$82,442)	See proposed Employment Agreement

Net Annualized Savings *	\$7,114,626
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* Does not include economic impact of Transition Services agreements previously approved by Board

Executive Contracts

- See Interim MD / CEO Employment Agreement
- See COO Employment Agreement



BE BOLD – BE JEA



› The BOLD Future

**EMPLOYMENT AGREEMENT
FOR INTERIM MANAGING DIRECTOR & CHIEF EXECUTIVE OFFICER**

THIS EMPLOYMENT AGREEMENT (the “Agreement”) is made and entered into in duplicate as of this 17th day of April 2018 (the “Effective Date”), by and between JEA, a body politic and corporate under the laws of the State of Florida and an independent agency of the Consolidated City of Jacksonville, hereinafter referred to as JEA (“JEA” or “Employer”), and Aaron F. Zahn, an individual currently residing in Neptune Beach, Florida, hereinafter referred to as Employee or Interim Managing Director & CEO.

WITNESSETH:

WHEREAS, JEA is a community-owned, not-for-profit utility providing electricity to more than 458,000 customers in Jacksonville and the surrounding areas in northeastern Florida;

WHEREAS, JEA, founded in 1968, manages an electric system that dates back to 1895, and now owns and operates an electric system with five generating plants, transmission and distribution facilities, including 745 miles of transmission lines and 6,625 miles of distribution lines; is part owner and full operator of a sixth generating plant; produces energy from two methane-fueled generating facilities and owns a 12.6-megawatt solar project placing JEA’s total generating capacity at approximately 3,757 megawatts;

WHEREAS, JEA also provides water and wastewater services to approximately 341,000 water customers, 9,000 reuse water customers and 264,000 wastewater customers;

WHEREAS, JEA’s water system consists of 136 artesian wells tapping the Floridian aquifer, distributing water through 37 water treatment plants and 4,352 miles of water lines and with a sewer system of more than 3,760 miles of collection lines and seven regional and seven non-regional sewer treatment plants;

WHEREAS, JEA owns and operates the District Energy System a separate utility system that provides chilled water to 13 locations in Jacksonville;

WHEREAS, the JEA governing body is made up of a seven-member Board of Directors (“Board”) appointed by the Mayor and confirmed by the City Council;

WHEREAS, the Board is tasked with appointing a Managing Director & CEO to operate the eighth largest community-owned electric utility company in the United States and the largest in Florida, with total assets of \$8.7 billion (2017), total equity of \$2.6 billion (2017), and approximately 2000 employees (2017);

WHEREAS, the former CEO/Managing Director resigned on April 8, 2018 and JEA is in the process of recruiting and filling the permanent position, but will need time to complete the recruitment;

WHEREAS, JEA is desirous of employing Employee as Interim Managing Director & Chief Executive Officer pursuant to the terms and conditions and for the consideration set forth in this

Agreement, and Employee is desirous of entering into the employ of JEA pursuant to such terms and conditions and for consideration.

NOW, THEREFORE, for and in consideration of the mutual promises, covenants, and obligations contained herein, JEA and Employee agree as follows:

SECTION I – EMPLOYMENT AND DUTIES:

- 1.1 **Engagement.** JEA agrees to employ Employee and Employee agrees to be employed by JEA, beginning as of April 17, 2018, and terminating, unless earlier terminated in accordance with this Agreement, as of April 30, 2019 (“Term”), subject to the terms and conditions of this Agreement.
- 1.2 **Terms and Duties.** Employee shall be employed as Interim Managing Director and Chief Executive Officer of JEA (hereinafter collectively “Interim Managing Director & CEO”). Employee agrees to serve in this position and to perform diligently Employee’s duties and services with the dedication and in manner of similarly situated executives and as required by such a position as determined by the JEA Board, as well as such duties that may from time to time be directed by the Board. Such duties include, but are not limited to, exercising the full authority, responsibility and duties commensurate with the laws establishing JEA to manage the affairs of JEA and to manage and direct staff, business, and operations of JEA.
- 1.3 **Compliance with Policies and Procedures.** Employee shall at all times comply with and be subject to such policies and procedures as the Board may establish.
- 1.4 **Diligence to Position.** Employee shall devote full business time, energy, and best efforts to the business of Employer with the dedication and in the manner of similarly situated executives; provided, however, that it is agreed that this obligation, shall not preclude Employee from engaging in appropriate civic, charitable or religious activities or, with the consent of the Board, from serving on the boards of directors of companies that are not competitors to JEA, as long as the activities do not materially interfere or conflict with Employee’s responsibilities to or Employee’s ability to perform your duties of employment at JEA, within the sole discretion of the Board. Subject to the foregoing, Employee may not engage, directly or indirectly, in any other business, investment, or activity that interferes with Employee’s performance of his duties, is directly contrary to JEA’s interests, or requires any significant portion of Employee’s business time. Employee’s authority, responsibilities and duties are generally described in the Position Profile for Managing Director and Chief Executive Officer which may be amended from time to time and which is attached hereto as Exhibit A and by reference made a part hereof; provided, however, that Employee may own less than two percent (2%) of the voting stock of a corporation listed for trading or traded over the counter on a recognized stock exchange in the United States.
- 1.5 **Fiduciary Obligations.** Employee acknowledges and agrees that during the Term, Employee owes a fiduciary duty of loyalty, fidelity, and allegiance to act at all times in the best interests of JEA, and to do no act which would intentionally injure the direct or indirect interests of JEA, or benefit from any outside activities, which interests might conflict with JEA, or upon

