

**OLONG ISLAND POWER AUTHORITY**  
**MINUTES OF THE GOVERNANCE COMMITTEE MEETING**  
**HELD ON OCTOBER 24, 2018**

*The Governance Committee of the Long Island Power Authority (the "Authority") was convened 10:32 a.m. at LIPA Headquarters, Uniondale, NY, pursuant to legal notice given on October 19, 2018; and electronic notice posted on the Authority's website.*

*The following Trustees of the Authority were present:*

*Mark Fischl, Committee Chair  
Drew Biondo, Committee Member  
Elkan Abramowitz, Trustee  
Matthew Cordaro, Trustee  
Peter Gollon, Trustee*

Representing the Authority were Thomas Falcone, Chief Executive Officer; Anna Chacko, General Counsel; Rick Shansky, Vice President of Operations Oversight; Kenneth Kane, Interim Chief Financial Officer, Bobbi O'Connor, Vice President of Policy & Strategy and Secretary to the Board of Trustees; Donna Mongiardo, Vice President and Controller; Kathleen Mitterway, Vice President of Audit; and Barbara Ann Dillon, Director of Human Resources and Administration.

*Chair Fischl welcomed everyone to the Governance Committee meeting of the Long Island Power Authority Board of Trustees.*

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*Chair Fischl stated the first item on the agenda was the adoption of the minutes from September 27, 2018 Committee meeting.*

*Upon motion duly made and seconded, the minutes of the September 27, 2018 were approved unanimously.*

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*Chair Fischl stated that the next item on the agenda was the Recommendation for the Approval of Amendments to the Authority's By-Laws and Committee Charters to Combine the Oversight and Reforming the Energy Vision Committees, and the Personnel and Compensation and Governance Committees, to be presented by Bobbi O'Connor.*

*Ms. O'Connor presented the following action item and took questions from the Trustees:*

### **Requested Action**

The Governance Committee of the Board of Trustees (the "Governance Committee") is requested to adopt a resolution, attached as Exhibit "A", recommending approval of amendments to the Authority's by-laws and Committee Charters to combine the Oversight and Reforming the Energy Vision ("REV") Committees, and the Personnel and Compensation ("P&C") and Governance Committees for the Long Island Power Authority ("LIPA" or the "Authority"). Specifically, the Governance Committee is requested to recommend approval of: (i) amendments to the Governance, Oversight, REV, and P&C Charters to combine those Committees into two Committees to be named the "Oversight and REV Committee" and the "Governance, Planning and Personnel Committee", respectively; and (ii) amendments to the Authority's by-laws in furtherance of the change in Committee structure, as described above.

### **Discussion**

The current Committee structure of the Authority's Board contemplates five (5) Committees, i.e. Finance and Audit ("F&A"), Oversight, REV, Governance, and P&C. The F&A and Governance Committees are required pursuant to the New York State Public Authorities Law. The remaining Committees were established pursuant to the Authority's by-laws.

In reviewing the roles and responsibilities associated with each of the Committees, the Chair of the Governance Committee, with the assistance of staff, has determined that certain Committee responsibilities overlap between the Committees. As such, for efficiency, the Chair proposes to combine the Oversight and REV Committees into one Committee named the "Oversight and REV Committee." Likewise, the Chair proposes to combine the Governance and P&C Committees into one Committee named the "Governance, Planning and Personnel Committee."

These proposed changes were discussed with the Trustees at the Governance Committee meeting on September 27, 2018. In order to effectuate these changes, the Board must adopt revised Committee Charters, as set forth in Exhibits "B" and "C", respectively, and to amend the Authority's by-laws consistent with those changes, as set forth in Exhibit "D".

No change is proposed to the charter of the F&A Committee.

