REPORT FOR ACTION WITH CONFIDENTIAL ATTACHMENT

2023 Short-Term Incentive Plan

Date: March 6, 2023
To: Audit and Risk Management Committee of the Board of Directors of Toronto Parking Authority
From: President, Toronto Parking Authority
Wards: All

REASON FOR CONFIDENTIAL INFORMATION

This report deals with personal matters about identifiable persons.

SUMMARY

The purpose of this report is to provide a recommendation for the performance targets to be utilized in the Toronto Parking Authority's 2023 Short-Term Incentive Program (STIP).

Toronto Parking Authority (TPA) is on its accelerated journey towards its vision of becoming the world's best provider of sustainable parking, bike share and last mile mobility experiences. To support this effort, TPA has been addressing our significant capability gaps with a particular emphasis on acquiring new talent in an extremely competitive labour market. In support of this effort, the Board approved revisions to the compensation plan for the President, Vice-Presidents and Directors and requested that the President report to the Board with recommendations on the design details of the 2023 STIP.

As requested by the Board, this report provides the specifics of the performance targets to be incorporated into the STIP and potential impact on eligible partipants. This will require a closed session discussion, as it deals with personal matters about identifiable persons.

RECOMMENDATIONS

The President, Toronto Parking Authority recommends that:

1. The Board of Directors, Toronto Parking Authority, direct the President, Toronto Parking Authority, to implement the 2023 Corporate Goals and KPI targets for the Short-Term Incentive Plan as identified in Confidential Attachment 1.

2. The Board of Directors, Toronto Parking Authority, direct that the confidential information contained in Confidential Attachment 1 remain confidential in its entirety, as it deals with personal matters about identifiable persons.

FINANCIAL IMPACT

There is no financial impact resulting from this report.

DECISION HISTORY

At its meeting on December 12, 2022, the Board of Directors of the Toronto Parking Authority approved revisions to the compensation plan for the President.
https://secure.toronto.ca/council/agenda-item.do?item=2023.PA1.13

On July 26, 2022, the Board of Directors of the Toronto Parking Authority, considered the 2021 annual performance of the President.
https://www.toronto.ca/legdocs/mmis/2022/pa/bgrd/backgroundfile-226992.pdf

At its meeting on July 26, 2022, the Board of Directors of the Toronto Parking Authority approved revisions to the compensation plan for Vice-Presidents and Directors.
http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2022.PA31.3

The Board of Directors of the Toronto Parking Authority at its meeting on May 27, 2022 considered item PA30.14 "Executive Compensation Review" and received an update on an executive compensation review conducted by a third party.
http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2022.PA30.14

