**BOARD AGENDA SUMMARY SHEET**

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<tr>
<th>Committee or Board:</th>
<th>Date:</th>
<th>Board Meeting Date:</th>
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<tr>
<td>Board</td>
<td>July 12, 2019</td>
<td>July 24, 2019</td>
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**For All Board Voting Items:**

**Title of Agenda Item:** Approval of the Annual Report and Amendments on the Board’s Policy on Staffing and Employment

Consent Agenda: ☒ Yes ☐ No  
Accompanying Presentation: ☒ Yes ☐ No

Recommendation from Committee: ☐ N/A ☐ F&A; ☒ GP&P; ☐ Oversight & REV

LIPA Presenter: N/A  
PSEG Long Island Presenter: N/A

**For Policy Reports Only:**

Type of Policy / Report: ☒ Operating; ☐ Governance; ☐ Compliance; ☐ Mission

Date of Last Report: October 24, 2018  
Compliance Since Last Report: ☒ Yes ☐ No

Proposed Changes to Policy: ☒ Yes ☐ No

**Requested Action:**

The Board is requested to adopt a resolution: (i) approving the annual report for the Board Policy on Staffing and Employment; (ii) finding that the Long Island Power Authority and its subsidiary, LIPA, have complied with the Policy; and (iii) approving certain amendments to the Policy.

**Summary:**

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.

As further detailed in the accompanying memorandum, the proposed revisions to the Policy are intended to clarify certain of the Board of Trustees’ responsibilities and clarify the authorizations and directives to the CEO.
FOR CONSIDERATION
July 24, 2019

TO: The Board of Trustees
FROM: Thomas Falcone
SUBJECT: Approval of the Annual Report and Amendments to the Board Policy on Staffing and Employment

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. The Board last reviewed and amended the Policy on October 24, 2018.

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 CEO; evaluate the performance of and determine the compensation of the CEO; and with the advice of the CEO, appoint the other Board-appointed Officers specified in the Authority’s By-laws.”

- The Board completed the CEO’s annual performance evaluation at its May 2019 Board meeting. The CEO’s performance evaluation was prepared by the Chair of the Governance, Planning and Personnel Committee with the assistance of a third-party human resources consultant and 360-degree anonymous feedback from all Trustees as well as the senior staff of the Authority.

- The Board requested information on and reviewed the salary of the CEO of $275,000. A survey of 22 public power utilities of similar size to LIPA found an average salary for the position of $435,000, with a range of $235,000 to over $1 million. LIPA was the third-largest utility participating in the public power survey. The LIPA CEO’s salary was ranked 20 of the 22 publicly-owned power utilities. A third-party survey that includes investor-owned utilities found an average salary for utilities with between $1 and $3 billion of annual
revenue of $935,000 with average total compensation of $1.685 million.

- The Board appointed Anna Chacko as General Counsel in July 2018.

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, while recognizing that diversity of talent, interests, background and experience is a key attribute to a healthy organization”; and “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.”

- The CEO has managed the staffing levels of the Authority at the minimum level necessary to execute its goals and mission, consistent with the staffing plan reported to the Board in January 2019.

- Authority staff consists of 53 full-time employees and 6 part-time employees.

The Policy directs the CEO to “develop and implement human resource practices, programs, training, and initiatives that are consistent with this Policy…including: (a) an Employee Handbook that provides guidance to employees regarding their rights, benefits, and responsibilities…and (b) an Employee Code of Ethics and Conduct, including annual acknowledgement of receipt and compliance by each employee.”

- The Employee Handbook was last comprehensively reviewed and revised in August 2018 and includes all components required by the Policy, comports with all applicable law, and was updated to incorporate changes in human resources best practice. The Handbook is revised and updated as necessary on an on-going basis.

- All employees certified their compliance with the Code of Ethics and Conduct.

The Policy directs the CEO to “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.” The Policy contains further guidance on such practices.

- The Director of Human Resources and Administration completed an annual salary benchmarking analysis for all staff positions using industry specific and national salary data. That benchmarking analysis is consistent with the criteria provided in the Board’s Policy and was used to establish a salary range for each position.

- The Authority has an active performance appraisal and enhancement system based on an employee’s essential job functions, the competencies and behaviors required of their role and their performance against established goals. As required by the Policy, individual employee performance and contribution is considered in setting salaries.
The Policy directs the CEO to “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.”

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

The Policy directs the CEO to “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.

- LIPA has developed a robust in-house training and development program for employees that includes certain management training seminars and programs on such topics as Management Essentials, Diversity and Inclusion, Business Etiquette, and Creating Positive Work Environments, among others.

- LIPA further encourages professional development through: (i) industry webinars, conferences, and training; (ii) reimbursement of professional certifications and memberships; (iii) educational assistance programs; and (iv) a personal development program that incorporates 360-degree feedback, among other initiatives.

Lastly, the Policy directs the CEO to “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.”

- LIPA maintains a succession plan for key staff positions to ensure employees, where possible, can develop the skills and competencies necessary to assume more senior positions. The Board is briefed in Executive Session, at least annually, on the succession plan by the CEO.

