

LONG ISLAND POWER AUTHORITY

MINUTES OF THE

GOVERNANCE, PLANNING and PERSONNEL COMMITTEE MEETING

HELD ON JUNE 24, 2020

The Governance, Planning and Personnel Committee of the Long Island Power Authority ("LIPA") was convened at 10:40 a.m. at LIPA Headquarters, Uniondale, NY, pursuant to legal notice given on June 19, 2020; and electronic notice posted on LIPA's website.

In compliance with Governor Andrew M. Cuomo's Executive Order No. 202.1 on COVID-19 safety, the following guidelines were publicly posted and followed:

The Long Island Power Authority is taking steps to minimize the risk of exposure for the public and our employees. As such, LIPA will not be permitting in-person access to its June 24, 2020 Governance, Planning and Personnel meeting. Members of the public are encouraged to observe the live stream of the meeting posted at the LIPA website. The meeting will also be recorded and posted to LIPA's website for later viewing.

The following LIPA Trustees were present:

Elkan Abramowitz, Committee Chair (via video conferencing)
Drew Biondo (via video conferencing)
Sheldon Cohen (via video conferencing)
Matthew Cordaro, (in person)
Mark Fischl (via video conferencing)
Peter Gollon (via video conferencing)
Laureen Harris (via video conferencing)
Ali Mohammed (via video conferencing)

Representing LIPA, in person, were Thomas Falcone, Chief Executive Officer; Bobbi O'Connor, Chief Administrative Officer & Board Secretary; Justin Bell, Vice President of Public Policy and Regulatory Affairs. and Barbara Ann Dillion, Director of Human Resources and Administration. Participating via video conferencing were Anna Chacko,

General Counsel; Kenneth Kane, Senior Advisor to Operations Oversight; and Jason Horowitz, Assistant General Counsel and Assistant Secretary to the Board.

Chair Abramowitz welcomed everyone to the Governance, Planning and Personnel Committee meeting of the Long Island Power Authority Board of Trustees.

Chair Abramowitz stated the only item on the agenda was the adoption of the minutes from the March 27, 2020 Governance, Planning and Personnel Committee meeting.

Upon motion duly made and seconded, the minutes of the March 27, 2020 meeting were approved unanimously.

Chair Abramowitz stated that the last item on the agenda was the Recommendation to Approve the Annual Report and Amendments to the Board 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, Planning and Personnel Committee (the “Committee”) of the Board of Trustees of the Long Island Power Authority (the “Board”) is requested to adopt a resolution recommending that the Board: (i) find that the Long Island Power Authority (“LIPA”) has complied with the Board Policy on Staffing and Employment (the “Policy”); (ii) approve the annual report for the Policy, and (iii) approve 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 July 24, 2019.

Compliance with the Policy

Staff recommends that, for the reasons set forth below, the Board find that LIPA 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, if 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 March 2020 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 LIPA’s Executive Committee.
- The Board reviewed the salary of LIPA’s CEO of \$300,000. A survey of 24 public power utilities of similar size to LIPA found an average salary for the position of \$481,000, with a range of \$240,000 to \$1.1 million. LIPA was the third largest utility, ranked by customers, to participate in the survey. LIPA’s CEO salary was ranked 22 out of the 24 utilities.
- No Board-appointed Officers were hired in 2019.

The Policy authorizes and directs the Chief Executive Officer 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”; and “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 oversee the activities of the Authority’s service provider.”

- The CEO has managed LIPA’s staffing levels at the minimum level necessary to execute its goals and mission.
- LIPA staff consists of 57 full-time employees and 5 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 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 performance; and encourage organizational 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.

- LIPA has an active performance appraisal and enhancement system which includes monthly “check-ins” with supervisors, and an annual performance evaluation. As required by the Policy, individual employee performance and contribution is considered in setting salaries and merit increases.

The Policy directs the CEO to “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.” and “unless authorized in writing by the CEO, employment at the Authority shall be on an at will basis.”

- All LIPA employees are at-will employees.
- No employment offer exceeded the salary range set for the position.

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 provides in-house training and development program for employees that includes certain leadership and management training seminars and programs including a Project Leadership certificate program (6 courses), and topics including LIPA Rates Series (Rates and Rate Cases), Giving Feedback and Providing Coaching, Writing Effective Evaluations, Cyber Security, Creating Positive Work Environments, Effective Communication, Dealing with Difficult Issues, Sexual Harassment including Managing Unconscious Bias, and on-going IT training, 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.”

- The CEO has identified the names and order of appointment of three direct reports to serve as Acting Chief Executive Officer in the event of his absence, disability, incapacity or resignation, until such time as the Board appoints an interim or permanent successor, as provided for in the LIPA By-Laws.
- LIPA’s Senior Vice Presidents and Chief Officers have designated emergency successors to serve in an Acting capacity, as required by internal LIPA policy.
- 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 require LIPA to conduct an Annual Employee Engagement Survey and design programs and initiatives to maintain an employee engagement score among the top 10 percent of benchmarked companies. Additionally, there are certain minor suggested edits to the Policy. All proposed changes are more fully set forth in Exhibit “B”.

Enterprise Risk Management Discussion

The Board has adopted a Policy on Enterprise Risk Management (“ERM”). Enterprise Risks are brought to the Board’s attention throughout the year. While there are several risks related to Staffing and Employment, the two most significant risks relate to succession planning; and attracting and retaining qualified individuals. The specific risks identified are:

- “Succession planning challenges due to the limited ability to develop internal candidates or identify and attract external candidates for succession results in inadequate expertise to fulfill LIPA's mission and goals;” and
- “Difficulty attracting and retaining individuals with the necessary knowledge, skillsets and experience results in challenges to fulfilling LIPA's mission and goals”.

Both risks are rated as medium level risks. LIPA mitigates the risk associated with succession planning by having emergency plans in place for the CEO and certain executive management positions, and a process in place to identify gaps. Additionally, LIPA has a process in place that provides for the identification, retention and transfer of information necessary for the continuity of services and retention of institutional knowledge.

LIPA mitigates the attraction and retention risk through review of best practices related to compensation and benefits. Additionally, LIPA selectively utilizes executive search firms to identify candidates with the necessary knowledge and experience to fill key positions. LIPA's participation and leadership in industry associations also improves its reputation and attractiveness to potential employees.

Based on the mitigations actions that are currently in place, we believe both risks are being adequately managed.

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 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 July 24, 2019; and

WHEREAS, the Governance, Planning and Personnel Committee (the "Committee") 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 Committee hereby recommends that the Board find that the Authority has complied with the Policy for the period since the last annual review and recommends that the Board approve the annual report; and

BE IT FURTHER RESOLVED, that consistent with the accompanying memorandum, the Committee hereby recommends that the Board approve the changes to the Policy that are reflected in attachment Exhibit "B".

At approximately 10:52 a.m. Chair Abramowitz stated that the Committee would adjourn to Executive Session to discuss personnel matters. Chair Abramowitz stated that no votes would be taken and that the Committee would not be returning to public session.
