



**STAFF REPORT
ACTION REQUIRED**
with Confidential Attachments

Executive Compensation 2011 for City Agencies and Corporations

Date:	May 29, 2012
To:	Executive Committee
From:	City Manager and City Solicitor
Wards:	City-wide
Reason for Confidential Information:	This report includes personal information about identifiable individuals and information subject to solicitor-client privilege.
Reference:	

SUMMARY

City Council requested information on the executive compensation for City agencies and corporations. In total, 35 agencies and corporations were canvassed and executive compensation data for over 120 executives was submitted to the City Manager.

This report presents a summary analysis of the data collected, recommends Council enact by-laws for City Boards, amend Relationship Frameworks for agencies and amend Shareholders Directions for wholly-owned City Corporations to require the disclosure of individual executive compensation in a confidential report to City Council through the City Manager, and makes recommendations for the future collection and reporting on executive compensation.

The data in this report has been aggregated to protect the privacy of individual executives whose organizations participated by submitting their compensation data. The protection of individual privacy is required by the *Municipal Freedom of Information and Protection of Privacy Act*.

The Confidential Attachments to this report are required to protect personal information of identifiable individuals and for purposes of solicitor-client privilege

A further report in response to previous Council requests will follow once research has been completed regarding:

- (a) executive compensation schemes, and private sector comparators where available relating to agency and corporation executive compensation; and
- (b) human resources policies and practices of boards and alignment with City objectives.

The City Solicitor provided the solicitor-client advice contained in Attachment 4 and has been consulted in the preparation of the report.

RECOMMENDATIONS

It is recommended that City Council:

1. require that the Shareholder Directions for all wholly-owned City corporations be amended to require public disclosure to the extent permitted by law of individual executive compensation as part of the annual reporting to the Shareholder and where required obtain consent from the executives for such disclosure, and authorize the City Manager to execute the revised Shareholder Directions in a form approved by the City Solicitor;
2. require all City agencies and corporations, other than the Police Services Board and the Public Library Board, to:
 - (a) report their individual executive compensation and salary ranges to the City Manager in a form and at a time satisfactory to the City Manager as permitted by law; and
 - (b) take action to ensure that future employment contracts for executives contain a provision providing employee consent to the disclosure of their individual compensation to the City Manager and in a confidential report to City Council in a form and at a time satisfactory to the City Manager;
3. request the Police Services Board and the Public Library Board to:
 - (a) report their individual executive compensation and salary ranges to the City Manager in a form and at a time satisfactory to the City Manager as permitted by law; and
 - (b) take action to ensure that future employment contracts for executives contain a provision providing employee consent to the disclosure of their individual compensation to the City Manager and in a confidential report to City Council in a form and at a time satisfactory to the City Manager;

4. request the City Manager to report to City Council on executive compensation of City agencies and corporations once per term of Council commencing in 2015, such report to include:
 - (a) individual salary ranges and aggregate compensation for executives by agency type in a public report; and
 - (b) individual executive compensation, including base salary, bonuses, expenses and the value of benefits, in a confidential attachment;
5. enact by-laws for City Boards to require the disclosure of individual executive compensation in a confidential report to City Council through the City Manager as permitted by law, and authorize the City Solicitor to submit the appropriate bills;
6. authorize the City Manager to include a provision in Relationship Frameworks for City Boards, and to make amendments to existing Relationship Frameworks for City Boards, to require the disclosure of individual executive compensation in a confidential report to City Council through the City Manager as permitted by law;
7. authorize the City Manager to make the necessary changes to the Relationship Framework Agreement for the Toronto Atmospheric Fund to require the disclosure of individual executive compensation in a confidential report to City Council through the City Manager as permitted by law; and
8. direct that the contents of Confidential Attachments 2, 3 and 4 to this report from the City Manager and City Solicitor be kept confidential in their entirety after the consideration of the report by Council for reasons of personal information about identified individuals and solicitor-client privilege.

FINANCIAL IMPACT

There are no financial impacts as a result of this report. The Deputy City Manager & Chief Financial Officer has reviewed this report and agrees with the financial impact statement.

DECISION HISTORY

At its meeting of March 5-7, 2012, City Council considered a report on the disclosure of executive compensation for Build Toronto, Invest Toronto and the Toronto Port Lands Company. Council requested that the City Manager report back on the executive compensation of City agencies and corporations, which is addressed in this report.

The City Manager was also requested to report on compensation systems for executives and comparators in the private sector. This will be addressed in a future report.

Executive Compensation Disclosure for 2010 by Build Toronto, Invest Toronto and the Toronto Port Lands Company

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2012.EX16.6>

At its meeting of April 12 and 13, 2011, City Council considered a report on how the City manages through agencies and corporations. Council requested a review of human resources policies and practices of boards including alignment with City objectives and appointment and performance management processes for administrative heads. This will be addressed in a future report.

Managing Through Agencies and Corporations

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2011.EX4.6>

BACKGROUND

In the past, individual agency and corporate boards have exercised discretion regarding the method and amount of executive compensation and whether to publicly disclose executive compensation. However, since the economic downturn in the United States and Europe that commenced in 2008, executive compensation has become a topic of broad societal interest. This has resulted in a public desire to better monitor transparency, accountability and equity in executive compensation.