discovery thereof, allow such a conflict to continue. Moreover, Employee agrees to disclose to JEA, any facts which might involve a possible conflict of interest during the Term.

SECTION II – COMPENSATION AND BENEFITS:

- 2.1 **Annual Compensation.** Employee shall be paid a salary of Three Hundred Thirty Thousand Dollars Zero Cents (\$330,000.00) per annum (the “Annual Base Salary”), which shall be paid in accordance with JEA’s standard payroll practice, including deductions for all legally applicable taxes and withholdings, with accrual commencing April 17, 2018. The Board may, at its sole and absolute discretion, provide Employee the opportunity to participate in the JEA Pay for Performance Program established pursuant to the Board Policy Manual for the Fiscal Year 2017/18 and for applicable Pay for Performance Programs established thereafter during the Term of this Agreement.
- 2.2 **Vehicle.** Employee will have the use of an appropriately equipped JEA vehicle at the expense of JEA to supplement Employee’s personal vehicle. In lieu of having use of a JEA vehicle, Employee may, at Employee’s option, be provided a monthly automobile allowance of \$850, payable on the first bi-weekly pay period of each month subject to withholding. It is specifically intended and understood that this allowance shall be provided for unreimbursed expenses incurred by the Employee within the territorial limits of the JEA service territory and receipt of this allowance shall not prevent the Employee from claiming and being reimbursed for travel expenses resulting from travel by him outside the JEA service territory in the manner provided by the Ordinance Code the City of Jacksonville.
- 2.3 **Business Allowance.** Employee will be provided a monthly allowance in the amount of \$2,000 for general business expenses incurred in Employee’s efforts to promote and represent JEA beyond those identified in JEA employee policies. The business allowance shall be payable on the first bi-weekly pay period of each month, subject to withholding. Employee may expend the monthly allowance in such a manner, and in Employee’s sole discretion, as supports Employee’s ability to perform Employee’s function for JEA.
- 2.4 **Expenses.** Notwithstanding anything herein to the contrary, JEA shall reimburse Employee for telephone, travel, continuing education, and general business expenses incurred by Employee in accordance with JEA policies and procedures.
- 2.5 **Annual Leave.** Employee will be provided annual leave (“Leave”) in accordance with JEA’s existing policies and procedures. Without limiting the generality of the foregoing, Employee shall be entitled to 280 hours of Leave during each year of employment and 64 hours of such Leave shall fully accrue on the Effective Date.
- 2.6 **Fringe Benefits.** Employee shall be allowed to participate, on the same basis generally as other employees of JEA, in all general employee benefit plans and programs, including improvements or modifications of same, which on the effective date or thereafter are made available by JEA to all or substantially all of JEA’s executive employees. Such benefits, plans, and programs may include, without limitation, medical, health, and dental care, life insurance, disability protection, and the pension plans including JEA’s Supplemental Executive

Retirement Plan including any amendments thereto. Except as specifically provided herein, nothing in this Agreement is to be construed or interpreted to provide greater or lesser rights, participation, coverage, or benefits under the benefit plans or programs than provided to executive employees pursuant to the terms and conditions of such benefit plans and programs. JEA shall not by reason of this Section II be obligated to institute, maintain, or refrain from changing, amending, or discontinuing, any incentive compensation or employee benefit program or plan, so long as such actions are similarly applicable to covered employees generally.