**Proposed Changes to the Board Policy**

The Board Policy has been revised to clarify certain of the Board of Trustees’ responsibilities with respect CEO performance evaluation and compensation, and to clarify the authorizations and directives to the CEO with respect to the Authority’s staffing levels and practices. All proposed changes are more fully set forth in Exhibit “B”.

**Recommendation**

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

**Attachments**

<table>
<thead>
<tr>
<th>Exhibit</th>
<th>Description</th>
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<tr>
<td>“A”</td>
<td>Resolution</td>
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<tr>
<td>“B”</td>
<td>Staffing and Employment Policy (redline)</td>
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<tr>
<td>“C”</td>
<td>Staffing and Employment Policy (clean)</td>
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RESOLUTION APPROVING THE REPORT TO THE BOARD OF TRUSTEES ON THE BOARD POLICY ON STAFFING AND EMPLOYMENT

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 Policy was last reviewed and amended by the Board on October 24, 2018; and

WHEREAS, the Board has conducted an annual review of the Policy and affirms that the Policy has been complied with and the changes to the Policy recommended herein are due and proper.

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 last annual review and approves the annual report to the Board; and

BE IT FURTHER RESOLVED, that consistent with the accompanying memorandum, the changes to the Policy that are reflected in attachment Exhibit “B” are hereby approved.

Dated: July 24, 2019
Board Policy: **Staffing and Employment**

Policy Type: **Operating Policy**

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

Board Resolution: #1338, approved January 25, 2017  
#1435, amended October 24, 2018  
#xxx, amended July 24, 2019

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**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 promotes an ethical and productive organization workplace. In furtherance of these goals, the Board of Trustees:

- Appoints and, if necessary, discharges the Chief Executive Officer; ("CEO");
- Evaluates the performance of and determines the compensation of the Chief Executive Officer (CEO); and
- With the advice of the Chief Executive Officer (CEO), appoints the other Board-appointed Officers specified in the Authority’s By-laws.

Furthermore, the Board of Trustees authorizes and directs the Chief Executive Officer (CEO) 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 oversees 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;

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1 The Chief Executive Officer’s Board annually evaluates the CEO’s performance is evaluated by comparing: (i) the Authority’s performance to the policies established by the Board, and additionally (ii) the skills of the CEO to any annual individual performance goals, the competency profile established by the Board for the position. The Board periodically reviews the CEO’s compensation using a benchmarking survey and communicated increases ("COLA"); if any, are tied to the Chief Executive Officer in advance, in writing or transcript; performance. If the CEO’s performance “meets expectations”, the COLA equals the rate of inflation. If the CEO “significantly exceeds expectations”, the COLA equals the rate of inflation plus one percent. If the CEO’s performance is “outstanding,” the COLA equals the rate of inflation plus two percent.

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 time and other leave 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; and

c. a record retention policy that complies with applicable New York State laws and regulations.

c. 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;
• the ability to recruit qualified personnel for a position;
• 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 set for the Chief Executive Officer position by a benchmarking survey, without Board approval. Unless authorized in writing by the CEO, employment at the Authority shall be on an at will basis.

Establish policies and programs that support and encourage the personal and professional development of employees, including:
• programs for continuing education; and 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 (CEO) will report annually to the Governance, Planning and Personnel Committee on compliance with the key provisions of the Staffing and Employment Policy.
Board Policy: Staffing and Employment

Policy Type: Operating Policy

Monitored by: Governance, Planning and Personnel Committee

Board Resolution:
#1338, approved January 25, 2017
#1435, amended October 24, 2018
[#xxx], amended July 24, 2019

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 promotes an ethical and productive workplace. In furtherance of these goals, the Board of Trustees:

• Appoints and, if necessary, discharges the Chief Executive Officer (“CEO”);
• Evaluates the performance of and determines the compensation of the CEO;
• With the advice of the CEO, appoints the other Board-appointed Officers specified in the Authority’s By-laws.

Furthermore, the Board of Trustees authorizes and directs the CEO to:

• Manage the organization and staffing of the Authority, including hiring and terminating staff, 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 meets its obligations with respect to its bonds and notes and all applicable statutes and contracts and oversees 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 Board annually evaluates the CEO’s performance by comparing: (i) the Authority’s performance to the policies established by the Board, and (ii) the skills of the CEO to the competency profile established for the position. The Board periodically reviews the CEO’s compensation using a benchmarking survey. The CEO’s cost-of-living adjustments (“COLA”), if any, are tied to performance. If the CEO’s performance “meets expectations”, the COLA equals the rate of inflation. If the CEO significantly exceeds expectations”, the COLA equals the rate of inflation plus one percent. If the CEO’s performance is “outstanding,” the COLA equals the rate of inflation plus two percent.
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 time and other benefits, 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; and
c. a record retention policy that complies with applicable New York State laws and regulations.

• 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 performance; and encourage organizational 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;
  • the ability to recruit qualified personnel for a position;
  • 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 offering compensation that exceeds the range set for the position by a benchmarking survey, without Board approval. Unless authorized in writing by the CEO, employment at the Authority shall be on an at will basis.

