

Memorandum

Date: June 16, 2017

To: KyMEA Board of Directors

From: Terry Naulty, Treasurer

RE: President and CEO Compensation and Location of Offices

As our executive recruiter finalizes the Position Description for our first President and CEO it is imperative that we provide him with projected compensation level. Posted on the portal is a survey of salaries for Joint Action Agencies and Generation and Transmission Cooperative executives that was complete in March of 2017. This is the most current market information available and is quite comprehensive in its scope. I have reviewed the report and based upon the market data therein I recommend the following compensation.

Base Salary - \$250,000 to \$300,000 depending upon qualifications. This is based upon the data in the report that show the range for JAA's with revenue less than \$400 million and less than 50 employees. The average of the 25th percentile is \$259,000 and \$295,000 for the average of the 50th percentile. The reported range for this class of JAA is reported as \$245,166 to \$365,276.

Incentive Compensation: Based upon discussions with Scott Fry and several other JAA CEO's incentive compensation is expected and normal. For KyMEA, there are numerous metrics that could be used as the triggers for eligibility of various incentive tiers. For the Position Description development, we recommend up to \$50,000 (20% of the lower end of base salary) in additional available incentive compensation. The report shows that the form of that incentive compensation is varied but generally is part of a Long-Term Incentive (LTI) program structured to retain the CEO. For the purposes of the Position Description, we need not provide the specifics. That will be part of the employment contract.

Benefits: I recommend we authorize the Position Description to include the following benefits:

1. Individual and family medical, dental and voluntary vision. Employee or Employee plus spouse contribution of 20% of monthly premium, 25% of family premium policy. For Kentucky ACA the estimated cost for employee is \$675/month, \$1,375 for employee plus spouse. Family policy for employee, spouse and 3 children estimated at \$1,800/month.
2. 401k retirement or participation in the County Employee Retirement System (CERS) depending upon KyMEA's ability to not participate in CERS.
3. Life Insurance and voluntary supplemental life and disability insurance
4. Paid medical leave – one day for each month of employment but not less than 10 days per year
5. Paid Vacation: 4 weeks per year, 5th week after 2 years.
6. Car Allowance - \$7,700 per year (50th percentile of reported amounts) or company car provided for personal use.

Location of Offices

An important aspect of the recruiting process is to clearly identify to candidates where the office location is expected to be and where their primary work location is expected to be. I understand that the Frankfort Plant Board has offered to rent space to the Agency but the terms of that lease have not been determined. Quality of life and the ability to recruit the limited staff of the agency are very important considerations that will be very important to candidates and will be part of their criteria in evaluating their level of interest in the position. As we have discussed in the past, there are likely more qualified potential in Louisville than any other city in Kentucky. There are at least four firms that hire and train employees in the wholesale energy businesses located in Louisville.

The Frankfort Plant Board offices meet several criteria that could be difficult to find in Louisville. Board meetings must be open to the public and rented space at privately owned offices could be a significant impediment to this requirement. In selecting our current board meeting location at the Bowling Green Municipal Utilities building this was the critical issue. Secondly, the FPB location is equipped with the audio visual equipment required to host virtual meetings. That expense could thus be avoided by agreeing to use the FPB offices.

Many people commute from Louisville and Jefferson County to Frankfort every day and, while not optimal, the recruiting benefits and quality of life perception issues could be met in Frankfort.

As a compromise, we could agree to use the FPB offices for all public meetings of the agency and find an office in Louisville for day-to-day operations of the agency. That would be my recommendation for the Position Description and then, depending upon the preferences of our President and CEO finalize the location as part of the employment contract.