SECTION III – TERMINATION AND EXTENSION:

- 3.1 **Termination.** Employee's employment with JEA shall be terminated (i) on April 30, 2019 unless earlier terminated or extended pursuant to this Section III and unless otherwise modified by mutual agreement between Employer and Employee, (ii) upon Employee's death or resignation, (iii) upon Employee's Disability, (iv) by either party, without cause, upon 30 days advance notice to the other party, or (v) immediately for cause as defined herein in Section 3.1.2.
- 3.1.1 If Employee's employment is terminated with or without cause, all future compensation to which Employee is otherwise entitled and all future benefits for which Employee is eligible shall cease and terminate as of the date of termination, except as specifically provided in this Section 3.1.1 or as provided by law. Upon (i) termination by JEA without cause, or (ii) termination by Employee for Good Reason, then (a) JEA shall pay Employee a lump sum payment equal to twenty (20) weeks of the current Annual Base Salary, less applicable taxes and deductions, and (b) Employee shall be entitled to, and JEA shall cover the cost of, Employee's continued participation in all employee benefit plans or programs in which Employee was participating on the date of termination for a period of 20 weeks following the end of the month in which the termination occurs.
- 3.1.2 No severance shall be due to Employee if Employee terminates his employment without cause, dies or becomes Disabled, or if Employee's employment is terminated by JEA for cause. For purposes of this Agreement, termination for "cause" shall include: (i) willful breach of material duties, obligations and policies of JEA which Employee fails to cure within ten (10) days after written notice from JEA identifying such breach; (ii) gross negligence or gross neglect of duties and obligations required in performance of Employee's duties; or willful misconduct, (iii) continued violation of written rules and policies of the Board after written notice of same and reasonable opportunity to cure; (iv) conviction of any criminal act which is a felony; (v) commission in a public or private capacity of theft, fraud, misappropriation of embezzlement of funds; or (vi) misconduct as defined in F.S. 443.036(29). Notwithstanding anything in this Agreement to the contrary, if Employee resigns his employment after a diminishment in Employee's role, responsibilities, compensation, benefits and/or title, Employee shall remain entitled to compensation as provided under Section 3.1.1. For purposes of the Agreement, termination "without cause" means any termination not explicitly defined as a termination for cause pursuant to this Agreement.

3.1.3 A termination of employment by Employee for Good Reason shall be effectuated by giving JEA written notice ("Notice of Termination for Good Reason") of the termination within 30 days after the event constituting Good Reason, setting forth in reasonable detail the specific conduct that constitutes Good Reason and the specific provisions of this Agreement on which Employee relies. JEA shall have 30 days from the receipt of such notice within which to (i) deny that an event of Good Reason has occurred, or (ii) correct, rescind or otherwise substantially reverse the occurrence supporting termination for Good Reason as identified by Employee. If JEA does not deny that an event of Good Reason has occurred and such event has not been cured within such 30-day period, the termination of employment by Employee for Good Reason shall be effective as of the expiration of such 30-day period. If the event of Good Reason is cured within such 30-day period, the Notice of Termination for Good Reason shall have no effect.

3.1.4 For purposes of this Agreement, "Good Reason" shall mean a material diminution in Employee's responsibilities, compensation, benefits and/or title without Employee's consent. For purposes of this Agreement, the term "Disability" shall mean: if JEA provides long-term disability insurance to its employees generally, the term "Disability" shall have the meaning set forth in such plan regarding eligibility for long-term disability insurance; otherwise, the term "Disability" means a physical or mental incapacity as a result of which Employee becomes unable to continue to perform Employee's essential job functions, with or without reasonable accommodation, for four (4) consecutive months.

3.2 **Extension and Amendment.** This Agreement may only be amended and / or modified by action of the Board along with Employee's concurrence, with the legal formalities accompanying the execution of this Agreement. The Board Chairman shall notify Employee of an intent to bring a request to the Employee and the Board to extend this Agreement. Such notification need not include terms, and need not be in writing.

3.3 **Transition.** If JEA hires a permanent CEO/Managing Director prior to April 30, 2019, the Employee shall be deemed terminated without cause.

SECTION IV – MISCELLANEOUS:

4.1 **Eligibility to Work in the United States.** Employee has provided previously to JEA the appropriate documentation to verify Employee's authorization to work in the United States.