• Establish policies and programs that support and encourage the personal and professional development of employees, including:
  • programs for continuing education and tuition reimbursement;
  • 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 CEO will report annually to the Governance, Planning and Personnel Committee on compliance with the key provisions of the Staffing and Employment Policy.
Annual Report and Amendments to the Board Policy on Staffing and Employment

Governance, Planning and Personnel Committee

July 24, 2019
Board Compliance with Board Policy

• Annual Chief Executive Officer ("CEO") evaluation completed at the May Board meeting
  • Incorporated 360-degree feedback from Trustees and Senior Staff
  • Trustee interviews conducted by 3rd party HR consultant and summary report prepared

• CEO Compensation Reviewed
  • Trustees requested information regarding the CEO’s salary and reviewed benchmarking information

• Appoint Board-approved Officers
  • Anna Chacko appointed General Counsel in July 2018
Staff Compliance with Board Policy

- Maintain Appropriate Staffing Levels
  - CEO regularly reviews staffing and resource requirements necessary to execute mission and goals
  - 53 FT and 6 PT employees; consistent with staffing plan reported to the Board

- Develop Appropriate HR Practices and Programs
  - Comprehensive review of Employee Handbook in August 2018; revisions as necessary and appropriate on an on-going basis
  - Code of Conduct current and all employees completed annual certification of compliance

- Compensation Practices and Benefits
  - Annual salary benchmarking completed consistent with Policy requirements
  - Annual employee performance evaluation process supplemented by monthly “check-ins”; compensation adjustments based on benchmarking data and individual performance
Staff Compliance with Board Policy

- No employment contracts
- Establish Professional Development Programs
  - Continuing with monthly management and professional development seminars
  - Providing opportunities for participation in webinars, conferences, professional organizations
  - Utilizing 360-degree reviews and behavioral assessments to inform individualized professional development plans
- Succession Plan
  - Emergency succession plan included in the By-laws
  - Critical roles identified, development plans for potential internal successors implemented as necessary, comprehensive profiles established for key positions
  - CEO meets with Board during year on succession planning
Proposed Amendments to Board Policy

- Revise criteria for Board’s annual review of CEO performance and compensation
- Require maintenance of a records retention policy
- Specify that all employees are at-will
LIPA’s Strategy for Human Resources

A defined, comprehensive strategy that identifies current and future human resources necessary for LIPA to achieve its mission

This HR strategy must simultaneously focus on building the skills, motivation and behaviors necessary for LIPA to be a leading 21st century Public Power company
STRATEGIC AND OPERATIONAL PROJECTS

WHAT DOES LIPA NEED TO ACHIEVE STRATEGY/COMPLETE PROJECTS?

EDUCATION/EXPERIENCE & COMPETENCIES

POSITION PROFILES
(OUTCOMES FOR SUCCESS)

JOB DESCRIPTIONS
(TECHNICAL/JOB DUTIES)

RECRUITMENT

PROJECT/GOAL ASSIGNMENT

PERFORMANCE MANAGEMENT

DEVELOPMENT Individual Across Enterprise

RECOGNITION & REWARDS

SUCCESSION

MEASUREMENT

STRATEGIC INITIATIVES
These are the annual projects and goals identified as necessary to execute LIPA’s strategy and fulfill our mission.

These projects move LIPA forward and are in addition to day-to-day responsibilities.

These are assigned to individual employees or teams.
With LIPA’s strategic vision defined and the annual projects to implement that strategy identified, LIPA HR partners with LIPA Executive Leadership to ensure we hire, retain, develop, and promote the professionals necessary to execute day-to-day responsibilities and strategic projects.

Position profiles and job descriptions:

- Define what is required for success in each management role and the day-to-day duties of each role
- Ensure maximum fit between incumbent/potential successors and the role
- Align the organization’s strategy with specific leadership/role competencies and technical job skills
LIPA HR designed and implemented a comprehensive strategy for employee attraction, retention, development and succession that supports the success of our employees and the achievement of our mission.

This strategy addresses the following critical areas:

**RECRUITMENT**
- Mission based recruiting
- Implemented new interview procedure including a specially trained “hiring team”
- Pre-hire assessments for Executives

**PROJECT/GOAL ASSIGNMENT**
- Projects identified and assigned annually
- Project plans defined and monitored

**PERFORMANCE MANAGEMENT**
- Annual Performance Evaluation measuring performance, execution of goals and competencies.
- Monthly Check-Ins with Supervisor

**DEVELOPMENT Individual Across Enterprise**
- Behavioral Assessments
- 360 degree evaluations
- Individualized development plans based on assessments, 360s and performance Quarterly and Monthly enterprise wide training

**RECOGNITION & REWARDS**
- Performance considered in compensation decisions
- Annual salary benchmarking
- Peer-to-Peer recognition program

**SUCCESSION**
- Key Roles & Potential Successor Candidates Identification
- Position Profiles & Job Descriptions
- Assessment Review & Mapping
- Individual Development Plans & Goals
- Coaching, Development, Action
- Learning Projects & Recognition
LIPA's Executive Leadership will continue to implement HR policies and practices that enhance employee experience and engagement and support the strategic vision and mission of the Authority.
Questions?