

From: "Vinyard, Herschel T. - Chief Administrative Officer" <vinyht@jea.com>

Sent: Tuesday, November 5, 2019, 8:13 AM

To: "Rhode, Lynne C. (City of Jacksonville)" <rhodlc@jea.com>

Subject: Fwd: PUP Meeting

Attachments: Additional Questions and Inital Concerns on the PUP.docx; ATT00001.htm

Begin forwarded message:

From: "Reber, Heather" <HReber@coj.net>
Date: October 31, 2019 at 3:12:47 PM EDT
To: "wannrf@jea.com" <wannrf@jea.com>, "Hall, Sherry" <HallSL2@jea.com>, "vinyht@jea.com" <vinyht@jea.com>
Cc: "Billy, Kyle" <KBilly@coj.net>, "Taylor, Kim" <KTAYLOR@coj.net>, "Peterson, Phillip" <PhillipP@coj.net>, "Rodda, Jeffrey" <JRodda@coj.net>, "Parks, Brian" <BParks@coj.net>
Subject: PUP Meeting

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Ryan, Sherry and Herschel,

Thank you all for coming over to meet with us today to discuss the Performance Unit Plan. Attached are our additional questions. Also included on the attachment are our initial concerns regarding the Performance Unit Plan.

Thank you,
Heather Reber, C.P.A.
Council Auditor's Office
P: 255-5486

JEA0207

Council Auditor's Office
Questions and Concerns on the Performance Unit Plan

Additional Questions:

1. Please provide updated copies of the Plan and Agreement.
2. Please provide a legal opinion from the Office of General Counsel on whether the Performance Unit Plan only requires the approval of the JEA Board and does not require City Council approval.
3. Please provide a legal opinion from the Office of General Counsel on whether the Performance Unit Plan is required to be collectively bargained. If not, what distinguishes the PUP from other compensation or benefits?
4. Please provide what constitutes the 2018 "Cost to be recovered from future revenues" amount of \$808,096,000 on page 15 of the audited financial statements.
5. Have any exceptions to what is considered an eligible employee been recommended by the CEO and approved by the Administrator? If so, who and what is the reason for the exception?
6. Please provide the Towers Watson study and any materials the compensation committee reviewed which lead to the approval of the Performance Unit Plan.
7. Please provide the updated three year forecast that was mentioned in the meeting.
8. Please provide documentation regarding Florida Statute Section 215.425(3) on whether or not it applies to the plan. If it does, have the requirements been met?
9. Please provide your calculation of the cost estimates for the Performance Unit Plan.
10. How will the revenue (i.e. the \$10 from the employee) and the expense (the payout after performance period) be reflected in the financial statements and impact net position?
11. Once determined, please provide the allocation approved by the Administrator on how many units can be purchased by an employee.
12. On Schedule A of the Plan, what is the intent of the last paragraph? (regarding payment in a form other than cash)
13. Does an increase or decrease in the fuel rate/fuel revenues impact the value of a Performance Unit? Do additions or withdrawals from the fuel rate stabilization fund impact the value of a Performance Unit?
14. Does an increase or decrease in other rates charged by JEA (i.e. environmental charge, conservation etc.) impact the value of a Performance Unit?
15. During the meeting you had mentioned that you would look into the following:
 - a. Will the "In-kind" contributions be included in any of the redemption price schedule calculations?
 - b. What is the reason for including a provision that would have JEA pay any excise tax, interest or penalties for employees?
 - c. What will happen to forfeited Performance Units?
 - d. What happens if the OGC attorneys that are currently dedicated to JEA are reassigned?

Council Auditor's Office
Questions and Concerns on the Performance Unit Plan

Concerns:

1. There is no cap to the value of a Performance Unit.
2. The value of a Performance Unit can be significantly impacted by a recapitalization event, base rate changes, accounting changes, etc., which are generally not tied to employee performance.
3. There is no prohibition in the Plan to selling Performance Units after an award has been made for a recapitalization event and the value of JEA and the Performance Unit is known.
4. The Administrator has the ability to delegate all or any responsibilities to any member of JEA's senior executive management.
5. Exceptions to eligible employees are currently unlimited because the CEO can recommend and the Administrator can approve participants that are not employees. We understand that you were going to look into this further to clarify the intent.
6. The CFO who is eligible to participate in the Plan is the one who is solely responsible for calculating the Redemption Price. We understand that you were going to possibly have the external auditors verify the calculation.
7. The Performance Period is tied to a timeframe that is different from the period by which performance would be measured.
8. Select Office of General Counsel employees are allowed to participate in the Plan.