4.2 **Governing Law; Binding Effect; Amendment.** This Agreement shall be interpreted and enforced in accordance with the laws of the State of Florida, with venue to lie in Duval County, and shall be binding on JEA's successors and assigns. No amendment or modification shall be effective unless in writing by the parties, including the approval by the Board.

4.3 **Savings Clause.** Employee's present benefits and rights are preserved, including but not limited to accrued service credits, accrued leave, and accrued incentive compensation carried forward in accordance with existing policies and procedures.

- 4.4 **Public Records and Open Meetings (Sunshine) Requirements.** Employee will become familiar, with the assistance of JEA's staff and JEA's legal counsel, with the unique obligations and parameters of the State of Florida's public records and sunshine act laws, in order that JEA maintain its record of compliance with such laws.
- 4.5 **Legal Counsel.** Employee shall be entitled to legal counsel from or approved by the Office of General Counsel, paid for by JEA in a prompt and current manner as provided in Section 111.07, Florida Statutes, as necessary if Employee is a defendant participant in a lawsuit against the JEA for actions that occurred during period of employment with JEA, excepting where a court has adjudicated Employee as having committed intentional tort or torts.
- 4.6 **Indemnification.** Pursuant to Section 768.28(9)(a), Florida Statutes, Employee is not personally liable in any action for any injury or damage suffered as a result of any act, event, or omission of action in the scope of her or his employment or function. JEA hereby agrees to indemnify, defend and hold Employee harmless from any and all claims arising out of the exercise of Employee's duties and responsibilities to JEA with respect to acts entitled to indemnification pursuant to Section 768.28(9)(a), Florida Statutes. Employee shall be entitled to the benefits and protections of this Section 4.6 notwithstanding (i) any provision in this Agreement to the contrary, (ii) termination of Employee for cause (unless such claim for indemnification arises out of the same facts giving rise to the termination for cause) or without cause, or (iii) the termination of this Agreement.
- 4.7 **Authority.** The person executing and delivering this Agreement on behalf of JEA is an authorized officer, director or agent of JEA with full power and authority to bind JEA. Upon execution and delivery of this Agreement by JEA, this Agreement shall constitute the legal, valid and binding obligation of JEA.
- 4.8 **Entire Agreement.** This Agreement constitutes the entire agreement between the parties with respect to the subject matter hereof. This Agreement supersedes all prior agreements and understandings, both oral and written, between the parties with respect to the subject matter of this Agreement.

SIGNATURES APPEAR ON THE FOLLOWING PAGE

IN WITNESS WHEREOF, the parties hereto have duly executed this Employment Agreement on the day and year above first written.

ATTEST:

JEA

G. Alan Howard, Chairman

Date: _____

WITNESSES:

Aaron F. Zahn, Employee

Date: _____

I hereby certify that the expenditure contemplated by the foregoing Agreement has been duly authorized, and provision has been made for the payment of the moneys provided therein to be paid in respect of Fiscal Year 2017/2018.

Ryan Wannemaker, Interim Chief Financial

Officer
Approved:

Jody Brooks, Chief Legal Officer

Exhibit A – Position Profile for Managing Director and Chief Executive Officer

Vision, Strategy, Organization and Culture

- to lead, in conjunction with the Board, the development of the Company's strategy that outlines the long-term role of JEA in the Jacksonville metro area and the state;
- to lead and oversee the implementation of the Company's long and short-term plans in accordance with its strategy;
- to ensure the Company is appropriately organized and staffed and to have the authority to hire and terminate staff as necessary to enable it to achieve the approved strategy;
- to develop a culture within the Company that promotes employee safety, engagement, efficiency, productivity, flexibility and accountability;
- to ensure that the Company maintains high standards of corporate citizenship and social responsibility wherever it does business;

Management

- to ensure that expenditures of the Company are within the authorized annual budget of the Company;
- to assess the principal risks of the Company and to ensure that these risks are being monitored and managed;
- to ensure effective internal controls and management information systems are in place;
- to ensure that the Company has appropriate systems to enable it to conduct its activities both lawfully and ethically;
- to keep abreast of all material undertakings and activities of the Company and all material external factors affecting the Company and to ensure that processes and systems are in place to ensure that the CEO and management of the Company are adequately informed;
- to ensure the integrity of all public disclosure by the Company
- to abide by specific internally established control systems and authorities, to lead by personal example and encourage all employees; and
- to conduct their activities in accordance with all applicable laws and the Company's standards and ensure the Company's policies, including its environmental, safety and health policies are of the highest standard possible;

