



GOVERNANCE AND COMPENSATION COMMITTEE MEETING Agenda

**Thursday 17 September 2020
9:00 a.m. EST**

By Teleconference
Call-in Number: 866-528-2256
Guest Code: 4875556#

Agenda Items	Vote	
Call to Order		Jesse Biter
Agenda <ul style="list-style-type: none"> • Public Comments • <u>Approval of Meeting Minutes of June 22, 2020</u> • <u>Compensation Philosophy</u> • <u>Report on Base Compensation Market Study & Performance Management Guidelines</u> • <u>Schedule for Board and Committee Meetings</u> 	<div>✓</div> <div>✓</div> <div>✓</div> <div>✓</div>	Jesse Biter Howard Haug Howard Haug Howard Haug Howard Haug
Closing Remarks/Adjournment		

Approval of Meeting Minutes of June 22, 2020



Draft Minutes of a Regular Meeting of the Space Florida Governance and Compensation Committee

A Regular meeting of the Space Florida Governance and Compensation Committee was held by Teleconference on June 22, 2020. The meeting was called to order at 9:00 a.m. EST.

COMMITTEE MEMBERS PRESENT:

Jesse Biter (Chair)
Barbara Essenwine
Mori Hosseini

SPACE FLORIDA STAFF PRESENT:

Frank DiBello
Howard Haug
Denise Swanson
Sharon Spratt
Elizabeth Loving
Rhonda Rosa

Jesse Biter thanked the committee members for attending and that the meeting is being conducted in accordance with the Sunshine and Public Record laws of Florida.

There were no public comments.

The first order of business was the approval of the prior Governance & Compensation Committee meeting minutes.

Mori Hosseini made a motion to approve the Governance and Compensation Committee Minutes from October 2, 2019, which was seconded by Barbara Essenwine, and approved unanimously.

Howard Haug informed the committee that the market and benchmark study in compliance with the Space Florida Compensation and Performance Management Guidelines is in the final stages of completion and is being evaluated by Management. The Final Market and Benchmarking Study Results, updated Compensation and Performance Management Guidelines, reflecting the study's results, updated Compensation Overview Document that defines Space Florida's Compensation Philosophy and Guiding Pay Principles and if appropriate any updates to Space Florida's Personnel Policy Manual will be presented to the committee this fall.

Barbara Essenwine made a motion to approve management to update Space Florida's compensation and performance guidelines policy, Compensation Overview based on Market Study results and any other appropriate policy changes, and present to the committee for further actions in the fall timeframe which was seconded by Mori Hosseini, and approved unanimously.

Howard Haug reviewed a proposal to schedule future Space Florida Board of Directors meetings and Committee meetings through January of 2022. Mr. Hosseini suggested that the schedule be two (2) years, so that the members of the Space Florida Board of Directors and Committees have it for their calendars.

Mori Hosseini made a motion to approve management to develop a schedule for Space Florida Board and Committee meetings 2 years in advance, which was seconded by Barbara Essenwine, and approved unanimously.

CLOSING REMARKS & ADJOURNMENT

The meeting adjourned at 9:23 a.m. (EDT)

Compensation Philosophy



DRAFT

September 17, 2020

COMPENSATION OVERVIEW Prepared for the Space Florida Board of Directors

Compensation Philosophy: The Foundation of our program

Space Florida's Compensation Philosophy is based on the principles of competitive and fair compensation for sustained performance. Our Board of Directors believe that Space Florida's program should:

- be aligned with Stakeholders Interests,
- be aligned with the organization's mission, vision, and strategy,
- be competitive and market-based,
- pay for performance,
- balance both short- and long-term focus, and,
- be aligned with generally accepted industries approaches.

To that end, Space Florida incorporates many best practices in its compensation program and avoid elements that are not aligned with Space Florida's Guiding Pay Principles.

