

FOR CONSIDERATION

October 24, 2018

TO: The Board of Trustees

FROM: Thomas Falcone

SUBJECT: Approval of the Annual Report to the Board on the Staffing and Employment Policy

Requested Action

The Board of Trustees of the Long Island Power Authority (the “Board”) is requested to adopt a resolution: (i) finding that the Long Island Power Authority and its subsidiary, LIPA (collectively the “Authority” or “LIPA”) has complied with the Board Policy on Staffing and Employment (the “Policy”); (ii) approving the annual report for the Policy, and (iii) approving certain amendments to the Policy, which resolution is attached hereto as **Exhibit “A”**.

Background - Board Policy on Staffing and Employment

By Resolution No. 1338, dated January 25, 2017, the Board adopted the Policy with the purpose of fostering a work environment that attracts and retains the experienced professionals of diverse talents and backgrounds and promotes an ethical and productive organization.

Compliance with the Policy

Staff recommends that, for the reasons set forth below, the Board find that the Authority has complied with the objectives of the Policy for the period since the last annual report.

The Policy requires the Board of Trustees: 1. Appoint and, when necessary, discharge the Chief Executive Officer; 2. Evaluate the performance of and determine the compensation of the Chief Executive Officer; and 3. With the advice of the Chief Executive Officer, appoint the other Board-appointed Officers specified in the Authority’s By-laws.

- The Board appointed Thomas Falcone as Chief Executive Officer in March 2016;
- The Board completed the annual performance evaluation of the Chief Executive Officer for 2017 by comparing the Authority’s performance to the policies established by the Board and additionally to any annual individual performance goals established by the Trustees and communicated to the Chief Executive Officer in advance, in writing or transcript; and
- The Board appointed Anna Chacko as General Counsel in July 2018.

Furthermore, the Policy “authorizes and directs the Chief Executive Officer to”:

“Manage the organization and staffing of the Authority, including hiring and terminating staff as necessary to enable the Authority to achieve its mission and values.”

- The Chief Executive Officer has hired the staff necessary for the Authority to execute its goals and mission and consistent with the staffing plan reported to the Board in March 2018.

The Policy directs the Chief Executive Officer to “develop and implement human resource practices, programs, training, and initiatives that are consistent with this Policy, meet or exceed relevant laws and regulations, and ensure an ethical, safe, and discrimination/harassment free work environment, including: (a) An Employee Handbook that provides guidance to employees regarding their rights, benefits, and responsibilities and that addresses: (i) diversity and equal employment opportunity; (ii) the Americans with Disabilities Act and reasonable accommodations; (iii) intolerance for workplace bullying and harassment; (iv) domestic violence and prevention of violence in the workplace; (v) timekeeping practices; (vi) vacation, sick and other leave time benefits; (vii) leaves of absence, including family and medical leave; (viii) internal transfers and promotions; and (ix) reasonable travel and expense reimbursement. (b) An Employee Code of Ethics and Conduct, including annual acknowledgement of receipt and compliance by each employee.”

- The Employee Handbook (the “Handbook”) was reviewed and revised in 2018 and includes all the policies listed above, comports with all applicable law, and incorporates human resources best practices and policies.
- The Handbook is a dynamic document and is updated as necessary and appropriate to reflect changes in state or federal law, enhancements in LIPA’s processes or practices, or to incorporate best practices.
- An Employee Code of Ethics and Conduct is maintained, provided to all new employees, and is posted on the LIPA Intranet for easy access and reference for all employees. Upon hire, new employees are required to acknowledge receipt of the Employee Code of Ethics and Conduct and to certify their compliance. All employees are required to certify their compliance with the Code of Ethics and Conduct each year.