Major stakeholder affairs

- to act as a liaison between management and the Board;
- to act as a liaison between Company and the Jacksonville City Council;
- to act as a liaison between Company and the Jacksonville Mayor;
- to build consensus of the Board, City Council, and Mayor around the Company's strategy that outlines the long-term role of JEA as a financial asset of the City of Jacksonville and as a steward of the community and environment for the metro area of Northeast Florida and the State of Florida
- to ensure that the Board of Directors are properly informed and that sufficient information is provided to the Board to enable the Directors to form appropriate judgments;
- to communicate effectively with the financial community, employees, government authorities, other stakeholders and the public;
- in concert with the Chairman, to develop Board agendas;
- to request that special meetings of the Board be called when appropriate;
- in concert with the Chairman, to determine the date, time and location of the annual meeting of shareholders and to develop the agenda for the meeting.

**EMPLOYMENT AGREEMENT
FOR PRESIDENT & CHIEF OPERATING OFFICER**

THIS EMPLOYMENT AGREEMENT (the “Agreement”) is made and entered into in duplicate as of this 17th day of April 2018 (the “Effective Date”), by and between JEA, a body politic and corporate under the laws of the State of Florida and an independent agency of the Consolidated City of Jacksonville, hereinafter referred to as JEA (“JEA” or “Employer”), and Melissa H. Dykes, an individual currently residing in Jacksonville Beach, Florida, hereinafter referred to as Employee or President & Chief Operating Officer.

WITNESSETH:

WHEREAS, JEA is a community-owned, not-for-profit utility providing electricity to more than 458,000 customers in Jacksonville and the surrounding areas in northeastern Florida;

WHEREAS, JEA, founded in 1968, manages an electric system that dates back to 1895, and now owns and operates an electric system with five generating plants, transmission and distribution facilities, including 745 miles of transmission lines and 6,625 miles of distribution lines; is part owner and full operator of a sixth generating plant; produces energy from two methane-fueled generating facilities and owns a 12.6-megawatt solar project placing JEA’s total generating capacity at approximately 3,757 megawatts;

WHEREAS, JEA also provides water and wastewater services to approximately 341,000 water customers, 9,000 reuse water customers and 264,000 wastewater customers;

WHEREAS, JEA’s water system consists of 136 artesian wells tapping the Floridian aquifer, distributing water through 37 water treatment plants and 4,352 miles of water lines and with a sewer system of more than 3,760 miles of collection lines and seven regional and seven non-regional sewer treatment plants;

WHEREAS, JEA owns and operates the District Energy System a separate utility system that provides chilled water to 13 locations in Jacksonville;

WHEREAS, the JEA governing body is made up of a seven-member Board of Directors (“Board”) appointed by the Mayor and confirmed by the City Council;

WHEREAS, the Board is tasked with appointing a Managing Director & CEO to operate the eighth largest community-owned electric utility company in the United States and the largest in Florida, with total assets of \$8.7 billion (2017), total equity of \$2.6 billion (2017), and approximately 2000 employees (2017);

WHEREAS, JEA is desirous of employing Employee as President & Chief Operating Officer pursuant to the terms and conditions and for the consideration set forth in this Agreement, and Employee is desirous of entering into this Agreement pursuant to such terms and conditions.

NOW, THEREFORE, for and in consideration of the mutual promises, covenants, and obligations contained herein, JEA and Employee agree as follows:

SECTION I – EMPLOYMENT AND DUTIES:

- 1.1 **Engagement.** JEA agrees to employ Employee and Employee agrees to be employed by JEA, beginning as of April 17, 2018, and terminating, unless earlier terminated in accordance with this Agreement, as of April 30, 2019 (“Term”), subject to the terms and conditions of this Agreement.
- 1.2 **Terms and Duties.** Employee shall be employed as President & Chief Operating Officer of JEA (hereinafter collectively “President & Chief Operating Officer”). Employee agrees to serve in this position and to perform diligently Employee’s duties and services with the dedication and in manner of similarly situated executives and as required by such a position as determined by the JEA Board or Managing Director & CEO (or Interim Managing Director & CEO) of JEA (the “CEO”), as well as such duties that may from time to time be directed by the Board.
- 1.3 **Compliance with Policies and Procedures.** Employee shall at all times comply with and be subject to such policies and procedures as the Board may establish.
- 1.4 **Diligence to Position.** Employee shall devote full business time, energy, and best efforts to the business of Employer with the dedication and in the manner of similarly situated executives; provided, however, that it is agreed that this obligation, shall not preclude Employee from engaging in appropriate civic, charitable or religious activities or, with the consent of the CEO (or Interim CEO, as the case may be), from serving on the boards of directors of companies that are not competitors to JEA, as long as the activities do not materially interfere or conflict with Employee’s responsibilities to or Employee’s ability to perform your duties of employment at JEA, within the sole discretion of the CEO (or Interim CEO, as the case may be). Subject to the foregoing, Employee may not engage, directly or indirectly, in any other business, investment, or activity that interferes with Employee’s performance of his duties, is directly contrary to JEA’s interests, or requires any significant portion of Employee’s business time; provided, however, that Employee may own less than two percent (2%) of the voting stock of a corporation listed for trading or traded over the counter on a recognized stock exchange in the United States.
- 1.5 **Fiduciary Obligations.** Employee acknowledges and agrees that during the Term, Employee owes a fiduciary duty of loyalty, fidelity, and allegiance to act at all times in the best interests of JEA, and to do no act which would intentionally injure the direct or indirect interests of JEA, or benefit from any outside activities, which interests might conflict with JEA, or upon discovery thereof, allow such a conflict to continue. Moreover, Employee agrees to disclose to JEA, any facts which might involve a possible conflict of interest during the Term.

SECTION II – COMPENSATION AND BENEFITS:

- 2.1 **Annual Compensation.** Employee shall be paid a salary of Four Hundred Thousand Dollars Zero Cents (\$400,000.00) per annum (the “Annual Base Salary”), which shall be paid in accordance with JEA’s standard payroll practice, including deductions for all legally applicable taxes and withholdings, with accrual commencing April 17, 2018. In the event the initial Term of this Agreement is extended, JEA shall, not less than annually, conduct a performance review of Employee, including a review of Employee’s Annual Base Salary and shall discuss the results of such review with Employee. Employee shall be eligible to participate in the JEA Pay for Performance Program established pursuant to the Board Policy Manual for the Fiscal Year 2017/18 and for applicable Pay for Performance Programs established thereafter during the Term of this Agreement.
- 2.2 **Vehicle.** Employee will have the use of an appropriately equipped JEA vehicle at the expense of JEA to supplement Employee’s personal vehicle. In lieu of having use of a JEA vehicle, Employee may, at Employee’s option, be provided a monthly automobile allowance of \$850, payable on the first bi-weekly pay period of each month subject to withholding. It is specifically intended and understood that this allowance shall be provided for unreimbursed expenses incurred by the Employee within the territorial limits of the JEA service territory and receipt of this allowance shall not prevent the Employee from claiming and being reimbursed for travel expenses resulting from travel by him outside the JEA service territory in the manner provided by the Ordinance Code the City of Jacksonville.
- 2.3 **Business Allowance.** Employee will be provided a monthly allowance in the amount of \$700 for general business expenses incurred in Employee’s efforts to promote and represent JEA beyond those identified in JEA employee policies. The business allowance shall be payable on the first bi-weekly pay period of each month, subject to withholding. Employee may expend the monthly allowance in such a manner, and in Employee’s sole discretion, as supports Employee’s ability to perform Employee’s function for JEA.
- 2.4 **Expenses.** Notwithstanding anything herein to the contrary, JEA shall reimburse Employee for telephone, travel, continuing education, and general business expenses incurred by Employee in accordance with JEA policies and procedures.
- 2.5 **Annual Leave.** Employee will be provided annual leave (“Leave”) in accordance with JEA’s existing policies and procedures. Without limiting the generality of the foregoing, Employee shall be entitled to 280 hours of Leave during each year of employment.
- 2.6 **Fringe Benefits.** Employee shall be allowed to participate, on the same basis generally as other employees of JEA, in all general employee benefit plans and programs, including improvements or modifications of same, which on the effective date or thereafter are made available by JEA to all or substantially all of JEA’s executive employees. Such benefits, plans, and programs may include, without limitation, medical, health, and dental care, life insurance, disability protection, and the pension plans including JEA’s Supplemental Executive Retirement Plan including any amendments thereto. Except as specifically provided herein, nothing in this Agreement is to be construed or interpreted to provide greater or lesser rights, participation, coverage, or benefits under the benefit plans or programs than provided to executive employees pursuant to the terms and conditions of such benefit plans and programs.