Competitive and Fair Compensation

The compensation philosophy of Space Florida is to establish and maintain employee rewards at levels that reflect job responsibilities and individual performance and ensure that the organization is well positioned to hire, keep and fully engage qualified, competent employees. To ensure that cash compensation is competitive, Space Florida's compensation practices are compared with those of other entities in Space Florida's market sectors on a periodic basis (approximately every three years). In January of this year, Harrington & Associates, Inc. was engaged to conduct an internal study to determine how the relationship of job duties across the organization currently relate to each other, based on job content and requirements, and to conduct a market analysis. The market analysis is derived from published surveys that reflect compensation practices of peer entities and includes data related to base cash compensation and incentive compensation targets for position descriptions (i.e., PDs or Jobs) that are equal to or substantially like those at Space Florida. Peer entities that provide the best comparisons include airports, seaports and other highly regulated transportation environments of similar size and multiple use that correspond to Space Florida's Spaceport activities. For Space Florida's Aerospace / Space Business Development activities peer entities that provide the best comparison with corresponding revenue levels and investment portfolios included boutique investment banks and real estate investment entities that handle complex, innovative financing arrangements, and state / regional wide economic and workforce development organizations.

Guiding Pay Principles

Space Florida's Compensation Program is designed to encourage its employees to: (1) Produce outstanding results in fulfilling Space Florida's Spaceport Authority Mission and Space Florida's Funding & Program Agreement with the State of Florida: (2) Create sustainable long-term value for



Space Florida's Stakeholders: and (3) Consistently fulfill their roles and responsibilities in an ethical manner. Space Florida's Guiding Pay Principles are:

- Alignment with Stakeholders Interests: Provide compensation elements and set expectations targets that closely align with those of stakeholders. For example, to foster the growth and development of a sustainable and world leading industry in the State of Florida, and to generate positive benefits for the state without uniquely benefitting any entity.
- Competitive and Market Based: to attract and retain world-class talent with abilities and experience necessary to develop and execute spaceport authority strategies, obtain superior results, and build long-term value for stakeholders within a government environment as large and complex as the State of Florida
- Pay for Performance: Though generally accepted as a fundamental component of a competitive compensation package among the vast majority of Space Florida's peer group, some stakeholders have expressed concerns that the Pay for Performance component is inappropriate for Space Florida. A substitute component should be implemented to comply with Space Florida's Principles and offer a competitive and market-based compensation plan.
- Balanced Short - and Long - Term Focus: Ensure that the compensation program provides an appropriate balance between the achievement of short- and long-term objectives, with a clear emphasis on managing the sustainability of the spaceport authority and mitigating risk.
- Alignment with Generally Accepted approaches; Provide policies and programs that fit within the framework of generally accepted approaches adopted by leading similar entities

Sustained Performance

Employees are rewarded based upon Space Florida's performance and individual performance. Appraisal ratings are graded on a 1 to 5 scale where 5 is "Substantially Exceeds Expectations" and 1 is "Not Meeting Expectations." Overall score is a combination of weighted components consisting of 40% on core behaviors, and 60% on performance. Space Florida's corporate performance is evaluated by reviewing the extent to which strategic goals and performance metrics are met. Individual performance is evaluated and documented by the employee, their supervisor and a reviewing official.

Compensation Objectives

There are three primary objectives of our current compensation program.

First, we must attract and retain superior talent to lead and execute our statutorily defined roles and responsibilities to foster growth and industry leadership while controlling the costs associated with this mission. The high-profile nature of the Space / Aerospace Industry and Space Florida's interconnection with the State of Florida adds complexity to this challenge.

Second, the compensation program must effectively tie pay and benefits to broad responsibilities and performance against measurable targets. Specific performance targets are set for Space Florida by the State and our Board of Directors each year. The combination of base and performance pay must motivate employees to take the actions necessary to meet the targets on a quarterly and annual basis, without affecting our longer-term viability.



Finally, the compensation program must properly energize employees to fulfill the mission of Space Florida, deliver returns to its stakeholders and strengthen the position of the State within the Global Space / Aerospace Industry.

Compensation Components

To meet these three objectives annual compensation is currently divided into three elements for employees; *base salary*; *pay for performance*; and *employee benefits*. The Governance and Compensation Committee determines the optimal mix of compensation components, as well as total targeted compensation, based on market analysis by a Compensation Consultant.