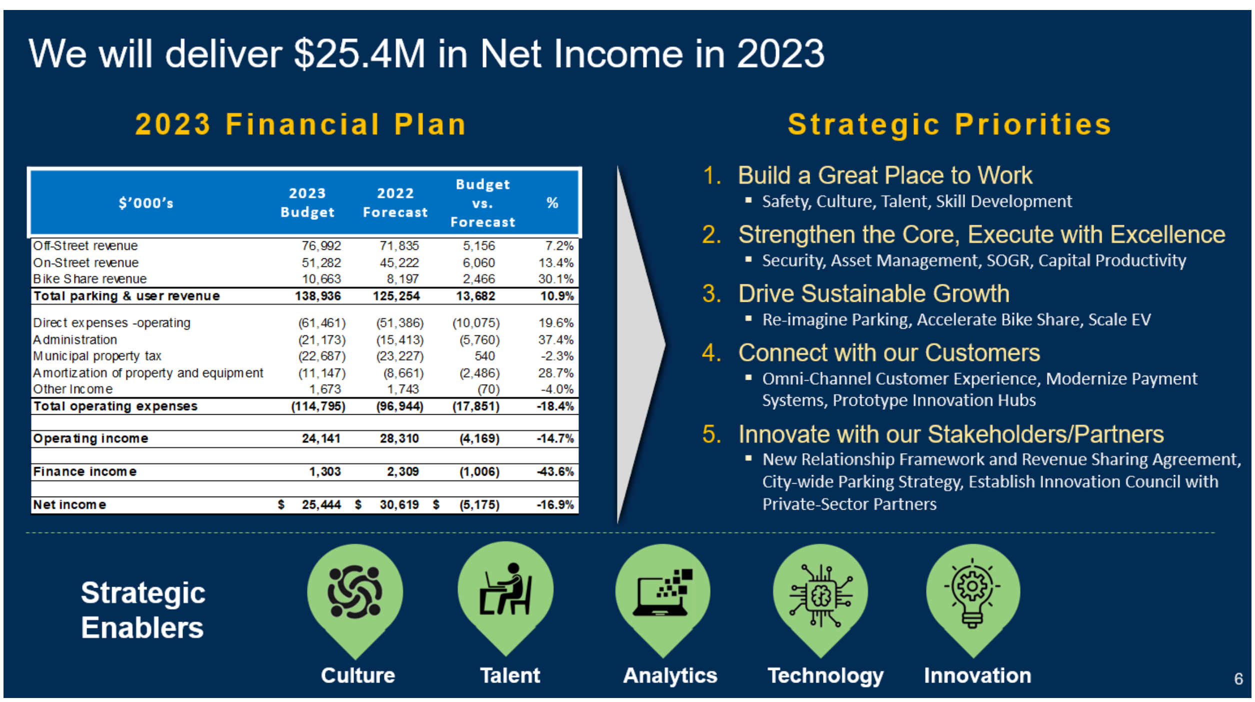
Toronto City Council at its meeting on August 25, 26, 27 and 28, 2014 considered Item EX44.8, "Executive Compensation Policy at City Agencies and Corporations", requesting City agency and corporation Boards to develop a comprehensive senior executive compensation policy, independent of management, applying the guiding principles and practices set out in Attachment 1 to the report (August 6, 2014) from the City Manager and the City Solicitor.
http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2014.ex44.8

COMMENTS

As background, executive salary ranges have been tied to increases with collective bargaining contracts since 2009. The last review of the compensation plan for the President was seven (7) years ago, approved by the Board of Directors in April 2016. In addition, salary ranges for executives and senior leaders have fallen materially behind market rates and impacted our ability to attract and retain high performing leaders.

Over the last year, in recognition of the significant talent challenges facing the TPA, the President directed that a compensation benchmarking review for Vice-President and Director positions be completed to assess TPA's competitiveness in order to support fact-based decision making. Subsequently, on May 27, 2022, the Board of Directors of the Toronto Parking Authority received a confidential presentation from Gallagher Canada on their findings: Toronto Parking Authority - Executive Compensation Benchmarking Review. The recommendations for Board consideration were consistent with Toronto City Council's direction under Item EX44.8, "Executive Compensation Policy at City Agencies and Corporations". The Board of Directors, in July 2022, approved a revised compensation plan for the Vice Presidents and Directors. Similarly, the Board of Directors considered the talent challenges with the President position, and approved a revised compensation plan for the President in December 2022.

The chart below, previously presented to the Board, provides context for the recommended performance metrics for the 2023 Short-Term Incentive Plan.



TPA's Short-Term Incentive Plan Design

Short-Term Incentive Plan Overview

The primary goals and objectives of the new short-term incentive program are:

- To improve the employment brand reputation of the TPA.
- To provide a competitive compensation package to attract and retain talent within the public sector operating environment.
- To provide a mechanism to reward outstanding performance.
- To build a performance-based culture for non-union staff.
- To provide a fair and transparent programme for all eligible participants.
- To ensure there is no perceived "entitlement" without specific, measurable, attainable and relevant outcomes.

