REPORT FOR ACTION

Executive Compensation Policy Alignment with Guiding Principles

Date: March 8, 2024
To: Board of Directors, Toronto Parking Authority
From: President, Toronto Parking Authority
Wards: All

SUMMARY

This report responds to City Council's request of City agencies and corporations to adopt or amend, as appropriate, their organization's executive compensation policy to align with the "Guiding Principles for the Development of Senior Executive Compensation Policies at City Agencies (Updated June 26, 2023)" from the City Manager and review the incorporation of TransformTO objectives into Executive performance goals.

Toronto Parking Authority's (TPA) executive compensation policy is grounded in five key principles: performance based, transparent, balanced stakeholder alignment, protects public interest, and attracts and retains top talent. The Executive Compensation Policy has been amended to align with the "Guiding Principles for the Development of Senior Executive Compensation Policies at City Agencies and Corporations (Updated June 2023)".

The Executive Compensation Policy provides the framework to recognize and reward the Executive Team's performance by integrating a performance management system which links defined objectives (Specific, Measurable, Attainable, Relevant and Timebound) to execution of the TPA's strategic priorities. Guided by Council's recent directive on integrating TransformTO into our compensation structure, Management has proactively launched work on an Environmental, Social and Governance (ESG) strategy that will be shared with the Board at its July 19, 2024 meeting.

To align with the City's "Guiding Principles for the Development of Senior Executive Compensation Policies at City Agencies (Updated June 26, 2023)", this report seeks the Board's approval of the amended Executive Compensation Policy.

RECOMMENDATIONS

The President, Toronto Parking Authority, recommends that:

1. The Board of Directors of Toronto Parking Authority adopt Policy 4-31, Executive Compensation Policy, in Attachment 1 to this Report, which has been amended to align with the City of Toronto's "Guiding Principles for the Development of Senior Executive Compensation Policies at City Agencies and Corporations (Updated June 2023)".

2. The Board of Directors of Toronto Parking Authority direct the President, Toronto Parking Authority, to apply Policy 4-31, Executive Compensation Policy, in Attachment 1 to this Report, to new executives hired and newly created executive positions.

3. The Board of Directors of Toronto Parking Authority direct the President, Toronto Parking Authority, to provide Policy 4-31, Executive Compensation Policy, in Attachment 1 to this Report, to the City Manager.

FINANCIAL IMPACT

There is no financial impact arising from this Report.

DECISION HISTORY

On July 19, 2023, City Council approved the updated Guiding Principles for the Development of Senior Executive Compensation Policies at City Agencies and Corporations (June 26, 2023) from the City Manager and requested the Boards of Directors of City agencies and corporations adopt or amend as appropriate their organization's executive compensation policy to align with the Guiding Principles for the Development of Senior Executive Compensation Policies at City Agencies and Corporations in Attachment 1 to the report (June 26, 2023) from the City Manager.
https://secure.toronto.ca/council/agenda-item.do?item=2023.EX6.1#

On August 25, 2014, City Council adopted EX44.8, Executive Compensation Policy at City Agencies and Corporations, that requested City agencies and corporations develop a comprehensive executive compensation policy independent of management, applying the Guiding Principles and practices set out in the report and that the Board approved policy be applied to new employment contracts, and to existing contracts, if any, that permit compensation adjustments, either during an existing term or under renewal.
https://secure.toronto.ca/council/agenda-item.do?item=2014.EX44.8

COMMENTS

Alignment to Guiding Principles for the Development of Senior Executive Compensation Policies at City Agencies and Corporations

Toronto Parking Authority's (TPA) Executive Compensation Policy was first developed and adopted by the TPA Board of Directors on February 25, 2016, in alignment with the guiding principles and practices set out in the City Manager's Report (August 6, 2014), and in accordance with Toronto City Council's decision EX44.8. Since the implementation of TPA's Executive Compensation Policy, TPA has been fully compliant in its application of the Policy and Council's directive EX44.8, Executive Compensation Policy at City Agencies and Corporations.

In its meeting of July 19, 2023, Toronto City Council, approved updated Guiding Principles for the Development of Senior Executive Compensation Policies at City Agencies and Corporations, which included the TPA. TPA has amended its existing Executive Compensation Policy to be in alignment with the updated Guiding Principles for the Development of Senior Executive Compensation Policies at City Agencies and Corporations (Updated June 26, 2023).

Incorporation of TransformTO objectives into Executive Performance Goals

During Council's July 19th, 2023 meeting, Toronto City Council mandated that City divisions and agencies formally incorporate the objectives of TransformTO into performance goals, measures, and total compensation of the President effective 2024.

