

Executive Compensation Study

Date: March 21, 2023

To: Board of Governors of Exhibition Place

From: Don Boyle, Chief Executive Officer

Wards: All

REASON FOR CONFIDENTIAL INFORMATION

This report contains information about personal matters about identifiable individuals.

SUMMARY

At its meeting of December 2019, the Board approved the Executive Incentive Pay Grid Short Term Incentives for Exhibition Place for implementation in the 2020 Fiscal Year, for its four executive employees; and further directed the Chief Executive Officer to forward a confidential copy of the Executive Incentive Pay Grid and Short-Term Incentives to the City Manager.

In July 2021, City Council direct the City Manager to complete an independent external review of executive compensation policies and practices at the City of Toronto's Agencies and Corporations, including Exhibition Place, and to report back by the fourth quarter of 2021.

In response to the above City Council direction in July 2021, the City has retained the services of an external independent organizational consultant firm, Korn Ferry, to lead the executive compensation review at in-scope City Agencies and Corporations including Exhibition Place.

At its meeting of June 9, 2022, the Board received a confidential PowerPoint presentation from Korn Ferry and the Board direct the Chief Executive Officer, Exhibition Place to review the Korn Ferry Executive Compensation Study, as presented in closed session, and consult with the City Manager's Office for input and any feedback with respect to the study. And further, directed the Chief Executive Officer to report back to the Board at its September 14, 2022 meeting with recommendations on the detailed design, application, and implications for implementation of the Executive Compensation Study.

At its meeting of September 14, 2022, the Board received the Korn Ferry study as presented in-camera and authorized the Chair to establish a revised salary range for implementation in the 2022 fiscal year for the Chief Executive Officer, Exhibition Place in line with the Metro Toronto Convention Centre as presented by Korn Ferry. And further directed the Chief Executive Officer, Exhibition Place to engage with Korn Ferry to complete the compensation study for the other four executive and non-executive Exhibition Place staff in consultation with the City Manager's Office and report back to the Board.

The recommendation follows the guiding principle approved by City Council achieving the 50th (P50) percentile factor.

The Korn Ferry Compensation Study for the non-executive staff is the subject of a separate Board report.

Staff from Korn Ferry will be attending the Board meeting of April 4, 2023 to respond to questions on their compensation review.

RECOMMENDATIONS

The Chief Executive Officer recommends that:

1. The Board approve the Executive (non-CEO) Proposed 2023 Salary Range commencing July 1, 2023, as set out on page 13, and based on the concept outlined, in Confidential Attachment 1 - Korn Ferry 2023 Executive Pay Review Study.
2. The Board direct that Confidential Attachment 1 remain confidential as it contains personal information about identifiable individuals.

FINANCIAL IMPACT

The cost to implement the Korn Ferry Study commencing July 1, 2023 (six months) for the four-executive staff (non-CEO) based on the P50 Factor is \$45,980. Two of the four staff are currently below the minimum of the proposed salary range and will be brought to the minimum of the new range and two staff are in range who will be equally positioned in the step of the new range. There is no net financial impact to the operating budget as the cost is offset by additional revenues earned from rent and other show services.

Future annual cost increases for COLA and Merit Pay per City direction will be provided for in the annual operating budget.

DECISION HISTORY

The Exhibition Place 2022-2026 Strategic Plan has a goal to Invest in our People and Culture to examine our organization structure to reflect the broader strategic initiatives, and as a strategy review and update the pay for performance plan for the executive team and report to City Council.

At its meeting of January 27, 2006, April 20, 2006, January 10, 2007 and January 25, 2008, the Board approved a series of reports dealing with organizational changes involving the cancellation of the private sector management contract for the exhibition business and restructuring so that Exhibition Place assume control of the Board's operation.

