



MEMORANDUM

Date:	December 2, 2019
To:	Council Member Ronald B. Salem
From:	Kyle S. Billy, Council Auditor
Subject:	JEA Pay for Performance Plan

At the Finance Committee meeting on November 19, 2019 when discussing JEA's Performance Unit Plan (PUPs), you asked for the details of JEA's short-term incentive program, known as the Pay for Performance Plan.

The JEA Pay for Performance Plan ("Plan") is available to all active, full-time, part-time or temporary JEA employees. Per JEA, the Plan is designed to provide a competitive level of total compensation to eligible participants. Participants are provided with an award opportunity on a Corporate Performance Component (all employees) and an Individual Performance Component (appointed employees only). JEA's Senior Leadership Team is responsible for establishing both Performance Measures and Performance Goals for the Plan year (JEA fiscal year) as it relates to the Corporate Performance Component (does not meet, meets, or exceeds). The Individual Performance Component is determined by a participant's performance throughout the Plan year and the performance ranking they receive in their annual evaluation (does not meet, meets, or exceeds). The awards are paid out on an annual basis following the approval by the JEA Board of Directors after confirming that JEA has attained or exceeded the performance goals defined and is financially able to issue payment for such attainment of goals. The dollar values of the awards are based on employment status –

- Union employees – flat amounts for all employees
- Appointed/Managerial Employees –based on employee pay grade
- Senior Leadership Team – percent of salary (0% - 12%)

JEA's annual payouts for the Plan for the most recent three years are as follows:

- FY 2019 anticipated – \$4,967,541
- FY 2018 – \$3,680,000
- FY 2017 – \$4,734,106

A copy of the JEA Pay for Performance Plan Summary is attached to this memo.

If you have additional questions, please contact me.

cc: All City Council Members
Sherry Hall, JEA



JEA Pay for Performance Plan Summary

1. PURPOSE AND SCOPE

1.1 **Establishment.** JEA first established a Pay for Performance Plan (“the Plan”) in 1990. This Plan document serves to update JEA’s prior Pay for Performance Program. The Plan supports JEA’s compensation philosophy to drive the ability to attract, retain, and reward a highly technical and specialized workforce while ensuring compensation is: internally equitable; externally competitive and appropriate for the market JEA operates within; driven by excellence in performance and safety; and delivered based on the company’s financial ability to pay.

On December 12, 2017, the JEA Board of Directors approved the affirmation of the JEA Managing Director/Chief Executive Officer’s (CEO) authority to establish total compensation for JEA, in accordance with JEA Board Policy 2.7.3.

1.2 **Purpose.** The purpose of the Plan is to focus employees and managers on key corporate measures and objectives, as well as to push the organization towards a continuous improvement culture with resulting operational excellence. The Plan serves to maximize each of JEA’s corporate measures of value (Customer Value, Financial Value, Environmental Value, and Community Impact Value), both now and in the future.

The Plan is designed to provide a competitive level of total compensation to eligible participants (each, a “Participant”). Participants may be eligible for one or both components of the Plan depending on job classification and job status (further defined in “Participation”).

1.2.1 **Corporate Performance Component.** The Corporate Performance Component is designed to provide Participants with an award opportunity based on successful achievement of established customer, financial, environmental, and community impact goals, on an annual basis.

1.2.2 **Individual Performance Component.** The Individual Performance Component is designed to provide Participants with an award opportunity based on their individual performance through the Plan year (as defined by their Performance Ranking).

2. DEFINITION

Wherever used herein, the following terms have the meanings set forth below, unless a different meaning is clearly required by the context:

- 2.1 “Beneficiary” means the Participant’s surviving spouse, unless the Participant designates one or more persons or entities to be the Participant’s Beneficiary. The Participant may make, change, or revoke a Beneficiary designation at any time before his or her death without the consent of the Participant’s spouse or anyone the Participant previously named as a Beneficiary, and the Participant may designate primary and secondary Beneficiaries. A Beneficiary designation must comply with procedures established by the Plan Administrator (as defined below) and must be received by the Plan Administrator before the Participant’s death. If the Participant dies without a valid beneficiary designation (as determined by the Plan Administrator) and has no surviving spouse, the Plan award will be forfeited.
- 2.2 “Corporate Performance Award” means the amount awarded to a participant under the Corporate Performance Component.
- 2.3 “Fiscal Year” means JEA’s fiscal year between October 1 and September 30.
- 2.4 “Individual Performance Award” means the amount awarded to a participant under the Individual Performance Component.
- 2.5 “Pay for Performance Incentive Opportunity” means the aggregate award opportunity under both the Corporate Performance Component and Individual Performance Component.
- 2.6 “Performance Goals” means the strategic goals established for each Performance Measure used to determine awards under the Corporate Performance Component. See Appendix A for details.
- 2.7 “Performance Measures” means the specific metrics used to measure performance under the Corporate Performance Component.
- 2.8 “Plan Year” means JEA’s fiscal year between October 1 and September 30 whereby the Pay for Performance Plan is administered.
- 2.9 “Senior Leadership Team” means JEA’s executive team employees.