Notwithstanding this new formalized directive, as North America's largest municipally-owned Parking and Bike Share operator, the TPA has proactively taken an industry leading role in transforming its business into a more sustainable, customer centric mobility provider while consistently exceeding its financial commitments to the City. In three short years, the TPA has designed and launched Canada's largest municipally owned Electric Vehicle (EV) business, doubled its Bike Share operation, and deployed more than 2000 E-Bikes across its network with further deployments planned for all 25 city wards by 2025.

Leveraging this momentum, Management has initiated work into developing a more formalized ESG framework that will drive improved alignment with TransformTO while acting as an enabler for accelerating TPA's strategic growth agenda. This body of work will be shared with the Board for its review at the July 19, 2024 meeting.

CONTACT

Arlene Yam Fritz, Vice President of Human Resources, Toronto Parking Authority, 437-993-9230, arlene.yam.fritz@greenpmobility.com .

SIGNATURE

W. Scott Collier
President, Toronto Parking Authority

ATTACHMENTS

Attachment 1 - Executive Compensation Policy 4-31

DRAFT

TORONTO PARKING AUTHORITY

4-31

POLICY UPDATE

ITEM: Executive Compensation Policy Page 1 of 8

PURPOSE

The Toronto Parking Authority (TPA) is committed to its executive compensation being set in a transparent, accountable, and consistent manner that protects public interest while attracting, motivating, and retaining highly talented Executives to manage and lead the organization while also demonstrating value for money to the Toronto Parking Authority Board, the City of Toronto, and to taxpayers and ratepayers.

The Toronto Parking Authority's objective is to provide a reasonable and competitive executive total compensation consistent with market-based compensation for individuals possessing the experience and skills needed to add value to the organization.

Toronto Parking Authority's executive compensation framework recognizes and rewards differences in individual abilities and performance and distinguishes the differing levels of responsibility within the internal organizational structure. Toronto Parking Authority recognizes the importance of equitable pay differentials for varied types of work and provides incentives for maximum contribution to the Toronto Parking Authority, self-improvement and career advancement.

Toronto Parking Authority will develop and maintain salary practices and procedures that provide an effective means of controlling salary expenditures while being responsive to the changing market conditions.

It is the policy of Toronto Parking Authority to review and evaluate the performance of each executive at least annually. The review of pay and performance will ensure that satisfactory and/or exceptional performance is recognized through compensation, however a performance review may or may not result in a change in pay.

Toronto Parking Authority will adjust wages and salaries based on job performance, business growth, and comparable wages in the relevant labour markets. Changes in pay will be closely linked to the overall performance of the Toronto Parking Authority.

SCOPE

This policy applies to executives employed by the Toronto Parking Authority. Executives include the President and those with the title of Vice-President.

FIRST ADOPTED:	February 25, 2016	MINUTE NUMBER: 16-027
LAST AMENDED:	March 26, 2024	~~MINUTE NUMBER: 16-027~~
LAST REVIEWED:	February 25, 2016	~~MINUTE NUMBER: 16-027~~

DRAFT

TORONTO PARKING AUTHORITY

4-31

POLICY UPDATE

ITEM: Executive Compensation Policy Page 2 of 8

POLICY GOVERNANCE	The Executive Compensation Policy was developed under direction of Toronto Parking Authority's Board of Directors and applies to the compensation of all the organization's Executives (President and Vice Presidents). Following its adoption by the Board, the policy will be reviewed every four (4) years and within each term of City Council. This will include updating of comparator information and compensation data to establish Base Salary midpoints and ranges, Incentive Pay opportunities, and may include other elements of Total Rewards, as applicable. Annual executive compensation data for all Executives will be provided to the City Manager at a time and in a format as requested.
COMPENSATION PHILOSOPHY	Toronto Parking Authority's executive compensation philosophy is summarized by the following objectives: • Ensure executive leaders are focused and aligned with business strategy • Attract, retain and motivate top talent with the requisite expertise and skills to lead organizational success • Reward high performance through an appropriate mix of fixed salary and an at-risk, short-term incentive plan • Steward public funds through a transparent compensation plan and process • Comply with relevant legislation and City of Toronto Guidelines Toronto Parking Authority's compensation philosophy encompasses the following components: base salary, merit and incentive pay, pension and benefits. The sum of these components provides the motivational incentive for Toronto Parking Authority's executives to support both the long-term strategic vision of the organization and be held accountable to achieving key annual performance results. Target Market Position: The target market position for base salary and total rewards is the median/ 50th percentile (P50) of the comparator market. Performance Management Program

FIRST ADOPTED:	February 25, 2016	MINUTE NUMBER: 16-027
LAST AMENDED:	March 26, 2024	~~MINUTE NUMBER: 16-027~~
LAST REVIEWED:	February 25, 2016	~~MINUTE NUMBER: 16-027~~

The performance of each Executive is formally assessed on an annual basis using a balanced scorecard approach reflecting a combination of corporate performance and individual/functional performance objectives.