JEA shall not by reason of this Section II be obligated to institute, maintain, or refrain from changing, amending, or discontinuing, any incentive compensation or employee benefit program or plan, so long as such actions are similarly applicable to covered employees generally.

SECTION III – TERMINATION AND EXTENSION:

- 3.1 **Termination.** Employee's employment with JEA shall be terminated (i) on April 30, 2019 unless earlier terminated or extended pursuant to this Section III and unless otherwise modified by mutual agreement between Employer and Employee, (ii) upon Employee's death or resignation, (iii) upon Employee's Disability, (iv) by either party, without cause, upon 30 days advance notice to the other party, or (v) immediately for cause as defined herein in Section 3.1.2.
- 3.1.1 If Employee's employment is terminated with or without cause, all future compensation to which Employee is otherwise entitled and all future benefits for which Employee is eligible shall cease and terminate as of the date of termination, except as specifically provided in this Section 3.1.1 or as provided by law. Upon (i) termination by JEA without cause, or (ii) termination by Employee for Good Reason, then (a) JEA shall pay Employee a lump sum payment equal to twenty (20) weeks of the current Annual Base Salary, less applicable taxes and deductions, and (b) Employee shall be entitled to, and JEA shall cover the cost of, Employee's continued participation in all employee benefit plans or programs in which Employee was participating on the date of termination for a period of 20 weeks following the end of the month in which the termination occurs.
- 3.1.2 No severance shall be due to Employee if Employee terminates her employment without cause, dies or becomes Disabled, or if Employee's employment is terminated by JEA for cause. For purposes of this Agreement, termination for "cause" shall include: (i) willful breach of material duties, obligations and policies of JEA which Employee fails to cure within ten (10) days after written notice from JEA identifying such breach; (ii) gross negligence or gross neglect of duties and obligations required in performance of Employee's duties; or willful misconduct, (iii) continued violation of written rules and policies of the Board and/or CEO after written notice of same and reasonable opportunity to cure; (iv) conviction of any criminal act which is a felony; (v) commission in a public or private capacity of theft, fraud, misappropriation of embezzlement of funds; or (vi) misconduct as defined in F.S. 443.036(29). Notwithstanding anything in this Agreement to the contrary, if Employee resigns her employment after a diminishment in Employee's role, responsibilities, compensation, benefits and/or title, Employee shall remain entitled to compensation as provided under Section 3.1.1. For purposes of the Agreement, termination "without cause" means any termination not explicitly defined as a termination for cause pursuant to this Agreement.
- 3.1.3 A termination of employment by Employee for Good Reason shall be effectuated by giving JEA written notice ("Notice of Termination for Good Reason") of the termination within 30 days after the event constituting Good Reason, setting forth in reasonable detail the specific conduct that constitutes Good Reason and the specific

provisions of this Agreement on which Employee relies. JEA shall have 30 days from the receipt of such notice within which to (i) deny that an event of Good Reason has occurred, or (ii) correct, rescind or otherwise substantially reverse the occurrence supporting termination for Good Reason as identified by Employee. If JEA does not deny that an event of Good Reason has occurred and such event has not been cured within such 30-day period, the termination of employment by Employee for Good Reason shall be effective as of the expiration of such 30-day period. If the event of Good Reason is cured within such 30-day period, the Notice of Termination for Good Reason shall have no effect.

3.1.4 For purposes of this Agreement, “Good Reason” shall mean a material diminution in Employee’s responsibilities, compensation, benefits and/or title without Employee’s consent. For purposes of this Agreement, the term “Disability” shall mean: if JEA provides long-term disability insurance to its employees generally, the term “Disability” shall have the meaning set forth in such plan regarding eligibility for long-term disability insurance; otherwise, the term “Disability” means a physical or mental incapacity as a result of which Employee becomes unable to continue to perform Employee’s essential job functions, with or without reasonable accommodation, for four (4) consecutive months.

3.2 **Extension and Amendment.** This Agreement may only be amended and / or modified by action of the Board along with Employee’s concurrence, with the legal formalities accompanying the execution of this Agreement. Unless earlier terminated in accordance with the terms hereof, the term of this Agreement will be automatically extended for successive one-year periods, on the same terms and conditions as in effect immediately prior to the then-current expiration date, unless either party gives the other notice of non-extension at least three months before the then-current expiration date.

SECTION IV – MISCELLANEOUS:

4.1 **Eligibility to Work in the United States.** Employee has provided previously to JEA the appropriate documentation to verify Employee’s authorization to work in the United States.