Base Salary. Base pay is distributed on a periodic basis and recognizes the daily performance required of the employee's position. The base salary was set using broad industry information, as well as peer entity analysis. Annual base salaries will continue to reflect appropriate market data, as well as individual performance of assigned responsibilities and changes in the scope of responsibilities. Targeted performance criteria vary for each employee based on his or her respective area of responsibility.

Pay for Performance. Are generally paid annually and are tied to exceeding agreement and budgeted targets. Pay for performance potential is based on market and peer group analysis.

Employee Benefits. All employees are provided with a benefit package that includes health care, and life and disability insurance, with dental, a GAP Insurance Plan, a vision care option, and cafeteria plan options. Space Florida pays 100% for the employee only coverage, and 75% for family coverage of medical, dental, and vision. Employees may participate in either of two health plan options that are provided and can enroll in a healthcare flexible spending account. Space Florida has a Simplified Employee Pension Plan (the "Plan"). The Plan eliminates the taxation required for the social security element of the Federal Insurance Contribution Act (FICA) for all participants and for Space Florida. All employees of Space Florida participate in the Plan. Space Florida also offers an employee only contribution deferred compensation plan (457b).

Compensation of President & CEO, and the Executive Vice President Treasurer & Chief Investment Officer

The Governance & Compensation Committee will separately review the annual compensation for these executives and will recommend to the full board a level that is competitive with peer entities, based on industry comparisons and taking into consideration the effectiveness of their leadership and success in fulfilling the mission of Space Florida. The process will be administered by Harrington & Associates, Inc. whereby annual performance evaluation documents will be completed by the executives and presented to the committee for review and assessment. Based on the results of this review and market analysis results the committee will present their recommendations to the full board for approval. The committee expects to present their recommendations at the Boards TBD scheduled meeting.



Current pay to market analysis and recommendations

The organization's aggregate current Base Pay compared to the final results of the market analysis conducted this May, is 90 % of the mid-point of the market. The lack of a Pay for Performance component places the organizations overall total cash compensation below its peer groups. It is noteworthy that over the calendar year period of 2017 through 2020 to date, the overall Consumer Price Index (CPI)-Bureau of Labor Statistics has accumulatively increased 6.39%.

For several years, Space Florida has endeavored to maintain its workforce aggregate base pay at Ninety-Five Percent (95%) of the market mid-points of its various grade levels for employee positions. In other words, the market mid-point is an amount where Fifty Percent (50%) of the market is paid less than that amount, and Fifty Percent (50%) is paid more. The reasoning for this policy had been that Space Florida was an emerging entity within a new, fast growing and burgeoning industry, our peer groups primarily reflect more mature and stable growth industries where experience in grade is common and often requires a premium. Recent hires by Space Florida indicate the industry is maturing whereby 100% of mid-market Base Pay is required to be competitive. Management with advice and counsel of the Board will have to address creating a substitute component of Pay for Performance to comply with Space Florida's Principles and offer a competitive and market-based compensation.

Report on Base Compensation Market Study & Performance Management Guidelines

REPORT OF ENGAGEMENT

S P A C E F L O R I D A



5/5/2020

REPORT ON BASE COMPENSATION MARKET STUDY & PERFORMANCE MANAGEMENT GUIDELINES

HARRINGTON & ASSOCIATES, INC.

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ENGAGEMENT SCOPE:

HAI proposed to analyze, determine job duties and responsibilities, revise or write new job descriptions as required, evaluate the relative skill, effort, responsibility and job conditions associated with each role, market price all roles through accessing published compensation data, develop new base compensation ranges and report on the internal equity and external comparability of the organization's current pay practices across the entire scope of its roles. Further, we proposed to work with senior leadership to review and address Performance Management Guidelines and make recommendations regarding any modifications that may be required to remain competitive with the market, relevant with the organization's business strategy, and stimulate the engagement of employees. This Compensation Review engagement included involvement of leadership and resulted in each role having been carefully studied to ensure the accuracy of FLSA status, job descriptions, grading, and pay ranges.

ENGAGEMENT SCOPE: Continued

The roles will be segmented into three sections or Units with individual results and reports being created for each Unit.