Total Rewards Program Components:

The total rewards program includes cash compensation (base salary, merit and incentive pay) and non-cash compensation (group benefits, retirement plan (defined benefit pension), and vacation/paid time off, etc.) components.

Long-term affordability and sustainability

The compensation structure aligns with the organization's target market position relative to their comparator group and is reviewed and adjusted annually, as required, to reflect overall market movement in order to ensure the target market position is maintained.

Accountability and Transparency

All aspects of the executive compensation program are governed by the Board.

As an Agency of the City of Toronto, Toronto Parking Authority's compensation program complies with City of Toronto Council directives and may be informed by other legislation such as Ontario Broader Public Sector Executive Act, although TPA is not covered under the Act.

BASE SALARY AND PERFORMANCE-RELATED PAY

Job Descriptions

A detailed job description describing the role's functions, accountabilities, and responsibilities is available for each Executive position and is reviewed and maintained on an annual basis.

Base Salary Ranges

Executive base salaries are administered within a salary range for each job.

The Midpoint/Job Rate of the range aligns to the target market position (median/P50) of the comparator group and reflects the target salary for an incumbent that is fully competent in their role.

The Minimum of the range is 80% of the Midpoint/Job Rate and the Maximum is 120% of the midpoint/job rate.

FIRST ADOPTED:	February 25, 2016	MINUTE NUMBER: 16-027
LAST AMENDED:	March 26, 2024	~~MINUTE NUMBER: 16-027~~
LAST REVIEWED:	February 25, 2016	~~MINUTE NUMBER: 16-027~~

The portion of the range between Minimum and Midpoint/Job Rate is intended for incumbents that are still developing in their role towards full proficiency while the portion of the range between Midpoint/Job Rate and Maximum is intended for incumbents that are highly experienced in their role with demonstrated consistently high levels of performance.

Incumbent salaries will be maintained within the salary range for their job and will not be permitted to exceed the maximum of their salary range.

Performance Assessment Program

The results of each Executive's annual performance assessment are used to determine the magnitude of any incentive pay.

The stated performance assessment measures for each Executive, among other things, will relate to:

- Strategic objectives articulated by the organization
- Demonstrated growth in public value of the organization
- Creating a positive, dynamic, professional, ethical, service-oriented workplace culture that attracts, motivates and retains employees
- Timely and thorough implementation of applicable City Council directives including Shareholder Directions, Relationship Frameworks, applicable City of Toronto policy, and recommendations of City accountability Officers and internal ethics executives; and
- Alignment with applicable City priorities and plans.

Merit Pay

Merit pay is awarded as a percentage increase to base salary on an annual basis based on a formal assessment of individual performance over the previous year, provided that the base salary range maximum is not exceeded.

Incentive Pay

Incentive Pay is a common practice among Toronto Parking Authority's comparator market and as such Toronto Parking Authority offers a short term (annual) incentive pay program to all executives underpinned by the following criteria and objectives:

- Supports the organization's strategic priorities and significant business needs

FIRST ADOPTED:	February 25, 2016	MINUTE NUMBER: 16-027
LAST AMENDED:	March 26, 2024	~~MINUTE NUMBER: 16-027~~
LAST REVIEWED:	February 25, 2016	~~MINUTE NUMBER: 16-027~~

- Ensuring the program payouts are affordable and within the organization's budget
- Differentiates performance and incents and rewards exceptional performers
- Underpinned by a solid performance assessment process utilizing a balanced scorecard approach with corporate and individual/functional quantitative and qualitative measurable performance objectives
- Contributes to the organization's ability to effectively attract and retain executive talent with a competitive target total cash compensation offering

Incentive Pay will be awarded only where the executive has met and exceeded performance criteria as set out in Toronto Parking Authority's performance assessment process. If individual performance is deemed unsatisfactory, the executive is not eligible for any Incentive Pay.

The targets are regularly assessed relative to the comparator market to ensure that when combined with base salary the total cash compensation target does not exceed the median (P50) of the comparator market.

Payments are calculated following the end of each fiscal year based on the base salary at the end of the year and the results of the formal performance assessment process for the previous year. Payment amounts are paid as a separate re-earnable lump sum payment, not added to base salary.

COMPARATIVE ANALYSIS (BENCHMARKS)

Purpose

The purpose of a comparative market review analysis is to assess Toronto Parking Authority's executive compensation program relative to the comparator group of organizations that they compete with for executive talent.