Short-Term Incentive Plan Target Opportunity

The Short-Term Incentive Plan (STIP) was approved by the Board with a phased implementation of the STIP targets over two years (2023 and 2024), as shown in the following table (Table 1):

Table 1 - *Short-Term Incentive Plan Target Opportunity*

Short Term Incentive Plan Target Opportunity		
Pay Grade	STI Target Opportunity (%) 2023	STI Target Opportunity (%) 2024
President / CEO	15.0%	22.5%
Vice President	15.0%	20.0%
Director	10.0%	15.0%

Design Structure

1. Executive level participants are assessed on delivering enterprise wide objectives only. There is no consideration or rewards for individual performance.

2. Director level participants are assessed on a combined weighting of both enterprise level deliverables and individual performance (75 percent corporate/25 percent individual).

3. The STIP bonus plan is designed as a weighted scorecard to deliver key annual corporate objectives. Per Gallagher recommendations and consistent with public sector best practices, the bonus will have a pay-out range between 0 percent to 125 percent of target.

4. Corporate Goals: The corporate goals are identical for all eligible participants in the Short-Term Incentive Plan. The scorecard will include a maximum of five Key Performance Indicators (KPIs) as recommended by Gallagher and consistent with public sector best practices. The goals are weighted individually and will deliver an overall corporate score. These objectives are directly linked to TPA's annual operating plan and strategic priorities. The President of the TPA will establish the STIP bonus scorecard on an annual basis and must secure Board approval each year of the program.

5. Individual Goals: Individual goals are different for each employee. These weighted goals, with two to three KPIs, are aligned to TPA's strategic priorities. Individual goals and associated KPIs are determined by the respective executive.

6. Performance Levels (Threshold, Target and Maximum): Performance targets must be S.M.A.R.T goals (Specific, Measurable, Attainable, Relevant and Timebound) while providing a stretch opportunity for exceptional performance. Each KPI has performance levels defined: Below threshold, threshold, target (on-target) and maximum (above target). On target achievement is paid at 100 percent, expected to occur 80 percent to 90 percent of the time. Achievement at the maximum of 125 percent, is designed to be a stretch, occurring 10 percent of the time or less.

Table 2 shows the performance levels for achieving KPI's and probability of attainment.

Table 2 - *Performance Levels for Achieving KPI's and Probability of Attainment*

Performance Level	Multiplier	Probability of attainment
Below Threshold	0.0%	
Threshold	50.0%	10% to 20% of the time
Target	100.0%	80% to 90% of the time
Maximum	125.0%	0% to 10% of the time

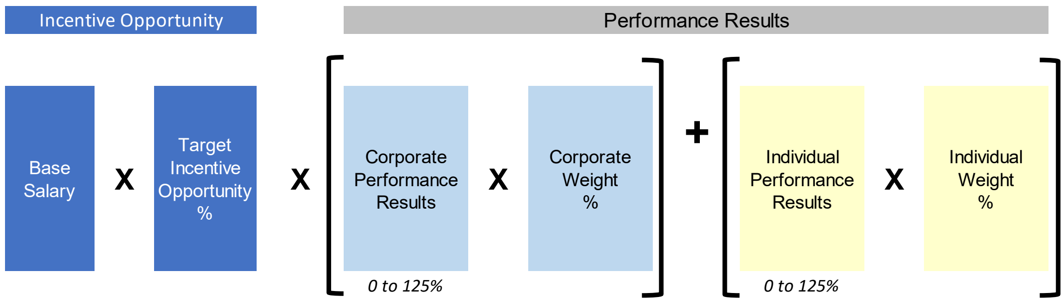
Table 3 provides an overall summary of the STIP target opportunity and performance weightings for the President/ CEO, Vice-President and Directors.

Table 3 - *Short-Term Incentive Plan Target Opportunity*

Short Term Incentive Plan Target Opportunity				
Pay Grade	STI Target Opportunity (%) 2023	STI Target Opportunity (%) 2024	Corporate Performance Weighting	Individual Performance Weighting
President / CEO	15.0%	22.5%	100.0%	0.0%
Vice President	15.0%	20.0%	100.0%	0.0%
Director	10.0%	15.0%	75.0%	25.0%

Calculating the Short-Term Incentive Plan Payout

The Short-Term Incentive payout is calculated by multiplying the base salary by the STIP target opportunity (percentage) for the role, then multiplying it by the performance level achieved for Corporate and Individual performance results:



To calculate the Corporate Performance results, the performance level of each corporate goal is multiplied by its weight, then totaled. The calculation is similar for Individual performance.