- Unit II Nonexempt Administrative, Clerical and Technical roles
- Unit III Supervisory, Managerial and Professional roles
- Unit IV Executive Leadership roles except CEO & President and Executive Vice President & Treasurer

HAI has reflected both the market values and the philosophy of pay of Space Florida. HAI will provide detailed and clear comparisons and analyses that illustrate the current positioning of the organization's overall compensation programs and as they related to individual incumbents. In addition, we offer counsel regarding decisions to be made and sound advice as to expectations, communication, and actions going forward, as relates to base compensation.

ENGAGEMENT PROCESS:

The purpose of this engagement was to ensure the accuracy of Space Florida's base compensation pay ranges in relation to the market, ensure the internal equity of the grading of roles across the organization, assess the relationship of individual base pay to market and for internal equity purposes and to review the guidelines and systems covering Space Florida's Performance Management and pay for performance system.

ENGAGEMENT PROCESS:

Process - Base Compensation Study & Performance Management Guidelines Review:

1. The Space Florida representative(s) provided HAI with copies of current job documentation including available job descriptions and recent job postings, a current organizational chart and set appointments for our Consultant to meet with members of Leadership individually to discuss changes to the jobs within their span of control.
2. HAI used the information collected in these meetings to re-evaluate every role utilizing the Position Evaluation Plan (NPEP) to assess the relative value of each unique position. The NPEP is a quantitative approach to developing an internal hierarchy of work through the assessment of the amounts of skill, effort, responsibility, and job conditions required by each unique set of job duties and responsibilities that make up each specific role. The Plan is the most widely used and defensible method for determining the relative relationship of jobs to each other within an organization. The application of the system results in the assignment of a grade to each role across the organizations. The results of the re-evaluation are contained in the Grade Summaries in the two accompanying Excel Workbooks for Unit II Nonexempt Positions and Unit III & IV Executive and Executive Positions
3. The Consultants examined the FLSA status of the work of each role and found that no changes were required in the current status of roles under FLSA.
4. Consultants reviewed, revised or updated job descriptions for each job evaluation covered by the study, as required based on information provided in the meetings with Leadership.
5. The Consultants present the hierarchies of positions in the Excel Workbooks mentioned above on the documents entitled Grade Summary
6. The Consultants reviewed the overall hierarchies with the Human Resources Director.
7. The Consultants identified the most suitable and reliable published survey data, requested that Space Florida purchase data not available in our library for this study and then matches Space Florida roles to the following surveys:
 - Culpepper Complete Salary Survey
 - CompData Salary Surveys
 - ERI Salary Surveys
8. HAI utilized the above surveys to study market values for the organization's positions. The Consultants have made pay appropriate market-based pay range recommendations for the coming period in the reports accompanying this summary.
9. HAI analyzed the organization's current pay practices for each of the positions across each of the Units and identified the market comparability in a set of individual analyses comprising the final report. These results are submitted and available for review by Space Florida Leadership, the Board of Directors Compensation Committee and the Board of Directors.

BASE COMPENSATION DISCUSSION:

Executive and Exempt Compensation Study Results:

The recommended market-based base compensation ranges presented in the accompanying Executive and Exempt Workbook indicate that rates for existing roles in this workforce segment have increased by between 2% to 10.6% since Space Florida's ranges were last adjusted by a common amount in 2017. You will note when you review the attached workbook that only one employee's rate is currently below the minimum level of the range to which the role is assigned. No employees are currently paid rates above the new recommended base pay ranges.

Nonexempt Compensation Study Results:

The recommended market-based base compensation ranges presented in the accompanying Nonexempt Workbook indicate that rates for those positions have increased between 3.7% and 5.9% percent above the ranges that were last adjusted in 2017. All employees in this work group have rates within the new recommended base pay ranges.

Combined Study Results:

These results indicate that Space Florida has been doing an excellent job of maintaining competitive rates of base pay to ensure their ability to recruit and retain qualified, competent employees since the last time the ranges were fully tested against the market.