COMMENTS

1. Participating Agencies and Corporations

Executive compensation data was canvassed from 35 City organizations including 30 agencies and 5 wholly-owned corporations. The list of participating agencies and corporations is included in Attachment 1. Quasi-judicial and adjudicative boards which do not employ their own staff (supported by staff of City divisions), partnered agencies and corporations which are not wholly-owned or controlled by the City, and the 72 BIAs which do not rely upon City funds for operations, were not included in this process.

Overall, the 35 agencies and corporations that were canvassed submitted executive compensation data representing over 120 executives to the City Manager.

2. Executive Compensation Data

2.1 Confidential Information

The protection of individual privacy is required by the *Municipal Freedom of Information and Protection of Privacy Act (MFIPPA)*. Specific compensation data of individual executives is private information under *MFIPPA*. *MFIPPA* does allow public disclosure of compensation data that has been grouped or aggregated or which is shown as falling within a salary range. The data in this report has been aggregated to protect the privacy of individual executives for whom compensation data was submitted. To protect personal information, data on individual executive compensation is included in Confidential Attachments 2 and 3 to this report.

Confidential Attachment 4 to this report contains related information in a report from the City Solicitor that is subject to solicitor-client privilege.

Confidential Attachments 2, 3 and 4 may not be discussed in public and must be kept confidential in their entirety after consideration of this report by Council for reasons of personal information about identified individuals and solicitor-client privilege.

2.2 Compensation for Agency and Corporation Executives

Table 1 below shows the average, minimum and maximum 2011 executive compensation for wholly-owned City corporations, service agencies and community-based agencies. Attachment 1 indicates which agencies and corporations are included in each group. The executive group for each type of board is defined as the head and, where applicable, the next level below comprising the direct reports to the head executive. This group usually comprises the organization's senior management team. In some smaller agencies the agency head is the only person reporting their compensation.

Executives at corporations had the highest average base salary, other payments, average benefits at \$19,364 and average total compensation at \$376,431.

The average executive base salary at service agencies ranked second at \$162,431 (for the boards constituting these service agencies, see Attachment 1). Other payments and benefits as reported were relatively low resulting in a total compensation of \$175,234.

Average base salary and total compensation for executives at community-based agencies (which are relatively smaller programs) was much lower at \$80,710 and \$100,148 than their counterparts at other service agencies and corporations. However, community-based agency executives did have relatively higher benefits at \$18,642 on average.

The total executive compensation at corporations varied significantly from \$124,962 to \$851,983. For service agencies the total compensation ranged from \$60,089 to \$332,116. For community-based agencies the lowest paid executive had a total compensation of \$70,569 and the highest was \$142,601.

Table1: 2011 Compensation – All Agency and Corporation Executives

Type	Base Salary	Other Payments	Total Cash Compensation	Benefits	Expenses	Total Compensation	Number of Organizations and Executives
Wholly-Owned Corporations							
Average	\$258,057	\$101,322	\$355,068	\$19,364	\$1,636	\$376,431	5 corporations 25 executives
Minimum	\$116,563	-	\$116,613	\$1,362	-	\$124,962	
Maximum	\$421,702	\$371,378	\$793,080	\$58,903	\$8,443	\$851,983	
Service Agencies							
Average	\$162,431	\$6,282	\$168,635	\$7,589	\$221	\$175,234	12 agencies 57 executives
Minimum	\$ 60,089	-	\$60,089	-	-	\$60,089	
Maximum	\$305,089	\$26,415	\$328,557	\$45,720	\$9,303	\$332,116	
Community-Based Agencies							
Average	\$80,710	\$951	\$81,613	\$18,642	\$ 857	\$100,148	18 agencies 44 executives
Minimum	\$ 53,934	-	\$55,595	\$5,400	-	\$ 70,569	
Maximum	\$111,280	\$4,500	\$112,980	\$26,497	\$9,354	\$142,601	
Notes:							
One individual works for 3 corporations allocated on a part time basis for each, but the data for this person was aggregated across the 3 positions.							

Overall the data shows significant variation in how executives are compensated at different types of agencies and corporations, with compensation at corporations being the highest, service agencies second highest and community-based agencies third. This variation reflects several things such as the nature, scope and complexity of the organization and the historical discretion of individual boards in setting executive compensation. A future report from the City Manager will summarize the compensation schemes of agencies and corporations to provide insight into how compensation levels with individual agencies and corporations are derived.

Heads of corporations were best compensated with average total compensation of \$459,727. On average in 2011 \$148,083 of their compensation was composed of other payments with a base salary of \$286,109. Compensation of corporate heads varied widely with a minimum total compensation of \$188,043 and a maximum \$851,983.

3. Monitoring Executive Compensation

3.1 Shareholder Directions for Wholly-Owned City Corporations

This report recommends that City Council require that the Shareholder Directions for all wholly-owned City corporations be amended to require public disclosure to the extent permitted by law of individual executive compensation as part of the annual reporting to the City as the sole shareholder. The purpose of this recommendation is to ensure that City corporations are transparent in the setting of their executive compensation. The form of how they are reported in the annual report is determined by the individual corporation and may not be reported in the same style as other City corporations, making comparison between corporations more difficult.