The comparator analysis is based on the comparison of TPA's jobs to comparable benchmark jobs of similar size and complexity, skill requirements, and accountabilities within the comparator market.

The results of the comparative analysis inform the development of appropriate salary ranges for each executive job to facilitate effective attraction, retention, and engagement balancing affordability and value to the organization, City, taxpayer, and ratepayer.

FIRST ADOPTED:	February 25, 2016	MINUTE NUMBER: 16-027
LAST AMENDED:	March 26, 2024	~~MINUTE NUMBER: 16-027~~
LAST REVIEWED:	February 25, 2016	~~MINUTE NUMBER: 16-027~~

Comparator Group

Two comparator groups were selected to represent the labour market (where executives are hired from and lost to) for Toronto Parking Authority executives.

Public Sector Comparators
Public Sector comparators were selected from the GTA and across Canada to reflect both the geographic location of the organization and the national talent pool for the Executive roles.

The following nine (9) similar owned, public service providing, self-sustaining, revenue-generating, profit driven agencies/crowns form the comparator group:

- BC Transit
- City of Toronto
- Infrastructure BC
- Infrastructure ON
- Metrolinx
- Ontario Centre of Innovation
- Toronto Community Housing Corp.
- Toronto Transit Commission
- Vancouver Airport Authority

Compensation data for these organizations is supplemented by a mix of overall Broader Public Sector organizations including municipal services aggregated data from published survey sources.

Public sector comparators are weighted two thirds (66.67%) in the market analysis.

Private Sector Comparators
Due to Toronto Parking Authority's unique nature as self-sustaining, non-profit agency that is revenue generating contributing significant positive cash flows to the City, it is challenging to identify direct comparators, with a similar mandate, size, and complexity, within the Municipal and/or Broader Public Sector, therefore a hybrid approach to comparator selection that includes

Private Sector Comparators such as automotive parking service providers to the general public and transportation and mobility providers are included to reflect the relevant talent pool that Toronto Parking Authority competes with for Executive talent.

This is necessary to ensure the attraction and retention of qualified candidates that possess the required commercially oriented leadership experience and profit driven skill sets necessary to contribute to the successful delivery of TPA's mandate.

Private Sector comparators comprise one third (33.3%) of the organization's overall comparator group.

Rationale for Comparator Selection

The selection of comparators was based on identifying organizations that are similar based on the following criteria:

- Scope and complexity of responsibilities of the organization's executives.
- Organization mandate and type of operations – organizations with similar mandates/operations or organization types including automotive parking service providers, municipal services, owned, self-sustaining, revenue-generating, profit driven agencies/corporations, and transportation and mobility service providers.
- Competition for talent for executive jobs – organizations that TPA competes with for executive talent due to the similarity of the skills, experience, and responsibilities of the roles.
- Size of the organization – primarily organizations with annual revenues/operating budgets of between 1/3 to 3 times that of Toronto Parking Authority.
- Geographic location of the organization – primarily GTA supplemented by organizations from across Canada.

OTHER CASH OR NON-CASH COMPENSATION ELEMENTS

Benefits Package

Benefits to Executives include paid holidays, sick time, dental, prescription and health coverage, life insurance, short term disability and long term disability plans.

FIRST ADOPTED:	February 25, 2016	MINUTE NUMBER: 16-027
LAST AMENDED:	March 26, 2024	~~MINUTE NUMBER: 16-027~~
LAST REVIEWED:	February 25, 2016	~~MINUTE NUMBER: 16-027~~

Benefits will be regularly benchmarked against the comparator group to ensure the Toronto Parking Authority's offering is effective in attracting and retaining executives, and provides the public with value for money.

The Executives participate in the Ontario Municipal Employees' Retirement System (OMERS) pension plan with an executive / employer contribution ratio of 1:1, except as allowed under pension plan policy or applicable law.

Other Entitlements/Perquisites

Paid parking is offered as an optional taxable benefit to all employees of Toronto Parking Authority including Executives.

Termination Payments

An executive's employment with Toronto Parking Authority constitutes a contract in law and therefore, termination of employment, where necessary, must be in keeping with legislation. Where termination occurs for reasons other than just cause, the Executive will be treated fairly and appropriate severance arrangements will be made, in accordance with the Employment Standards Act of Ontario. Where termination is for cause, employment may be terminated without notice or severance.

Termination clauses will be reviewed by legal counsel for rigor, reasonableness and common and employment law considerations, prior to being inserted into employment contracts.

FIRST ADOPTED:	February 25, 2016	MINUTE NUMBER: 16-027
LAST AMENDED:	March 26, 2024	~~MINUTE NUMBER: 16-027~~
LAST REVIEWED:	February 25, 2016	~~MINUTE NUMBER: 16-027~~