4.2 **Governing Law; Binding Effect; Amendment.** This Agreement shall be interpreted and enforced in accordance with the laws of the State of Florida, with venue to lie in Duval County, and shall be binding on JEA’s successors and assigns. No amendment or modification shall be effective unless in writing by the parties, including the approval by the Board.

4.3 **Savings Clause.** Employee’s present benefits and rights are preserved, including but not limited to accrued service credits, accrued leave, and accrued incentive compensation carried forward in accordance with existing policies and procedures.

4.4 **Public Records and Open Meetings (Sunshine) Requirements.** Employee will become familiar, with the assistance of JEA’s staff and JEA’s legal counsel, with the unique obligations and parameters of the State of Florida’s public records and sunshine act laws, in order that JEA maintain its record of compliance with such laws.

- 4.5 **Legal Counsel.** Employee shall be entitled to legal counsel from or approved by the Office of General Counsel, paid for by JEA in a prompt and current manner as provided in Section 111.07, Florida Statutes, as necessary if Employee is a defendant participant in a lawsuit against the JEA for actions that occurred during period of employment with JEA, excepting where a court has adjudicated Employee as having committed intentional tort or torts.
- 4.6 **Indemnification.** Pursuant to Section 768.28(9)(a), Florida Statutes, Employee is not personally liable in any action for any injury or damage suffered as a result of any act, event, or omission of action in the scope of her or his employment or function. JEA hereby agrees to indemnify, defend and hold Employee harmless from any and all claims arising out of the exercise of Employee's duties and responsibilities to JEA with respect to acts entitled to indemnification pursuant to Section 768.28(9)(a), Florida Statutes. Employee shall be entitled to the benefits and protections of this Section 4.6 notwithstanding (i) any provision in this Agreement to the contrary, (ii) termination of Employee for cause (unless such claim for indemnification arises out of the same facts giving rise to the termination for cause) or without cause, or (iii) the termination of this Agreement.
- 4.7 **Authority.** The person executing and delivering this Agreement on behalf of JEA is an authorized officer, director or agent of JEA with full power and authority to bind JEA. Upon execution and delivery of this Agreement by JEA, this Agreement shall constitute the legal, valid and binding obligation of JEA.
- 4.8 **Entire Agreement.** This Agreement constitutes the entire agreement between the parties with respect to the subject matter hereof. This Agreement supersedes all prior agreements and understandings, both oral and written, between the parties with respect to the subject matter of this Agreement.

SIGNATURES APPEAR ON THE FOLLOWING PAGE

IN WITNESS WHEREOF, the parties hereto have duly executed this Employment Agreement on the day and year above first written.

ATTEST:

JEA

G. Alan Howard, Chairman

Date: _____

WITNESSES:

Melissa H. Dykes, Employee

Date: _____

I hereby certify that the expenditure contemplated by the foregoing Agreement has been duly authorized, and provision has been made for the payment of the moneys provided therein to be paid in respect of Fiscal Year 2017/2018.

Ryan Wannemaker, Interim Chief Financial

Officer
Approved:

Jody Brooks, Chief Legal Officer



JEA
Building Community
AGENDA ITEM SUMMARY

May 11, 2018

SUBJECT:	EXECUTIVE SEARCH FIRM SELECTION
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Purpose:	<input type="checkbox"/> Information Only	<input checked="" type="checkbox"/> Action Required	<input type="checkbox"/> Advice/Direction
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Issue: An executive search firm should be engaged to assist the JEA Board of Directors in the process of recruiting and selecting a CEO.

Significance: N/A

Effect: The procurement and selection of an executive search firm will provide the JEA Board of Directors a wide network of prospective candidates.

Cost or Benefit: TBD – The cost of services could range from \$80K up to 30% of the selected CEO's first year's compensation (plus expenses).

Recommended Board action: It is recommended that the Compensation Committee select and approve a firm from the list of the three finalists.

For additional information, contact: Angelia Hiers (904) 665-4747

Submitted by: AFZ/ALH



MISSION
Energizing our community through high-value energy and water solutions.

VISION
JEA is a premier service provider, valued asset and vital partner in advancing our community.

VALUES
• Safety
• Service
• Growth²
• Accountability
• Integrity

Commitments to Action

- 1 Earn Customer Loyalty**
- 2 Deliver Business Excellence**
- 3 Develop an Unbeatable Team**