

As you know, on an annual basis, employees' performance is evaluated through Waterfront Toronto's (WT) Planning for Success (PFS) process and a performance rating is given. The Pay for Performance (P4P) program which has been in effect since 2005, has always been applied through the PFS process.

Through the P4P program, all employees have an opportunity to receive an adjustment to salary based on performance rating and position in the salary ranges.

In 2010, the Government of Ontario introduced the *Broader Public Sector Accountability Act and the Public Sector Compensation Restraint to Protect Public Service Act*. WT, and similar agencies, were asked to ensure that agency expenditures were consistent with the provincial Acts.

Although WT is not listed as one of the agencies subject to the restraints of the *Broader Public Sector Accountability Act, 2010*, WT pro-actively instituted an austerity program which included the freezing of salary bands as well as unilaterally excluding Executive level staff from the opportunity to move along salary bands based on P4P. Employees below the executive level have been able to move within the salary range in accordance with the Act.

The specific *Public Sector Compensation Restraint to Protect Public Service Act, 2010*, expired on March 31, 2012. However, the *Broader Public Sector Accountability Act* issued amendments that came into effect on March 31, 2012 – those amendments continue to restrain compensation for executives at Ontario hospitals, colleges, universities, school boards and other government agencies.

WT has had a consistent approach to its austerity program over the past six years. Only the pre-established P4P program allowing movement within existing salary ranges based on performance has been applied. We have, therefore, been consistent with the intent of the provincial Act(s) which allows for movement within existing salary ranges based on performance.

As a result of this unilateral decision to exclude Executive level staff from the opportunity to move along salary bands based on P4P, Executive salaries have been frozen for six years at 2008/09 rates and are now potentially creating a flight risk situation.

For this reason and also because salary bands have not been benchmarked to market since 2010, in November 2014, the Hay Group was engaged and asked to update the benchmarking exercise reviewing the cash compensation levels for the six WT executive positions. As a result, three WT executive positions have salaries that are considerably lower than those of other comparable agencies (the special survey group – Infrastructure Ontario, Metrolinx, Build Toronto and Canada Lands Company). These results are contained in the Hays Executive Compensation Report presented to the Human Resources and Compensation Committee in June 2015. The variance for the positions is between 9.7% and 10.8%. See a portion of Table 1 from the Hays Executive Compensation Report (confidential attachment).

We are proposing that, going forward, we apply the P4P program consistently across the organization and include Executive level staff (excluding the CEO). We are also proposing an adjustment to base salaries for the three positions.

We have discussed the proposed approach outlined above with provincial officials to ensure WT continues to be consistent with the intent of the *Broader Public Sector Accountability Act*. We have spoken to the Legal Counsel at our reporting Ministry as well as with Cabinet Office staff both of whom re-confirmed that the *Broader Public Sector Executive Compensation Act, 2014* does not apply to WT. WT is not listed in the regulation nor are we defined as an authority, board, commission, committee or corporation under the Public Service of Ontario Act. There is, however, a regulation that could prescribe corporations to which the Act currently does not apply and this *could* potentially include WT in the future. Currently the Regulation does not.

### Recommendations:

We are recommending the following adjustments be effective as of January 1, 2016 and allow us to:

1. Apply the P4P program consistently to all staff (excluding the CEO).
2. Make a one-time adjustment to the CFO, VP Development and VP Planning and Design positions bringing them in line with the special survey group salaries as per the Hay Report. The one-time adjustments are outlined in the confidential attachment. For the VP Development and VP Planning and Design positions, the adjustments bring them to the top of their salary bands and any subsequent merit increases will be a one-time adjustment to recognize performance. As part of the salary adjustment, we would also recommend consistency across the Executive team for variable compensation structures (see the confidential attachment).
3. Make organizational adjustments to the VP Development Position to reflect actual operational relationships. The Director for Intelligent Communities currently reports to the COO. We are proposing formally moving Intelligent Communities into the Development group to reflect that actual working and reporting relationship. The Director of Intelligent Communities is mandated to draw high quality tenants to the East Bayfront to further the neighbourhood's branding as an innovation district. In doing this, she works most directly with the development team and the team's developer partners to reach out to tenants and to help deliver the employment strategy. The work and informal reporting relationships are with the VP of Development rather than the COO. We recommend bringing clarity and consistency to the organizational chart to reflect these work realities and relationships.

Similarly, we are proposing a change in reporting relationship for the General Counsel to the VP of Development. Currently the General Counsel reports to the CAO and although he works with the CAO on Board governance, governance issues more generally, Human Resources and accountability and FOI issues, the bulk of legal work is done for the development group. Again, we are proposing that this working relationship is reflected in an updated organizational adjustment for the Development group.

Finally, as a result of the proposed reporting changes to the VP of Development, we are recommending a title change for the Vice President of Development to Chief Development Officer. The recommended changes all reflect the actual working relationships and are therefore appropriate.

The recommendations above were discussed and approved at the Human Resources and Compensation Committee meeting on November 19, 2015.

### **Proposed Motion**

**ON MOTION**, duly made, seconded and carried, be it **RESOLVED** that the Board of Directors approve the Human Resources and Compensation Committee's recommendations with regard to the Pay for Performance Plan Adjustments and that said adjustments be effective as of January 1, 2016.