

**EMPLOYMENT AGREEMENT
FOR CHIEF EXECUTIVE OFFICER/MANAGING DIRECTOR**

THIS AGREEMENT is made and entered into in duplicate on this ____ day of January 2018, by and between JEA, a body politic and corporate under the laws of the State of Florida and an independent agency of the Consolidated City of Jacksonville, hereinafter referred to as JEA, and Paul E. McElroy, an individual currently residing in Jacksonville, Florida, hereinafter referred to as Employee or CEO.

WITNESSETH:

WHEREAS, JEA is a community-owned, not-for-profit utility providing electricity to more than 458,000 customers in Jacksonville and the surrounding areas in northeastern Florida;

WHEREAS, JEA, founded in 1968, manages an electric system that dates back to 1895, and now owns and operates an electric system with five generating plants, transmission and distribution facilities, including 745 miles of transmission lines and 6,625 miles of distribution lines; is part owner and full operator of a sixth generating plant; produces energy from two methane-fueled generating facilities and owns a 12.6-megawatt solar project placing JEA's total generating capacity at approximately 3,757 megawatts;

WHEREAS, JEA also provides water and wastewater services to approximately 341,000 water customers, 9,000 reuse water customers and 264,000 wastewater customers;

WHEREAS, JEA's water system consists of 136 artesian wells tapping the Floridian aquifer, distributing water through 37 water treatment plants and 4,352 miles of water lines and with a sewer system of more than 3,760 miles of collection lines and seven regional and seven non-regional sewer treatment plants;

WHEREAS, JEA owns and operates the District Energy System a separate utility system that provides chilled water to 13 locations in Jacksonville;

WHEREAS, the JEA governing body is made up of a seven-member Board of Directors appointed by the Mayor and confirmed by the City Council;

WHEREAS, the JEA Board of Directors is tasked with appointing a CEO to operate the eighth largest community-owned electric utility company in the United States and the largest in Florida, with total assets of \$8.7 billion (2017), total equity of \$2.6 billion (2017), and approximately 2000 employees (2017);

WHEREAS, this Agreement is an extension and modification of an existing employment agreement with Employee;

WHEREAS, JEA is desirous of employing Employee as Chief Executive Officer pursuant to the terms and conditions and for the consideration set forth in this Agreement, and Employee is

desirous of entering into the employ of JEA pursuant to such terms and conditions and for consideration.

NOW, THEREFORE, for and in consideration of the mutual promises, covenants, and obligations contained herein, JEA and Employee agree as follows:

SECTION I – EMPLOYMENT AND DUTIES:

- 1.1 **Engagement.** JEA agrees to employ Employee and Employee agrees to be employed by JEA, beginning as of October 1, 2017, and terminating, unless earlier terminated in accordance with this Agreement, as of January 1, 2021, subject to the terms and conditions of this Agreement.
- 1.2 **Terms and Duties.** Beginning October 1, 2017, Employee shall be employed as Chief Executive Officer and Managing Director of JEA (hereinafter collectively “CEO”). Employee agrees to serve in this position and to perform diligently and to the best of Employee’s abilities the duties and services required by such a position as determined by JEA’s Board of Directors (the “Board”), as well as such duties that may from time to time be directed by the Board. Such duties include, but are not limited to, exercising the full authority, responsibility and duties commensurate with the laws establishing JEA to manage the affairs of JEA and to manage and direct staff, business, and operations of JEA.
- 1.3 **Compliance with Policies and Procedures.** Employee shall at all times comply with and be subject to such policies and procedures as the Board may establish.
- 1.4 **Diligence to Position.** Employee shall devote his full business time, energy, and best efforts to the business of Employer; provided, however, that it is agreed that this obligation, shall not preclude Employee from engaging in appropriate civic, charitable or religious activities or, with the consent of the Board, from serving on the boards of directors of companies that are not competitors to JEA, as long as the activities do not materially interfere or conflict with your responsibilities to or your ability to perform your duties of employment at JEA, within the sole discretion of the Board. Subject to the foregoing, Employee may not engage, directly or indirectly, in any other business, investment, or activity that interferes with Employee’s performance of his duties, is directly contrary to JEA’s interests, or requires any significant portion of Employee’s business time. His authority, responsibilities and duties are generally described in the Position Profile for Managing Director and Chief Executive Officer which may be amended from time to time and which is attached hereto as Exhibit A and by reference made a part hereof.
- 1.5 **Fiduciary Obligations.** Employee acknowledges and agrees that Employee owes a fiduciary duty of loyalty, fidelity, and allegiance to act at all times in the best interests of Employer, and to do no act which would intentionally injure the direct or indirect interests in, in connection with, or benefit from any outside activities, which interests might conflict with JEA, or upon discovery thereof, allow such a conflict to continue. Moreover, Employee agrees to disclose to the Board Chairman, any facts which might involve a possible conflict of interest.