3. PARTICIPATION

JEA’s VP & Chief Human Resources Officer, or his or her designee(s) (collectively, the “Authorized Parties”), shall have the ultimate authority as it relates to determining eligibility for Participants in the Plan. Each Participant eligible for participation shall be enrolled in the Corporate Performance Component. Each Participant with Appointed status that is eligible for participation shall be enrolled in the Individual Performance Component in addition to the Corporate Performance Component.

3.1 **Eligibility.** Eligibility based on the Plan guidelines does not entitle the Participant to receive an award under the Plan. A Participant’s eligibility and participation in one year does not guarantee eligibility or participation for any subsequent year. Eligibility Criteria is defined as the following:

- 3.1.1 An active, full-time or part-time JEA employee or JEA temporary is eligible.

- 3.1.2 An employee who retired in good standing during the Plan Year is eligible.
- 3.1.3 An employee hired on or after July 1 of the Plan Year will not be eligible for the Plan.
- 3.1.4 An employee on disciplinary action or a Management Support Program that was issued during the Plan Year will not be eligible for the Plan.
- 3.1.5 An employee who resigns or is terminated prior to the Plan payout will forfeit their Plan Award.
- 3.1.6 Contractors, third-party temporaries, interns, and co-ops are not eligible for the Plan.
- 3.1.7 An employee must have an acceptable performance evaluation as defined below:
 - Civil Service: Meets Standards or higher on most recent evaluation.
 - PEA: At least a 70 on the Evaluation Total Score for the Plan Year.
 - Appointed: Development Needed or higher rating to be eligible for the Individual Performance Component of the payout and not on a Management Support Program.
 - M&C: No disciplinary action during the Plan Year.

3.2 **Proration.** Awards may be prorated if the following applies to the Participant:

- 3.2.1 An eligible employee who retired during the Plan Year will be prorated based on the number of pay periods actively employed with JEA.
- 3.2.2 An eligible employee hired on or after October 1 of the Plan Year will be eligible for a prorated award based on the number of pay periods actively employed with JEA.
- 3.2.3 An eligible employee who experiences a change in pay grade during the Plan Year resulting in a different Pay for Performance Incentive Opportunity will be eligible for a prorated award based on the number of pay periods actively employed by JEA in each pay grade.

3.3 **Death.** If a Participant dies during the Plan Year and a payout is scheduled, a prorated payment will be calculated and provided to the employee's Beneficiary. The payment provided will be accompanied by a letter from the Managing Director/CEO. If the deceased employee does not have a named Beneficiary, the payment will be forfeited.

3.4 **Handled by Exception.** Eligibility for employees who are on leave of absence, including Family Medical Leave ("FML"), leave without pay for illness, military leave, or extended leave without pay, will be determined by an Authorized Party in accordance with applicable rules and regulations.

4. PERFORMANCE MEASURES AND GOALS

JEA's Senior Leadership Team establishes both Performance Measures and Performance Goals at the beginning of each Plan Year. Performance Measures focus primarily on the achievement of JEA's short-term financial and/or operational goals, and Performance Goals are established for each Performance Measure. Performance Measures and Performance Goals cover the one-year period of the Plan Year. Established Performance Measures will fall into one of JEA's four measures of value:

Customer Value, Financial Value, Community Impact Value, and Environmental Value. Established Performance Measures and their associated Performance Goals for the current Plan Year can be found in Appendix A.

5. INCENTIVE OPPORTUNITY.

The Pay for Performance Incentive Opportunity is a component of an individual's Total Compensation. The Pay for Performance Incentive Opportunity gives each employee a stake in the company's success based on the level of the individual's contribution.

5.1 **Corporate Performance Award.** The Corporate Performance Award will be determined by JEA's results relative to the stated Performance Goals. All Participants are provided an award opportunity based on their position status and pay grade.

5.2 **Individual Performance Award.** The Individual Performance Award will be determined by a Participant's performance through the Plan Year and the Performance Ranking they receive. Appointed Participants are provided an award opportunity based on their pay grade.

6. PAYMENT OF AWARDS

Upon completion of the Fiscal Year and final determination of annual metrics and individual performance, each award shall be calculated per the Eligibility criteria. JEA Internal Audit will verify eligibility and award amounts. The Managing Director/CEO will approve the final awards and payment. The awards will be paid following an approval by the Managing Director/CEO and a communication of the final achievement of Corporate Metrics. The awards will be paid as follows:

6.1 **Corporate Performance Component.** Except in the case of death, Corporate Performance Awards will be paid in a lump sum within three (3) months of the end of the Plan Year.