The Policy directs the Chief Executive Officer to “establish and administer compensation practices and benefits for the Authority’s officers and employees that are sufficient but not excessive to attract and retain a qualified, experienced workforce; are appropriate based on an individual’s knowledge, skill, and contribution; motivate and reward individual accountability and performance; and encourage organizational flexibility and responsiveness to the Authority’s mission and values. Such practices are informed by: (a) compensation and benefits of employees with similar skills at utilities of similar size and complexity; (b) an appropriate balance of compensation practices among public and private organizations; (c) industry and regional cost-of-living trends; and (d) individual employee performance and contribution.”

- A new Performance Evaluation program was introduced in early 2018 for 2017 performance reviews. This new evaluation tool established individualized evaluations based on an employee’s essential job functions, the competencies and behaviors related to their role and their performance against established goals.
- A annual salary benchmarking analysis was completed for all LIPA positions using industry data with appropriate adjustments for differences in regional cost-of-living.
- Salaries are based on the salary benchmarking analysis and reflect individual performance.

The Policy directs the Chief Executive Officer to “establish and communicate an administrative procedure that allows employees to appeal in writing to the Director of Human Resources any compensation decision resulting from a performance evaluation.”

- A Performance Evaluation Appeal Policy and Process is included in the Handbook.

The Policy directs the Chief Executive Office to “refrain from establishing or implying employment obligations to individuals of longer than one year or providing compensation to the Authority’s officers or employees that exceeds the level of the Chief Executive Officer without Board approval.”

- All LIPA employees are at-will employees and no LIPA employee’s compensation exceeds that of the Chief Executive Officer.

The Policy directs the Chief Executive Officer to “establish policies and programs that support and encourage the personal and professional development of Authority staff, including: (a) programs for continuing education, tuition reimbursement, and professional development; (b) management and leadership training; and (c) utility and public power learning opportunities.

- The Handbook contains the following policies that support and encourage professional development and utility and public power learning opportunities: (i) Employee Training and Development; (ii) Group Training and Webinars; (iii) Industry Conferences, Webinars and Training Materials; (iv) Reimbursement of Professional/Technical Certifications and Licenses; (v) Payment/Reimbursement of Professional Memberships; (vi) Educational Assistance; (vii) Graduate School Sponsorship Program; and (viii) Personal Development Program
- A robust training and development program was designed for 2018 and 2019 to provide employees with in-house management training seminars and programs, including such topics as Management Essentials, The Art of Giving Feedback, Managing Unconscious Bias, Engaging Your Employees For Success, Diversity and Inclusion, Reinforcing a Culture of Respect, Ethics and Values in the Workplace, and others.

The Policy directs the Chief Executive Officer to “report annually to the Board of Trustees on the staffing of the Authority pursuant to the requirement of the LIPA Reform Act that staffing be kept at the minimum level necessary to ensure that the Authority is able to meet its obligations with respect to its bonds and notes and all applicable statutes and contracts and oversee the activities of the Authority’s service provider.”

- The Annual Overview of LIPA Staffing Levels was provided to the Personnel and Compensation Committee in March 2018. Staff reported that LIPA’s staffing levels were appropriate to meet our obligations and execute the Authority’s mission.

Proposed Changes to the Board Policy

The Board Policy has been revised as follows:

- The Policy now incorporates the staffing, development, retention and succession of the Authority’s staff, combining the Board Policy on Staffing and Employment with the Board Policy on Development, Retention and Succession, as set forth on **Exhibit “B”**.
- A revised Board policy titled “Governance and Agenda Planning” has been prepared for the Board’s consideration and approval and includes objectives regarding the skills, development and retention of Trustees.

Recommendation

Based upon the foregoing, I recommend approval of the above requested action by adoption of a resolution in the form attached hereto.

Attachments

Exhibit “A” Resolution

Exhibit “B” Staffing and Employment Policy (clean)

Exhibit “C” Presentation to the Board on the Staffing and Employment Policy

Exhibit A

RESOLUTION APPROVING THE REPORT TO THE BOARD OF TRUSTEES ON THE STAFFING AND EMPLOYMENT POLICY

WHEREAS, the Staffing and Employment Policy (the “Policy”) was originally approved by the Board of Trustees by Resolution No. 1338, dated January 25, 2017; and

WHEREAS, the Board has received the annual Staff report on compliance with the Policy; and

WHEREAS, the Board has reviewed the Policy and affirms that changes to the Policy are required.