SECTION II – COMPENSATION AND BENEFITS:

- 2.1 **Annual Base Salary.** Employee shall be paid a salary of Five Hundred Twenty Thousand Three Hundred Ninety Two Dollars (\$520,392) per annum (Base Salary), which shall be paid in accordance with JEA's standard payroll practice, including deductions for all legally applicable taxes and withholdings, with accrual commencing with the pay period beginning October 1, 2017. The annual Base Salary shall increase by three (3%) per annum, effective on October 1 of 2018, 2019 and 2020.
- 2.2 **Vehicle.** Employee will have the use of an appropriately equipped JEA vehicle at the expense of JEA to supplement Employee's personal vehicle. In lieu of having use of a JEA vehicle, Employee may, at Employee's option, be provided a monthly automobile allowance of \$850, payable on the first bi-weekly pay period of each month subject to withholding. It is specifically intended and understood that this allowance shall be provided for unreimbursed expenses incurred by the Employee within the territorial limits of the JEA service territory and receipt of this allowance shall not prevent the Employee from claiming and being reimbursed for travel expenses resulting from travel by him outside the JEA service territory in the manner provided by the Ordinance Code the City of Jacksonville.
- 2.3 **Business Allowance.** Employee will be provided a monthly allowance in the amount of \$1,000 for telephone and other business expenses incurred in Employee's efforts to promote and represent JEA beyond those identified in JEA employee policies. The business allowance shall be payable on the first bi-weekly pay period of each month, subject to withholding.
- 2.4 **Annual Leave.** Employee will be provided annual leave in accordance with JEA's existing policies and procedures. Without limiting the generality of the foregoing, Employee shall be entitled to 280 hours of leave during each year of employment commencing on October 1, 2017.
- 2.5 **Fringe Benefits.** Employee shall be allowed to participate, on the same basis generally as other employees of JEA, in all general employee benefit plans and programs, including improvements or modifications of same, which on the effective date or thereafter are made available by JEA to all or substantially all of JEA's executive employees. Such benefits, plans, and programs may include, without limitation, medical, health, and dental care, life insurance, disability protection, and the pension plans including JEA's Supplemental Executive Retirement Plan including any amendments thereto. Except as specifically provided herein, nothing in this Agreement is to be construed or interpreted to provide greater or lesser rights, participation, coverage, or benefits under the benefit plans or programs than provided to executive employees pursuant to the terms and conditions of such benefit plans and programs. JEA shall not by reason of this Section II be obligated to institute, maintain, or refrain from changing, amending, or discontinuing, any incentive compensation or employee benefit program or plan, so long as such actions are similarly applicable to covered employees generally.

SECTION III – TERMINATION AND EXTENSION:

- 3.1 **Termination.** Employee's employment with JEA shall be terminated (i) on January 1, 2021 unless earlier terminated, extended pursuant to this Section III or otherwise by agreement between Employer and Employee, (ii) upon Employee's death, (iii) upon Employee's physical or mental incapacity to perform the usual duties as an employee (with such condition likely to remain continuously and permanently, (iv) by JEA, without cause, upon 30 days advance notice to Employee, or (v) immediately for cause as defined herein in Section 3.1.2.
- 3.1.1 If Employee's employment is terminated with or without cause, all future compensation to which Employee is otherwise entitled and all future benefits for which Employee is eligible shall cease and terminate as of the date of termination, except as specifically provided in this Section 3.1.1. or pursuant to the terms in Section IV herein. Upon termination without cause, JEA shall place Employee on sixty (60) days of administrative leave and pay Employee a lump sum payment equal to twenty (20) weeks of the current Annual Base Salary, less applicable taxes and deductions.
- 3.1.2 No severance shall be due to Employee if Employee resigns his employment or if Employee's employment is terminated by JEA for cause. For purposes of the Agreement, termination for "cause" shall include: (a) willful breach of material duties, obligations and policies of JEA; (b) gross negligence or gross neglect of duties and obligations required in performance of Employee's duties; or willful misconduct (c) continued violation of written rules and policies of the Board after written notice of same and opportunity to cure; (d) commission of any criminal act (felony); (e) commission of any dishonest act in a public or private capacity such as theft, fraud, misappropriation of embezzlement of funds; or (f) engagement in an act of disruption or violence or any other activity which would constitute grounds for immediate dismissal of any employee by JEA under JEA policies.
- 3.2 **Extension.** This Agreement may only be extended by action of the Board along with Employee's concurrence, with the legal formalities accompanying the execution of this Agreement. The Board Chairman shall notify Employee on or before March 1, 2020 of an intent to bring a request to the Employee and the Board to extend this Agreement. Such notification need not include terms, and need not be in writing. This provision requiring notice may be waived by agreement of the Chairman and Employee following March 1, 2020.

SECTION IV – CHANGE OF CONTROL

- 4.1 **Board Objective.** The Board has determined that it is in the best interests of JEA and the City of Jacksonville to assure that JEA will have the continued dedication of the CEO, notwithstanding the possibility, threat or occurrence of a Change of Control (as defined below) of JEA. The Board believes it is imperative to diminish the inevitable distraction of the CEO by virtue of the personal uncertainties and risks created by a pending or threatened Change of Control and to encourage the CEO's full attention and dedication to JEA currently and in the

event of any threatened or pending Change of Control, and to provide the CEO with compensation and benefits arrangements upon a Change of Control which ensure that the compensation and benefits expectations of the CEO will be satisfied and which are competitive with those of other utilities.

4.2 **Change of Control.** A Change of Control is the transfer of JEA to a privately held utility, holding company, corporation, or other entity that is consummated by and through the sale, lease, transfer or other disposition of JEA that would necessitate a change to the current governance, management and control structure of JEA.

4.3 **Termination Following a Change in Control.** In the event, within one year following a Change of Control, the CEO's employment is terminated by an acquiring entity without cause or there is a construct of termination without cause ("Change of Control Termination"), the CEO shall be entitled to:

(i) base salary and any amounts earned, accrued or owing through the date of Termination of this Agreement; and

(ii) a lump sum cash payment equal to the sum of two times the base salary, at the rate in effect on the date of the Change of Control Termination.

(iii) continued participation in all employee benefit plans or programs as permitted by their terms in which he was participating on the date of the Change of Control Termination for the following:

(a) the date which is 36 months following the end of the month in which the Change of Control Termination of employment occurs; or

(b) the date he receives equivalent coverage and benefits under the plans and programs of a subsequent employer;

(iv) other benefits in accordance with applicable plans and programs of JEA.

SECTION V – MISCELLANEOUS:

5.1 **Eligibility to Work in the United States.** Employee has provided previously to JEA the appropriate documentation to verify his authorization to work in the United States.

5.2 **Governing Law; Binding Effect; Amendment.** This Agreement shall be interpreted and enforced in accordance with the laws of the State of Florida, with venue to lie in Duval County, and shall be binding on JEA's successors and assigns. No amendment or modification shall be effective unless in writing by the parties, including the approval of the Board.

- 5.3 **Savings Clause.** Employee's present benefits and rights are preserved, including but not limited to accrued service credits, accrued leave, and accrued incentive compensation carried forward in accordance with existing policies and procedures.
- 5.4 **Public Records and Open Meetings (Sunshine) Requirements.** Employee will familiarize himself generally with the assistance of JEA's staff and JEA's legal counsel with the unique obligations and parameters of the State of Florida's public records and sunshine act laws, in order that JEA maintain its record of compliance with such laws.

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement on the day and year above first written.

ATTEST:

JEA

G. Alan Howard, Chairman

Date: _____

WITNESSES:

Paul E. McElroy, Employee

Date: _____

I hereby certify that the expenditure contemplated by the foregoing Agreement has been duly authorized, and provision has been made for the payment of the moneys provided therein to be paid.

Melissa Houskamp Dykes
Chief Financial Officer, JEA

Approved:

Office of General Counsel