At its meeting of November 13, 2013, City Council adopted Report No. EX35.19 entitled "Non-Union Employee Compensation" which approved the continuation of the performance review levels, target allocations, and revised performance financial rewards for non-union compensation policy and performance management program.
<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2013.EX35.19>

At its meeting August 25, 2014, City Council adopted Report No. EX44.8 entitled "Executive Compensation Policy for Agencies and Corporations" and requested agencies and corporations to implement their Board policy within the Guidelines recommended by City Council.
<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2014.EX44.8>

At its meeting of February 12, 2016, the Board adopted Item #2 which was an Executive Compensation Plan for five executive positions.
<https://www.explace.on.ca/files/file/58d03e8a7dd74/Item-2-Executive-Compensation-Plan.pdf>

At its meeting of July 28, 2016, the Board adopted Item #18 which recommended a new organization structure that eliminated the position of Corporate Secretary and amended the position of Chief Financial Officer to become the new position of Chief Financial Officer & Corporate Secretary.
<https://www.explace.on.ca/files/file/58c69f42dbe39/Item-18-Reorganization.pdf>

At its meeting of December 9, 2016, the Board adopted Item #12 which included a policy / guideline on payment of bonuses for the sales staff in the Sales and Marketing Division.
<https://www.explace.on.ca/files/file/58b608e388d7e/Item-12-Employee-Policies.pdf>

At its meeting of June 13, 2019, the Board approved the Executive Incentive Design Framework outlined in the Korn Ferry consultant report for the four executive positions.
<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2019.EP3.24>

At its meeting of December 19, 2019, the Board approved the Executive Incentive Pay Grid and Short-Term Incentives for Exhibition Place for implementation in the 2020 Fiscal Year ending December 31, 2020, for its four employees: the Chief Executive

Officer; the Chief Financial Officer and Corporate Secretary; the General Manager, Sales and Event Management Department; and the General Manager, Operations Department.

And further directed the Chief Executive Officer to forward a confidential copy of the Executive Incentive Pay Grid and Short-Term Incentives to the City Manager.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2019.EP8.10>

At its meeting of July 14, 2021, City Council direct the City Manager to complete an independent external review of executive compensation policies and practices at the City of Toronto's Agencies and Corporations, and to report back by the fourth quarter of 2021.

And further, City Council request the City Manager to include in the 2021 review of executive compensation for the City's Agencies and Corporations appropriate updates to the City's policy framework adopted by City Council in 2014, in accordance with current leading industry practice.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2021.EX25.13>

At its meeting of June 9, 2022, the Board received a confidential PowerPoint presentation from Korn Ferry and the Board direct the Chief Executive Officer, Exhibition Place to review the Korn Ferry Executive Compensation Study, as presented in closed session, and consult with the City Manager's Office for input and any feedback with respect to the study.

And further, directed the Chief Executive Officer, Exhibition Place to report to the next Board meeting with recommendations on the detailed design, application, and implications for implementation of the Executive Compensation Study.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2022.EP24.2>

At its meeting of September 14, 2022, the Board authorized the Chair to establish a revised salary range for implementation in the 2022 fiscal year for the Chief Executive Officer, Exhibition Place in line with the Metro Toronto Convention Centre as presented by Korn Ferry.

And further directed the Chief Executive Officer, Exhibition Place to engage with Korn Ferry to complete the compensation study for the other four executive and non-executive Exhibition Place staff in consultation with the City Manager's Office and report back to the Board.

<https://secure.toronto.ca/council/agenda-item.do?item=2022.EP25.5>

COMMENTS

Background to 2016 Executive Compensation Review

The development of the 2016 Executive Compensation Plan for the Executive Positions was the result of the 2014 direction of City Council. To fulfill the City Council direction,

Exhibition Place engaged the Hay Group to study all factors directed to be studied by City Council which included the following:

- Job descriptions for each position
- Total rewards approach
- Comparator salary analysis to the public sector
- Establish a salary range
- Consider feasibility of merit pay
- Investigate feasibility of variable incentive pay
- Review employee benefits including pension benefits
- Policies on termination
- Policies on annual performance assessment

The Hay Group study resulted in the Board's approval of a compensation plan for the five executive positions.