6.2 **Individual Performance Component.** Except in the case of death, Individual Performance Awards will be paid in a lump sum within three (3) months of the end of the Plan Year.

7. PLAN ADMINISTRATION

7.1 **Authority of Plan Administrator.** The plan shall be administered by the VP & Chief Human Resources Officer or their designee (the "Plan Administrator") unless otherwise delegated by the Managing Director/CEO. Subject to the express provisions of the Plan, the Plan Administrator shall have the power, authority, and sole and exclusive discretion to construe, interpret, and administer the Plan, including without limitation the power and authority to make factual determinations relating to, and correct mistakes in, awards and to take such other action

in the administration and operation of the Plan as the Plan Administrator deems appropriate under the circumstances, including but not limited to the following:

- 7.1.1 The Plan Administrator may from time to time, prescribe forms and procedures for carrying out the purposes and provisions of the plan;
- 7.1.2 The Plan Administrator shall have the authority to prescribe the terms of any communications made under the Plan and to interpret and construe the Plan, any rules and regulations under the Plan, and the terms and conditions of any award, and answer all questions arising under the Plan, including questions on the proper construction and interpretation of the plan;
- 7.1.3 The Plan Administrator may obtain from each Participant such agreements and powers and designations of Beneficiaries as the Plan Administrator shall reasonably deem necessary for the administration of the plan; and
- 7.1.4 To the extent permitted by law, the Plan Administrator may at any time delegate such powers and duties to one or more other executives or managers, whether ministerial or discretionary, as the Plan Administrator may deem appropriate, including but not limited to authorizing the Plan Administrator's delegate to execute documents on the Plan Administrators behalf.

7.2 ***Determinations by Plan Administrator.*** All decisions, determinations, and interpretations by the Plan Administrator regarding the Plan, any rules and regulations under the Plan, and the terms and conditions of or operation of any Plan award shall be final and binding on all Participants, Beneficiaries, heirs, assigns, or other persons holding or claiming rights under the Plan or any award.

8. AMENDMENT OR TERMINATION OF THE PLAN

In accordance with JEA Board Policy 2.7, the Managing Director/CEO has the authority to establish total compensation at JEA that includes aligning incentives to drive JEA's corporate measures of value. The Managing Director/CEO may at any time amend or terminate the Plan without the consent of any Participant, Beneficiary, or other person, with or without advanced notice to Participants. JEA and the Plan Administrator, after such amendment or termination, shall continue to have full administrative powers to take any and all action contemplated by the Plan, which is necessary or desirable, and to make payment of any outstanding awards earned by Participants in accordance with terms of the plan.

9. GENERAL PROVISIONS

9.1 ***JE A Compensation Plan.*** Approvals regarding awards granted under the Plan for each Participant, and the amount of actual awards, will be made in accordance with the JEA Compensation Plan and the delegations thereunder.

9.2 **Non-Transferability of Rights and Interests.** Neither a Participant nor a Beneficiary may alienate, assign, transfer, or otherwise encumber his or her rights and interests under the Plan, nor may such interest or right to receive a distribution be taken, either voluntarily or involuntarily, for the satisfaction of the debts of, or other obligations or claims against, such person, and any attempt to do so shall be null and void.

9.3 **Severability.** In the event that any provision or portion of the Plan shall be determined to be invalid or unenforceable for any reason, the remaining provisions and portions of the Plan shall be unaffected thereby and shall remain in full force and effect to the fullest extent permitted by law.

9.4 **Limitation of Rights.** Nothing in the Plan shall be construed to give any employee any right to be selected as a Participant or to receive an award other than as is provided in this document. Nothing in the Plan or award issued pursuant to the Plan shall be construed to limit in any way the right of JEA to terminate a Participant's employment at any time, without regard to the effect of such termination on any rights such Participant would otherwise have under the Plan, or give any right to a Participant to remain employed by JEA in any particular position or capacity or at any particular rate of remuneration. During the lifetime of the Participant, only the Participant (or the Participant's legal representative) may exercise the rights and receive the benefits of any award.

9.5 **Titles.** The titles of the articles and sections herein are included for convenience of reference only and shall not be construed as part of the Plan or have any effect upon the meaning of the provisions hereof. Unless the context requires otherwise, the singular shall include the plural and the masculine shall include the feminine. Words such as "herein," "hereafter," "hereof," and "hereunder" shall refer to this instrument as a whole and not merely to the subdivision in which such words appear.

9.6 **Authorized Representatives.** Whenever JEA under the terms of the Plan is permitted or required to do or to perform any act or matter or thing, it shall be done and performed by a duly authorized representative of JEA.