NOW, THEREFORE, BE IT RESOLVED, that consistent with the accompanying memorandum, the Board hereby finds that the Authority has complied with the Policy for the period since the adoption of the Policy, approves the annual report to the Board, and approves the updates to the Policy.

Dated: October 24, 2018



Board Policy: **Staffing and Employment**

Policy Type: **Operating Policy**

Monitored by: **Governance, Planning and Personnel Committee**

Board Resolution: **#1338, approved January 25, 2017**
#[XXX], amended October 24, 2018

Board Policy on Staffing and Employment

It is the policy of the Long Island Power Authority to foster a work environment that attracts and retains experienced professionals of diverse talents and backgrounds and promote an ethical and productive organization. In furtherance of these goals, the Board of Trustees:

- Appoints and, if necessary, discharges the Chief Executive Officer;
- Evaluates the performance of and determines the compensation of the Chief Executive Officer¹;
- With the advice of the Chief Executive Officer, appoints the other Board-appointed Officers specified in the Authority's By-laws².

Furthermore, the Board of Trustees authorizes and directs the Chief Executive Officer to:

- Manage the organization and staffing of the Authority, including hiring and terminating staff as necessary to enable the Authority to achieve its mission and values, while recognizing that diversity of talent, interests, background and experience is a key attribute to a healthy organization;
- Maintain staffing at the minimum level necessary to ensure that the Authority is able to meet its obligations with respect to its bonds and notes and all applicable statutes and contracts and oversee the activities of the Authority's service provider;
- Develop and implement human resource practices, programs, training, and initiatives that are consistent with this Policy, meet or exceed relevant laws and regulations, and ensure an ethical, safe, and discrimination/harassment free work environment, including:
 - a. an Employee Handbook that provides guidance to employees regarding their rights, benefits, and responsibilities and that addresses:
 - diversity and equal employment opportunity;
 - the Americans with Disabilities Act and reasonable accommodations;

¹ The Chief Executive Officer's performance is evaluated by comparing the Authority's performance to the policies established by the Board and additionally to any annual individual performance goals established by the Trustees and communicated to the Chief Executive Officer in advance, in writing or transcript.

² Pursuant to the Authority's By-laws, the Board-appointed Officers include the Chief Executive Officer, the Chief Financial Officer, and the General Counsel. The Chief Executive Officer may appoint such other Officers as he or she may from time to time deem necessary or desirable.

- intolerance for workplace bullying and harassment;
 - domestic violence and prevention of violence in the workplace;
 - timekeeping practices;
 - vacation, sick and other leave time benefits;
 - leaves of absence, including family and medical leave;
 - internal transfers and promotions;
 - reasonable travel and expense reimbursement;
- b. an Employee Code of Ethics and Conduct, including annual acknowledgement of receipt and compliance by each employee.
- Establish and administer compensation practices and benefits for the Authority's staff that are sufficient but not excessive to attract and retain a qualified, experienced workforce; are appropriate based on an individual's knowledge, skill, and contribution; motivate and reward individual accountability and performance; and encourage organizational flexibility and responsiveness to the Authority's mission and values. Such practices are informed by:
 - compensation and benefits of employees with similar skills at utilities of similar size and complexity;
 - an appropriate balance of compensation practices among public and private organizations;
 - industry and regional cost-of-living trends;
 - individual employee performance and contribution; and
 - a process that permits an employee to appeal in writing any compensation decision resulting from a performance evaluation.
 - Refrain from establishing or implying employment obligations to individuals of longer than one year or providing compensation that exceeds the level of the Chief Executive Officer without Board approval.
 - Establish policies and programs that support and encourage the personal and professional development of employees, including:
 - programs for continuing education, tuition reimbursement, and professional development;
 - core skills continuing education;
 - performance appraisal and enhancement;
 - management and leadership training; and
 - utility and public power industry learning.
 - Maintain a succession plan to address the inevitable turn-over of executives and staff with the least possible interruption to the operations of the Authority.