**Recommendation**

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

*A motion was made and seconded, and the Trustees unanimously adopted the following resolution:*

**RESOLUTION RECOMMENDING APPROVAL OF AMENDMENTS TO THE AUTHORITY'S BY-LAWS AND COMMITTEE CHARTERS TO COMBINE THE OVERSIGHT AND REFORMING THE ENERGY VISION COMMITTEES, AND THE PERSONNEL AND COMPENSATION AND GOVERNANCE COMMITTEES**

NOW, THEREFORE, BE IT RESOLVED, that consistent with the accompanying memorandum, the Governance Committee hereby recommends approval of the amendments to the Committee Charters and Authority by-laws, in the form attached hereto

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*Chair Fischl stated that the next item on the agenda was the Consideration of a Recommendation to Approve the Annual Report and Amendments to the Board's Policy on Staffing and Employment, to be presented by Barbara Ann Dillon.*

*Ms. Dillon presented the following action item and took questions from the Trustees:*

**Requested Action**

The Governance Committee of the Board of Trustees of the Long Island Power Authority (the "Governance Committee") is requested to adopt a resolution recommending: (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) approval of 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 of Trustees 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: 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 Ethic 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-ofliving 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.

*A motion was made and seconded, and the Trustees unanimously adopted the following resolution:*

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### **RESOLUTION RECOMMENDING APPROVAL OF THE REPORT TO THE BOARD OF TRUSTEES ON THE STAFFING AND EMPLOYMENT POLICY**

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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 Governance Committee has received the annual Staff report on compliance with the Policy; and

WHEREAS, the Governance Committee 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 Governance Committee hereby recommends that the Authority has complied with the Policy for the period since the adoption of the Policy, recommends approval of the annual report to the Board, and recommends the updates to the Policy.

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*Chair Fischl stated that the last item on the agenda was the Consideration of a Recommendation to Approve the Annual Report and Amendments to the Board’s Policy on Development, Retention and Succession, to be presented by Barbara Ann Dillon.*

*Ms. Dillon presented the following action item and took questions from the Trustees:*

### **Requested Action**

The Governance Committee of the Board of Trustees of the Long Island Power Authority (the “Governance Committee”) is requested to adopt a resolution recommending: (i) finding

that the Long Island Power Authority and its subsidiary, LIPA (collectively the “Authority” or “LIPA”) has complied with the Board Policy on Development, Retention and Succession (the “Policy”); (ii) approval of the annual report for the Policy; and (iii) approval of merging the Policy into other policies of the Board.

### **Background - Board Policy on Development, Retention and Succession**

By Resolution No. 1321, dated September 21, 2016, the Board of Trustees adopted the Development, Retention and Succession Policy, focusing on enhancing the value, industry expertise, and reputation of Authority staff through a robust and effective program regarding development, retention and succession planning that reflects a long-term perspective and promotes the longevity of the organization. The Governance Committee of the Board, in its charter, is delegated the responsibility of reviewing the Authority’s practices relating to overseeing the CEO’s administration of the Authority’s compensation and benefit plans and personnel policies and programs including those related to the attraction, retention, development, and separation from employment of employees.

### **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 states that the Authority shall “Establish and maintain skill profiles for Authority executives that highlight the talents and experience desired for each position.”

- A comprehensive review of job descriptions was completed to ensure that the essential job functions for each position at the Authority was appropriately defined and the skills, experience and competencies required to perform each function was also identified.
- All job descriptions are subject to a multi-level review process annually with the essential job functions, and the competencies, skills and experience required updated as necessary.

Consideration of additional competencies tailored specifically to critical roles is in process and is part of LIPA’s continuing succession planning process.

The Policy states that the Authority shall “Promote the retention of executives and staff as a critical success factor that ensures sound long-term decision making and continuity in the implementation of the Authority’s goals.”

- Best practice retention strategies were identified by conducting research and surveying the retention practices of other public power utilities. Many of the strategies identified were implemented or improved at the Authority, including:
  - Designing an enhanced On-Boarding process to facilitate the transition of new hires onto the LIPA staff and enhance their success;
  - Setting clear goals that link to the Authority’s mission and Board policies;

- Providing a variety of management development opportunities;
- Fostering a culture of providing regular performance and management feedback;
- Communicating more frequently and effectively across the organization;
- Recognizing employee contributions;
- Benchmarking compensation to be competitive within our market and linking salary adjustments to performance; and
- Measuring employee engagement by conducting an annual employee survey and responding to survey results.
- LIPA's employment policies were reviewed to ensure they support a collaborative, productive and satisfying workplace culture. This included researching the policies and handbooks of other public power companies, conducting a review of new or updated federal and state law, and revising policies as necessary to reflect LIPA's practices and to be responsive to employee feedback and suggestions as appropriate.