9.7 **Tax and Benefit Implications.** Payouts under the Plan are taxed as ordinary income for Federal and/or State tax purposes and will be reported in the year in which the payout is payable. Payouts will not be considered compensation for the purposes of pension, life and disability or any other benefit plan sponsored by the company. JEA is authorized to withhold from any Award taxes due or potentially payable in connection with any transactions involving the Plan. JEA may take any other actions JEA may deem advisable to allow JEA to satisfy obligations for the payment of withholding taxes and other tax obligations related to any Award.

IN WITNESS WHEREOF, this document has been executed as of [DATE]

JEA

By: _____

Aaron Zahn, Managing Director/CEO

Origination Date: October 15, 2013

Revision History:

January 4, 2016

March 20, 2017

December 12, 2017

[date]

Appendix A: Pay for Performance Program Targets



Corporate Metrics Dashboard

As of February 28, 2019

Metrics for FY19 Goals	2012 Actual	2013 Actual	2014 Actual	2015 Actual	2016 Actual	2017 Actual	2018 Actual
Customer Value							
JDP Customer Satisfaction Index - Residential	4th Quartile	3rd Quartile	3rd Quartile	1st Quartile	2nd Quartile	1st Quartile	2nd Quartile
JDP Customer Satisfaction Index - Business	4th Quartile	4th Quartile	1st Decile				
Customer Response Time (min.): W/WW System	70	69	67	69	67	68	76
Overall First Contact Resolution	N/A	N/A	78.5%	80.9%	79.4%	79.4%	79.0%
Estimated Time of Restoration Accuracy	-	-	88%	85%	89%	82%	80%
Grid Performance: Frequency (outages/year)	2.4	1.7	1.7	1.7	1.4	1.6	1.4
Grid Performance: Outage Duration (minutes/year)	84	68	71	99	71	99.5	67
Grid Performance: CEMIS (% cust. > 5 outages/year)	n/a	n/a	2.34	2.10	1.40	1.07	0.40
Water Unplanned Outages (% cust.)	2%	1%	1%	2%	4%	1%	5%
Water Distribution System Pressure (avg min < 30 psi)	34.9	20.0	2.1	2.8	2.1	3.7	1.8
Financial Value							
Net Write-Offs	0.19%	0.15%	0.15%	0.16%	0.14%	0.14%	0.13%
Generation Fleet Reliability (forced outages rate)	0.7%	1.6%	3.0%	1.8%	2.0%	2.2%	2.1%
Percent of Net O&M Budget	92%	90%	88%	93%	93%	93%	93%
Cost Reduction Metric (\$000)	n/a	n/a	n/a	n/a	\$25,156	\$10,087	\$10,495
Community Impact Value							
Capital Invested (\$000)	\$273,774	\$234,718	\$158,392	\$204,708	\$298,045	\$307,918	\$374,456
Safety (RIR)	1.48	1.84	2.38	1.65	1.82	2.10	1.48
JEA Volunteers	237 Activities	465 Activities	670 Activities	753 Activities	985 Activities	913 Activities	1,050 Activities
JSEB Spend (\$000)	\$9,168	\$10,121	\$7,302	\$9,318	\$9,983	\$13,365	\$15,760
Environmental Value							
Electric System Environmental Compliance (permit exceedances)	5	4	3	2	4	6	2
Consumptive Use Permit Compliance	Yes						
Nitrogen to the River (tons)	650	767	579	553	527	558	550
Sanitary Sewer Overflows (SSO's) (per 100 miles of pipe)	0.62	0.60	0.74	0.56	0.66	1.16	0.68

FY 2019 Pay for Performance Targets

	2019 YTD	2019 Goal—Meets	2019 Goal—Exceeds
	1st Quartile	1st Quartile	Top Decile
	3rd Quartile	Top Decile	Top Five Overall
	66	61-76 Minutes	60 Minutes or Less
	80.1%	80%	>80%
	88%	80%	>80%
	1.14	1.6-1.8	<1.6
	51	75-80	<75
	0.09	0.8-1.0	<0.8
	0.44%	1.9-2.1%	<1.9%
	0.34	2-3	<2
	0.14%	0.15-17%	<0.15%
	3.9%	2-2.2%	<2%
	99%	95-97.5%	<95%
	\$6,753	\$9,000-11,000	>\$11,000
	\$161,726	\$437,774 – \$574,578	\$437,774 – \$574,578
	1.48	1.2-1.4	<1.2
	2,660 Hours	4500-4800 Hours	>4800 Hours
	\$7,234	\$13-15M	>\$15M
	0	4.00	<4
	Yes	Yes	Yes
	194	566-616	<566
	0.36	0.77-0.92	<0.76