The Chief Executive Officer will report annually to the Governance, Planning and Personnel Committee on compliance with the key provisions of the Staffing and Employment Policy.



Staffing and Employment Policy: Annual Report to the Board of Trustees

October 24, 2018



Board Policy on Staffing and Employment



- Approved by the Board of Trustees on January 25, 2017
- It is the policy of the Long Island Power Authority to foster a work environment that attracts and retains **experienced professionals of diverse talents and backgrounds** and promotes an **ethical and productive organization**, while complying with applicable laws
- This policy establishes the Board's expectations regarding what must be done to implement this objective

Board Expectations for Implementing Policy

The Policy requires the Board of Trustees to:

Appoint and, when necessary, discharges the Chief Executive Officer; evaluate the performance of and determine the compensation of the Chief Executive Officer; and with the advice of the Chief Executive Officer, appoint the other Board-appointed Officers specified in the Authority's By-laws.

- CEO appointed March 2016
- CEO Performance Evaluation completed annually
- General Counsel appointed July 2018

Board Expectations for Implementing Policy Continued...

The Policy requires the Chief Executive to:

Manage the organization and staffing of the Authority, including hiring and terminating staff as necessary to enable the Authority to achieve its mission and values

- The Chief Executive Officer has hired the staff necessary for the Authority to execute its goals and mission and consistent with the staffing plan reported to the Board in March 2018

Develop and implement human resource practices, programs, training, and initiatives that are consistent with this Policy, meet or exceed relevant laws and regulations, and ensure an ethical, safe, and discrimination/harassment free work environment

- LIPA Employee Handbook provides guidance to employees regarding their rights, benefits, and responsibilities and addresses the requirements of this policy
- An Employee Code of Ethics and Conduct, including annual acknowledgement of receipt and compliance by each employee

Board Expectations for Implementing Policy Continued...

Establish and administer compensation practices and benefits for the Authority's officers and employees that are sufficient but not excessive to attract and retain a qualified, experienced workforce; are appropriate based on an individual's knowledge, skill, and contribution; motivate and reward individual accountability and performance; and encourage organizational flexibility and responsiveness to the Authority's mission and values

- New Performance Evaluation System in early 2018 for 2017 performance reviews
- A salary benchmarking analysis was completed
- Salaries are based on the salary benchmarking analysis and reflect individual performance.

Establish and communicate an administrative procedure that allows employees to appeal in writing to the Director of Human Resources any compensation decision resulting from a performance evaluation and to refrain from establishing or implying employment obligations to individuals of longer than one year or providing compensation to the Authority's officers or employees that exceeds the level of the Chief Executive Officer without Board approval

- An appeal policy is in the Employee Handbook, there are no employment contracts and salaries comply with this policy.

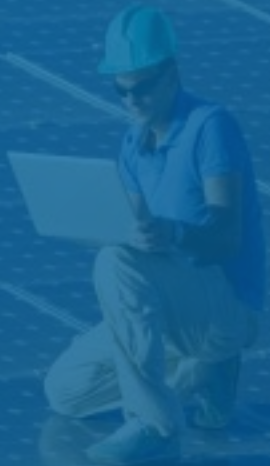
Board Expectations for Implementing Policy Continued...

Establish policies and programs that support and encourage the personal and professional development of Authority staff

- The Handbook contains the following policies that support and encourage professional development and utility and public power learning opportunities
- A robust training and development program was designed for 2018 and 2019 to provide employees with in-house management training seminars and programs

Report annually to the Board of Trustees on the staffing of the Authority pursuant to the requirement of the LIPA Reform Act

- In March 2018 Staff reported that LIPA's staffing levels were appropriate
- The Staffing Levels report will be included again in next year's report



Questions?