

OFFICE OF THE COUNCIL AUDITOR
 Suite 200, St. James Building



MEMORANDUM

Date:	December 2, 2019
To:	Council Member Randy DeFoor
From:	Kyle S. Billy, Council Auditor
Subject:	JEA Compensation Benefits

At the Finance Committee meeting on November 19, 2019, you asked for a breakdown of compensation for all employees at JEA currently and what would occur under a Recapitalization Event. The table below lists the value of compensation benefits for each scenario.

	Current Compensation Benefits	Compensation Benefits under a Recapitalization Event
Salaries ¹	\$161,702,570	\$0
Pay for Performance Plan ²	\$4,967,541	\$0
Employee Retention Payment ³	\$0	\$161,702,570
Employee Protection Benefit ⁴	\$0	\$485,107,710
Enhanced Pension Benefits ⁵	\$0	\$132,276,645
Senior Leadership Team (SLT) Termination Pay ⁶	\$1,481,928	\$1,481,928
SLT Consultant Pay ⁷	\$1,638,869	\$1,638,869
Totals	\$169,790,908	\$782,207,722

If you have additional questions, please contact me.

cc: All City Council Members
 Sherry Hall, JEA

¹Annual salaries are as of 7/23/2019.

²The Pay for Performance Plan represents JEA's annual short-term incentive Plan.

³The Employee Retention Payment is based on salaries of employees employed at JEA as of 7/23/19.

⁴The Employee Protection Benefit is equivalent to three years of comparable salaries either through employment or payment if terminated. The amount reflected here is the total JEA payroll (as of 7/23/19) multiplied by three. This amount could be higher or lower depending on the salaries on the date of a Recapitalization Event.

⁵Pension Benefits represent the actuarial cost of crediting employees with years of service necessary to reach a normal retirement age if they are not eligible to retire at the time of a Recapitalization Event.

⁶SLT Termination Pay represents compensation that would be owed to members of the SLT should their employment be terminated under certain circumstances. This benefit would apply regardless of a Recapitalization Event.

⁷SLT Consultant Pay represents the compensation value to SLT members to serve as a consultant to JEA should their employment be terminated under certain circumstances. This benefit would apply regardless of a Recapitalization Event.

JEA Privatization Estimated Expenses

	<u>Amount</u>
Compensation	
Employee Retention Payment (includes JEA Leadership) ¹	\$ 161,702,570
Employee Protection Benefit (includes JEA Leadership) ²	\$ 485,107,710
Employee Enhanced Vested Pension Benefits	\$ 132,276,645
JEA Leadership Additional Compensation upon a Recapitalization Event: Senior Leadership Team (SLT) Termination Pay ³	\$ 1,481,928
SLT Consultant Pay ³	\$ 1,638,869
Total Compensation	\$ 782,207,722
Customer Rebates (\$350 per service)⁴	
Electric	\$ 163,243,850
Water	\$ 108,887,100
Sewer	\$ 94,804,850
Irrigation	\$ 12,968,550
Total Customer Rebates	\$ 379,904,350
Advisors	
Legal Services	\$ 1,300,000
Financial Advisors ⁵	\$ 15,000,000
Total Advisors	\$ 16,300,000
Total Estimated Expenses	\$ 1,178,412,072

Important Notes:

1. The City would still be left with JEA's Pension Plan UAAL in the amount of \$565 million as of October 1, 2018.
2. This does not include JEA's contract with McKinsey for strategic planning. We have requested the contract and have not received it yet.

¹The Retention Payment is equivalent to one times the employee's salary paid in three equal installments over a 2-year period.

²The Employee Protection Benefit is equivalent to three years of comparable salaries either through

employment or payment if terminated. The amount reflected is the total payroll (as of 7/23/19) multiplied by three. This amount could be higher or lower depending on the salaries on the date of a Recapitalization Event.

³If Employee is terminated "without cause" or employee terminates for "Good Reason", JEA will pay 20 weeks of current annual base salary and the COBRA premiums necessary for the employee to continue coverage under COBRA for a period of 20 weeks. The Employee shall also serve as a consultant for a specified time period (ranging from 3 - 12 months).

⁴Based off of the average number of accounts from the FY 2018 Financial Statements.

⁵This is the Transaction Fee for a Recapitalization Transaction for each Financial Advisor in the amount of \$7,500,000

Information from JEA FY 2018 Financial Statements

	Average Number of Accounts	Amount of Rebate
Residential	410,060	\$ 143,521,000
C & I	52,573	18,400,550
Public Street Lighting	3,777	1,321,950
Sales for Resale	1	350
Total Electric	466,411	\$ 163,243,850
Residential	285,404	\$ 99,891,400
C & I	25,702	8,995,700
Irrigation	37,053	12,968,550
Total Water	348,159	\$ 121,855,650
Residential	252,531	\$ 88,385,850
C & I	18,340	6,419,000
Total Sewer	270,871	\$ 94,804,850
		Total \$ 379,904,350