Another recommendation of this report requires City corporations to participate annually in a survey of agencies and corporations. This will allow data to be collected in a standard, comparable format across all city organizations.

3.2 By-laws and Relationship Frameworks for Boards of Agencies

To clearly communicate Council's intent, this report recommends that the requirement for City Boards and the Toronto Atmospheric Fund (TAF) to disclose individual executive compensation in a confidential report to City Council through the City Manager as permitted by law be implemented as follows:

- (a) Council enact by-laws to apply this requirement to City Boards and authorize the City Solicitor to submit the appropriate bill in Council;
- (b) Council authorize the City Manager to include this requirement in a provision in future Relationship Frameworks for City Boards and make necessary changes to existing Relationship Frameworks for City Boards to include this requirement;
- (c) Council authorize the City Manager to make the necessary changes to the Relationship Framework Agreement for TAF to include this requirement.

City Boards are subject to Sections 141, 145 and 146 of the *City of Toronto Act, 2006* (COTA). TAF is a local board of the City under COTA Ontario Regulation 589/06 and is also subject to City Council policy direction under Section 12(1) of the *Toronto Atmospheric Fund Act*. These legislative provisions allow the City to amend board functions and mandates and require boards to comply with City policies and processes. The by-laws and provisions in Relationship Frameworks (for those boards where the latter is in place) would require City Boards and TAF to participate in periodic executive compensation surveys as determined by the City Manager. In this manner executive compensation data can be collected at regular intervals for all City agencies in a format that is standardized and permits aggregation and comparison of summary data.

3.3 Employment Contracts

This report recommends that the boards of agencies and corporations take action to ensure that future employment contracts for executives contain a provision providing employee consent to the disclosure of their individual compensation to the City Manager and in a confidential report to City Council in a form and at a time satisfactory to the City Manager. In this manner there is no confusion or ambiguity regarding the expectations of executive disclosure while employed by a City agency or corporation. City Council has the authority to require collection of the individual executive compensation data and the purpose of the employment contract clause is simply to make the executive aware of the City's authority and Council's interest in disclosure to ensure transparency, to assess aggregate trends and on a confidential basis to monitor individual executive compensation.

It would be appropriate to request the Police Services Board and the Public Library Board to take similar action with respect to employment contracts.

3.4 Periodic Submission of Data to the City

This report recommends that City agencies and corporations, other than the Police Services Board and the Public Library Board, report their individual executive compensation and salary ranges to the City Manager in a form and at a time satisfactory to the City Manager as permitted by law. It is intended that annually the City Manager would require the submission of data on components of compensation such as base salary, bonuses, expenses and the value of benefits. A data base would be kept to allow comparison of executive compensation over regular time periods in order to determine emerging and historical trends.

It would be appropriate to request the Police Services Board and the Public Library Board to submit data to the City in the same format.

3.5 Reporting to Council Each Term of Council

This report recommends that the City Manager report to City Council on executive compensation of City agencies and corporations once per term of Council commencing in 2015, such report to include:

- individual salary ranges and aggregate compensation for executives by agency type in a public report; and
- individual executive compensation, including base salary, bonuses, expenses and the value of benefits, in a confidential attachment.

The 2010-2011 data collected for the purposes of this report would act as the baseline data to help analyze trends. Data collected for 2012 and 2013 would allow an analysis of the 2010 to 2014 period for a report to City Council in 2015. Monitoring and reporting will enhance transparency, equity and rigour in setting executive compensation.

SIGNATURE

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ATTACHMENTS

- Attachment 1: Participating City Agencies and Corporations
- Attachment 2: Confidential Attachment – City Manager Report on Individual 2011 Executive Compensation
- Attachment 3: Confidential Attachment – Executive Compensation – Top 25 Earners
- Attachment 4: Confidential Attachment – City Solicitor Report on Individual 2011 Executive Compensation

Participating City Agencies and Corporations

Wholly-Owned Corporations (5)

Toronto Hydro
Build Toronto
Invest Toronto
Toronto Port Lands Company
Toronto Community Housing Corporation

Service Agencies (12)

Toronto Library Board
Exhibition Place
Toronto Transit Commission
Toronto Zoo
Toronto Atmospheric Fund
Heritage Toronto
St. Lawrence Centre for the Arts
Toronto Centre for the Performing Arts
Toronto Police Services Board
Toronto Parking Authority
Yonge-Dundas Square
Sony Centre

Community-Based Service Agencies

Association of Community Centres (AOCCs) (10)

519 Church Street
Cecil Community Centre
Community Centre 55
Ralph Thorton Community Centre
Swansea Town Hall
Applegrove Community Complex
Central Eglinton Community Centre
Scadding Court Community Centre
Harbourfront Community Centre
Eastview Community Centre

Arena Boards (8)

George Bell Arena
Larry Grossman – Forest Hill Arena
Leaside Arena
Moss Park Arena
North Toronto Arena
Ted Reeve Arena
McCormick Arena
William Bolton Arena