



Exhibition Place

Item No. 21

January 30, 2014

ACTION REQUIRED

To: The Board of Governors of Exhibition Place

From: Dianne Young, Chief Executive Officer

Subject: **Compensation Plan for Management & Excluded Staff**

Summary:

This report recommends an amendment to the Exhibition Place Pay Plan for management and excluded staff, which is in keeping with the recently approved Cost of Living Adjustments, Performance Review Levels and revised Performance Financial Rewards approved by City Council on November 13, 2013 (EX 35.19).

Recommendations:

It is recommended that the Board approve:

- 1) Direct that the confidential report contained in Attachment I to this report remain confidential in its entirety and not be released publicly in accordance with the *City of Toronto Act, 2006* as it pertains to personal matters about identifiable individuals, including municipal or local board employees;**
- 2) A general annual salary range increase (COLA) of 1.75% to be implemented effective January 1, 2014 to the Management and Excluded Staff Pay Plan;**
- 3) Except for Exhibition Place staff in the Sales & Marketing Division (see Recommendation 5), effective January 1, 2014, Performance Review Levels and revised Performance Financial Rewards (both in-range merit increases and re-earnable lump sum rewards for employees at the maximum salary range) as set out in Chart I below;**
- 4) Except for Exhibition Place staff in the Sales & Marketing Division (see Recommendation 5, effective January 1, 2014, the continuation of the Management and Excluded Staff Pay Plan with individual merit performance based re-earnable lump sum component of the policy and performance management program for employees at the maximum salary range as set out in Chart I below; and**
- 5) Maintain in place the incentive pay plan approved by the Board with regards to specific Exhibition Place staff in the Sales & Marketing Division and do not apply the re-earnable lump sum rewards to any of these staff who are at his/her maximum salary range.**

Financial Implications:

There are no 2013 budgetary impacts for the implementation of the report recommendations. The 2014 Board budget was approved by the Board in summer 2013 and submitted to the City with provision for cost of living increases and merit adjustments based on City budget guidelines. To

implement the revised City policy will result in additional costs in 2014 of approximately \$94,476, which expenditures will need to be found through savings within each of the departmental operational areas. Annual salary increases for the 2015 period will be included in future year operating budget submission to be approved by the Board in Spring/Summer of 2014.

Decision History:

The Exhibition Place 2009 – 2012 Strategic Plan had an Organization and Staffing goal to *sustain a high performing organization through alignment of people, process, systems and through the recognition of the dedication and excellence of our staff and as a Strategy to support this goal we will recruit, develop and retain a highly skilled and diverse workforce.*

At its meeting of November 13, 2013, City Council approved a report EX 39.19 entitled “Non-union Employee Compensation” from the City Manager which recommended Cost of Living Adjustments and revised Performance Financial Rewards for Management and Excluded employees as outlined in this report.

Issue Background:

The proposed changes to the compensation pay policy include the following compensation and revised performance review reward components/criteria:

- a) Salary Grades and annual salary increases (that is, cost-of-living economic adjustment) across the board shall be based on market rates;
- b) Continuation of the performance based salary progression (that is, individual merit for employees to move through their salary grade range) shall be based on performance for meeting/ exceeding objectives; and,
- c) Continuation of the performance based re-earnable lump sum component (that is, individual merit for employees at their maximum salary grade range shall be eligible to be paid a re-earnable lump sum award based on performance for meeting/exceeding objectives but not included within his/her base salary).

Comments:

Historical Data on Pay Ranges at City and Exhibition Place:

With amalgamation in 1998, the newly formed City undertook a review of pay plans for the former 7 municipalities and engaged an external consultant to develop a unique pay plan for the new City that had as a principle the establishment of salaries to be the 75th percentile of the GTA public sector market which plan was approved by Council in 1999. Following adoption by City Council of the new pay plan, Exhibition Place engaged the same consultant to establish a new pay plan for Exhibition Place based on the same salary grid adopted by the City which pay plan was approved by the Board on September 8, 2000.