The Policy states that the Authority shall “Recognize diversity of talent, interests, background and experience as a key attribute to a healthy organization.”

- LIPA's Employee Handbook was revised during 2018 and includes policies that support and encourage diversity, including: (i) the ongoing development of a work environment built on the premise of gender and diversity equality that encourages and enforces respectful communication and cooperation between all employees; (ii) teamwork and employee participation; (iii) permitting the representation of all groups and employee perspectives; and (iv) work/life balance through flexible work schedules to accommodate employees' varying needs.
- The creation of Team Initiatives. Teams include the Hiring Team, Employee Engagement Team, the Guest Auditor Program, and the Oversight Documentation Team. These Teams have increased interactions between employees from different departments across the Authority and provided new perspectives and fresh approaches to way individuals think and collaborate.

The Policy states that the Authority shall “Develop a succession plan to address the inevitable turnover of executives and staff with the least interruption to the ongoing operations of the Authority.”

- The Authority's By-Laws provide an emergency succession plan for the Chief Executive Officer.
- The Authority identified critical roles, in addition to the Chief Executive Officer, for succession and continuity and defined the competencies and motivational profiles required to undertake those roles.
- The Authority implemented a new, structured behavioral interview process and established a Hiring Team specially trained for interviewing to ensure candidates are hired consistent with the competencies and motivational profiles defined for each role.
- The Authority completed comprehensive behavioral/leadership assessments and 360-degree evaluations for all Officers, Directors and Managers. Individualized

Performance Enhancement Plans were prepared based on these assessments to further develop staff in their current roles and to prepare for potential future roles at the Authority.

- An Executive Coaching pilot program was introduced to further support the growth and development of management staff.
- Staff prepared a list of employees eligible for retirement within the next five years identifying certain “at-risk” positions.
- A final review of competencies and skills and a gap analysis will be completed by year-end, and a succession map prepared as an additional planning tool.

Lastly, the Policy provides that the Authority will develop and make available “a package of development opportunities covering overall Board activities, Authority operations and responsibilities, and information specific to individual Committees and functions, including (a) On-board materials; (b) Issues awareness; (c) Core skills continuing education; (d) Ongoing development tools; (e) Management and leadership skills development for management track employees.

- As discussed above and also in the Annual Report to the Board on the Staffing and Employment, each of the above programs and opportunities are available to all employees.

### **Proposed Changes to the Board Policy**

Staff proposes the Board eliminate the Board Policy on Development, Retention and Succession with the following separate actions:

- Amend the Board Policy on Staffing and Employment to incorporate development, retention and succession of the Authority’s staff.
- Amend the Board Policy on Annual Agenda Planning to a revised Board Policy titled “Governance and Agenda Planning,” which includes objectives regarding the skills, development and retention of Trustees.

These policy amendments are separately under consideration by the Board.

### **2018 Work Plan**

LIPA’s 2018 Work Plan includes the following goals to advance the Policy:

- **Goal #70:** Implement development plans for LIPA staff.
- **Goal #71:** Evaluate LIPA’s retention strategies compared to other public power companies.
- **Goal #72:** Formalize process for succession planning to implement industry best practices.

These goals are scheduled to be completed by year end.

**Recommendation**

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

*A motion was made and seconded, and the Trustees unanimously adopted the following resolution:*

**RESOLUTION RECOMMENDING APPROVAL OF THE REPORT TO THE BOARD OF TRUSTEES ON THE DEVELOPMENT, RETENTION AND SUCCESSION POLICY**

WHEREAS, the Development, Retention and Succession Policy (the “Policy”) was originally approved by the Board of Trustees by Resolution No. 1321, dated September 21, 2016; and

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

WHEREAS, the Governance Committee has reviewed the Policy and affirms that the Policy will be replaced by incorporating its requirements in other policies of the Board;

NOW, THEREFORE, BE IT RESOLVED, that consistent with the accompanying memorandum, the Governance Committee hereby recommends that the Authority has complied with the Policy for the period since the adoption of the Policy, recommends approval the annual report to the Board, and recommends approval the elimination of the Policy.

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*Chair Fischl then entertained a motion to adjourn, which was duly made and seconded, after which the meeting concluded at approximately 10:59 a.m.*