Corporate Performance	Weight
Goal 1 (0 to 125%)	40%
Goal 2	30%
Goal 3	10%
Goal 4	10%
Goal 5	10%
Total	100%

For reference, Attachment 1 - 2023 Short-Term Incentive Plan - Plan Description and Administration, describes the administration of the STIP.

Recommendation for 2023 Corporate Goals

Implementation of the Short-Term Incentive Plan for 2023 requires the establishment of Corporate goals and setting of KPI targets for 2023. Staff recommends the following Corporate goals and targets for 2023 as shown in Table 4.

Table 4 - *Corporate Goals and Targets for 2023*

CORPORATE GOALS	Weight		Payout performance levels
Deliver Planned Profit of $25.4 Million	40%		If less than 75% of planned profit is achieved, payout level is 0%.
			If 75% to 97% of planned profit is achieved, payout level increases on a straight-line basis from 50%.
		On-Target	If 98% to 105% of planned profit is achieved, payout level is 100%.
			If 106% to 109% of planned profit is achieved, payout level increases on a straight-line basis up to 124%.
			If 110%+ of planned profit is achieved, payout level is 125%.
Deliver $45M capital projects. * Controllable capital	30%		If less than 75% of capital goal is achieved, payout level is 0%.
			75% to 89% of capital goal is achieved, payout level is 50%.
		On-Target	If 90% to 94% of capital goal is achieved, payout level is 100%.
			If 95%+ of capital goal is achieved, payout level is 125%.
Install 175 EV Chargers in 2023	10%		If less than 100% EV chargers are installed, payout level is 0%.
		On-Target	If 100% EV chargers are installed by December 31, 2023, payout level is 100%.
			If 100% EV chargers are installed by September 30, 2023, payout level is 125%.
Deploy 1,300 E-bikes	10%		If less than 100% E-bikes are deployed, payout level is 0%.
		On-Target	If 100% of E-bikes are deployed, payout level is 100%.
Complete 100% performance reviews and individual development plans for all non-union staff.	10%		If less than 100% completion, payout level is 0%.
		On-Target	If 100% are completed, payout level is 100%.
	100%		

This framework is constructed to drive enterprise-wide focus against our strategic priorities for 2023. The weightings reflect a balanced scorecard approach with a decided bias towards delivering both the financial and capital plans. From an executional standpoint, there is specific emphasis on delivering our big bets: Electric Vehicle Charging Placements and Bike Share electrification both of which are enablers for accelerated growth in our Bike Share and Parking verticals (and business priorities for City Council as well).

Lastly, we have included a "People Deliverable" in 2023's STIP bonus scorecard. The TPA is on a journey to create a performance-based operating culture. Exiting 2022, the capacity and commitment of the organization to establish and execute robust individual performance and development plans for non-union staff remains unsatisfactory. Addressing this shortcoming with alacrity is a corporate imperative and must become a core competency in order to successfully complete the transformation of the TPA.

Summary

The Board has approved the Short-Term Incentive Plan for implementation beginning in 2023. The design of the Short-Term Incentive Plan has been completed, ready for implementation. We now seek the Board's approval of the 2023 Corporate Goals in order to proceed with the 2023 implementation of the Short-Term Incentive Plan and drive achievement of its 2023 Annual Operating Plans.

Staff recommends that the Board approve the 2023 performance objectives for the 2023 Short-Term Incentive Plan.

CONTACT

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SIGNATURE

W. Scott Collier
President, Toronto Parking Authority

ATTACHMENTS

Attachment 1: Short-Term Incentive Plan - Plan Description and Administration

Confidential Attachment 1 - 2023 Short-Term Incentive Plan