Another component of the City pay plan adopted in 1999 was a “merit performance based re-earnable lump sum” for those employees who had reached their position’s salary grade range maximum. Again, Exhibition Place also adopted this direction. However, in many years since 1999, City Council cancelled the “re-earnable lump sums” and because of budget constraints, Exhibition Place never awarded any “re-earnable lump sums”.

In 2012, the City again engaged an external consultant, Hay Group to do an intensive and substantial review of its compensation practices since amalgamation and this study indicated that City senior managers' salaries are significantly below the approved 75th percentile of the comparative market, and are more closely aligned with the 50th percentile of this market. The report also identified that the City non-union/management employees salary increase have not been comparable to unionized employees in the period 2007 – 2011.

Again, Exhibition Place has followed all City directions on annual increases for its own employees and as noted below, the City Manager's conclusion could be reached with respect to Exhibition Place. From 2007 to 2012, Exhibition Place unionized trades average an increase of 14.60% compared to Exhibition Place non-unionized staff average of 7.72% - 6.88% lower than the average unionized worker and 4.47% lower than the City non-union employees. For senior managers' this average to unionized wage is also 6.88% lower and 6.23% lower than the City.

As indicated by the Hay Group, public and private sector best practice organizations that seek to recruit, retain and have high-performing employees, have comprehensive compensation and performance reward programs in place and help ensure that an organization can retain and attract highly skilled talent. Organizations that do not provide competitive salaries and performance-based rewards for its high performing employees are not successful. Successful organizations are aligned to the organization's business goals and objectives.

After completing its detail review, the Hay Group in its report to City Council concluded that "...a variable performance pay program is used by leading organizations who want to optimize their corporate performance and to achieve their desired results. In order for a successful organization to truly achieve high performing status, modern best practices organizations encourage the successful achievement of corporate goals and objectives by utilizing a variable pay program". As a result, City Council adopted revised performance levels for the City with compensation rewards attached to each level as noted in the Chart I below:

CITY COUNCIL DECISION NOVEMBER 13, 2013 (EX35.19)		
CHART I		
Performance Review Levels	Performance Target Allocation	Performance Rewards
Unsatisfactory	Up to 3% of staff complement	0.0%
Meets Most But Not All Expectations and/or Developmental	Up to 10% of staff complement	1.0%
Meets Expectations	75% of staff complement	2.5%
Exceeds Expectations	Up to 15% of staff complement	4.5%

Directions for Exhibition Place:

As Exhibition Place has approved pay plans in keeping and in line with the City's plan (rather than comparators to the private sector), this report is recommending that the Board follow the changes approved by City Council in November 2013. These recommendations include the following:

- i. Adoption of the Performance Levels as set out in the Chart below;
- ii. Adoption of a re-earnable lump sum payment for those employees at the top of his/her salary range,
- iii. Adoption of a variable reward program to support the variable performance levels; and,
- iv. Maintenance of the incentive program for specific employees within the Sales & Marketing Division as set out in the Confidential Attachment.

Based on historic trends and a review of Exhibition Place history, the total financial impact is estimated to be \$336,140 in 2014 of which \$241,664 is already provided for in the 2014 budget submission, leaving an additional \$94,476 budget pressure, all of which will be found within each of the Exhibition Place Departments and will not negatively impact the 2014 Operating Budget.

EXHIBITION PLACE 2014 FORECASTED ACTUALS (For 2013)			
CHART II			
Performance Review Levels	Performance Actual Allocation (# of staff complement)	Performance Actual Allocation (% of staff complement)	Performance Financial Rewards (% of base salary)
1 - Unsatisfactory - Does not meet most Expectations/ Objectives	-	0%	0.0%
2 - Meets most but not all Expectations/ Objectives and/or Developmental	4	3%	1.0%
3 - Meets Expectations/ Objectives	100	78%	2.5%
3* - Exceeds Expectations/ Objectives	24	19%	4.5%
	128	100%	

Finally, Exhibition Place staff is recommending that the incentive plan approved by the Board for the Sales & Marketing Division remain unchanged as it has been a term of employment for all sales staff since the opening of the DEC in 1997 and with an amendment to the plan approved by the Board in April 2013.

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Submitted by:

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