As directed by City Council, only public sector organizations were to be used as comparators and Korn Ferry used a Comparator Group of thirty-one organizations within the public sector in their 2022 study.

Background Information - City Manager Discussion & Feedback to the Executive Incentive Design 2019

On October 29, 2019, the City Manager's Office ("CMO") was provided the Executive Incentive Design report by Korn Ferry (dated May 7, 2019).

The CMO noted that executive compensation policies are developed and approved by the Boards of agencies and corporations and are not approved by the City Manager. City Council adopted an executive compensation framework with Guiding Principles for agencies and corporations in August 2014 and requested agencies to develop a comprehensive senior executive compensation policy applying the Guiding Principles and practices set out in Attachment 1 to the City Manager's report dated August 6, 2014. Based on the Board's request, the CMO reviewed the Executive Incentive Design against the Framework requirements but not the specific content such as the compensation level or Korn Ferry's methodology. CMO comments on the Executive Compensation Plan are as set out below:

The CMO confirmed that the Incentive Program developed by Korn Ferry for Exhibition Place in 2019 is consistent with the City's framework.

Background to 2022 - 2023 Executive Compensation Review

In July 2021 by adoption of decision items 2 and 3 in report EX25.13, City Council directed the City Manager to complete an independent external review of executive compensation policies and practices at the City of Toronto's Agencies and Corporations, including Exhibition Place, and to report back by the fourth quarter of 2021.

In response to the above City Council direction, the City of Toronto has retained the services of an external, independent organizational consulting firm, Korn Ferry, to lead the executive compensation review at in-scope City Agencies and Corporations. The scope of the review is expected to include components such as:

- Comparing existing executive compensation policies and structures at City Agencies and Corporations against the Council-approved framework, "Executive Compensation Policy at City Agencies and Corporations", and its Guiding Principles (Item 2014.EX44.8).
- A review of compensation structures of within-scope executive positions against defined comparator market(s), and the identification of approaches to determine fair and reasonable executive compensation structures for future executive hires; and
- Proposals for updates to the City's current Executive Compensation Framework & Guiding Principles to ensure it meets current best practices.
- The results of the review will provide assurances to City Council, City staff, stakeholders, and the general public that City agencies and corporations are recruiting and retaining high performing executives within an efficient, market competitive, and affordable compensation system.
- Compare existing executive compensation policies and structures at City Agencies and Corporations against the Council-approved framework, "Executive Compensation Policy at City Agencies and Corporations".
- Review compensation structures of within-scope executive positions against defined comparator market(s), and the identification of approaches to determine fair and reasonable executive compensation structures for future executive hires; and,
- Develop proposals to update the City's current Executive Compensation Framework & Guiding Principles to ensure it meets current best practices.

At its meeting of June 9, 2022, the Board received a confidential PowerPoint presentation from Korn Ferry and the Board direct the Chief Executive Officer, to review the Korn Ferry Executive Compensation Study, as presented in closed session, and consult with the City Manager's Office for input and any feedback with respect to the study. And further, directed the Chief Executive Officer, to report to the next Board meeting with recommendations on the detailed design, application, and implications for implementation of the Executive Compensation Study.

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and non-executive Exhibition Place staff in consultation with the City Manager's Office and report back to the Board.

The recommended salary ranges move Exhibition Place into the 50th percentile in the grade. The recommendation follows the guiding principle approved by City Council achieving the 50th (P50) percentile factor.

The Korn Ferry Compensation Study for the non-executive staff is the subject of a separate report.

Staff from Korn Ferry will be attending the Board meeting of April 4, 2023 to respond to questions on their compensation review.

CONTACT

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SIGNATURE

Don Boyle
Chief Executive Officer

ATTACHMENTS

Confidential Attachment 1 - Korn Ferry - 2023 Executive Pay Review Study