We can report that in the most recent salary budget surveys, organizations indicated their actual budgets and intentions for base salary adjustments for 2019 and 2020 respectively are as follows*:

AVERAGE ACTUAL AND BUDGETED PERFORMANCE BASED INCREASE BUDGETS (MEAN)	2019 Actual	2020 Projected
Finance & Insurance	3.30%	3.30%
Manufacturing	3.20%	3.20%
Public Admin	3.20%	3.40%
Retail	3.00%	3.20%
Other Service	3.50%	3.80%
Transportation	3.20%	3.10%
Utilities	3.30%	3.50%
Wholesale	3.30%	3.40%
Health Care & Social Assist	3.10%	3.10%
Construction	3.90%	3.30%
Accommodation & Food Service	3.00%	3.10%

These data reflect the amount by which employers increased base pay rates of employees in 2019 and budgeted for base pay adjustments for 2020. Such adjustments are most frequently based on individual job performance, but organizations without solid performance metrics and plan often make these adjustments by providing the same level of increase to all eligible employees in good standing at the same time during an annual period. (*Surveys taken before COVID-19 crisis).

PERFORMANCE MANAGEMENT DISCUSSION:

Space Florida has structured performance-based pay plan that is currently in effect. It was developed with documentation and policies and has been in use for two years. There are several benefits Space Florida derives from the performance-based base pay movement program base compensation adjustment program. They include:

- To ensure individual base compensation rates at Space Florida maintain a competitive level with the market.
- To preclude managers and supervisors from taking extraordinary action that can result in pay inequities in order to retain employees.
- To increase morale, loyalty and a highly desirable business culture of engagement.
- To ensure transparency in the compensation program to provide employee confidence in management fairness and objectivity.

As Space Florida moves forward with their Performance Management System involving a performance-based pay adjustments system to reward employees for improvements in individual job performance, the following guidelines should be reviewed and re-applied annually:

- There must be a consensus and complete ownership among top management that the program chosen to establish job performance standards and metrics is essential to the success of Space Florida, is the primary system through which employees and their managers work on defining standards of performance, goals and metrics, and that the system enhances Space Florida's culture, ability to manage and the accomplishment of its business strategy.
- Top management is responsible to ensure that the performance-based compensation system becomes or remains an organization-wide program that is utilized consistently by every segment of the organization and every manager and becomes the primary system by which employees and their managers track and manage performance expectations, metrics, outcomes and related communication.
- Top management is responsible to ensure that the system and its policies are followed by management and employees as users with honesty, integrity and transparency.
- Top management is responsible to ensure that managers and supervisors are re-educated annually regarding the process and policies of the Space Florida Performance Management System.

Finally, most economists and financial experts are now predicting a strong return to economic health and prosperity in the United States beginning in the second quarter of 2020. It is anticipated that nearly all 30 million newly unemployed, as of early May 2020 due to the COVID-19 crisis, will be employed by early fall and employers will again be seeking the best talent available to move business forward. The workplace and work lives will be different, but it is anticipated that the historic numbers of unemployed related to the COVID-19 shut-down, will return to work within the year.

CONCLUSIONS:

The Consultants find that Space Florida has done an excellent job of maintaining their individual pay practices in a manner that is consistent with the market and internally equitable. This has been done in spite of the fact that they have not consulted the market formally for longer than is generally recommended, and is to the credit of the Leadership keeping a sharp eye on compensation and market values without a formal process review.

Harrington & Associates, Inc. appreciates the opportunity to conduct this Study for Space Florida and we look forward to responding to questions any leaders may have upon review of these results and this report.

Sincerely,

Judy Harrington

Judy Harrington, CCP ●

Founder & Principal Consultant ●



HAI - Harrington & Associates, Inc. ●

Schedule for Board and Committee Meetings

Filename Board Schedule 2021-2022
Run Date 9/10/2020

INITIAL SCHEDULE																											
		2021												2022												2023	
BOARD AND COMMITTEE MEETING SCHEDULE		December	January	February	March	April	May	June	July	August	September	October	November	December	January	February	March	April	May	June	July	August	September	October	November	December	January
Audit & Accountability Committee		15			30			24			28			15			22			23			27			15	
Investment Committee		16			25			29			30			13			18			30			29				12
Governance & Compensation Committee		17			23			22			21			14			24			21			22			14	
Marketing Committee		10			16			16			24			16			17			16			20			13	
Board of Directors Meeting-Location TBD			14			22			22			21			27			28			28			27			26