

2019 CEO PAY REPORT

November 20, 2019



Burlington **hydro** inc.



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1

Background & Methodology



Mandate

- Burlington Electric Hydro Inc. (“BHI” or “Burlington Hydro”) is a regulated energy distribution utility providing services to over 67,000¹ customers in the City of Burlington. BHI has approximately \$220 million¹ in power distribution revenue annually, and approximately \$31 million¹ annual operating budget.
- Korn Ferry (CA) Ltd. (“KF”) was retained by BHI to conduct a market compensation review for its various key benchmark positions, the last review conducted in 2016.
- This document reports on the market pay analysis for the current President and CEO at Burlington Hydro.

1. All dimension statistics are published by OEB in August 2019.



Methodology

- Two primary markets from KF's proprietary pay database are used (as of May 2019):
 1. All Industrial Market (N=441) – Refer to **Appendix A** for a list of the organizations;
 2. Ontario Utilities Market (N=38) – Refer to **Appendix B** for a list of the organizations.
- KF also provides supplemental pay information based on “comparable” positions (i.e. Chief Administrative Officer / City Manager) to the BHI CEO position for:
 - 26 municipalities from GridSmartCity Cooperative and
 - a subset of this which includes 10 of these organizations with operating budgets approximately one-half to double that of the city of Burlington

Pay data of this cut is based on the 2018 Ontario Public Sector Salary Disclosure (“Ontario PSSD”).

Please refer to **Appendix C** for the list of municipalities from GridSmartCity.

- The compensation analysis has been conducted using two methods:
 - 1. Job Size Analysis:** This method was used for the KF data. KF benchmarked Burlington Hydro's CEO position against roles of a similar size from the selected comparator groups from KF's database.
 - Job size is determined using the KF Hay Guide Chart - Profile MethodSM of job evaluation (Please refer to **Appendix D** for more details);
 - We understand that there have not been any significant changes in organizational structure and the business profile at Burlington Hydro since our last 2016. As such, the CEO's job evaluation [REDACTED]
 - 2. Job Match Analysis:** This method was used for the Ontario PSSD data. KF has selected the Chief Administrative Officers / City Manager in municipalities from GridSmartCity Cooperative and has provided market compensation data disclosed in the 2018 Ontario PSSD. Please see Appendix C.



Methodology (cont'd)

- We have analyzed the market data as follows (where available):

Market Segment	Definition
90 th Percentile (P90)	The point below which 90% of the values fall. A minimum of 12 organizations is required to calculate.
75 th Percentile (P75)	The point below which 75% of the values fall. A minimum of 8 organizations is required to calculate.
50 th Percentile (P50) or Median	The point below which 50% of all observations fall – one half pay above, and one half pay below. A minimum of 4 observations is required to calculate.
25 th Percentile (P25)	The point below which 25% of the values fall. A minimum of 8 organizations is required to calculate.
10 th Percentile (P10)	The point below which 10% of the values fall. A minimum of 12 organizations is required to calculate.
Average	The arithmetic average. A minimum of 3 observations is required to calculate.

Methodology (cont'd)

- We have analyzed the following compensation elements for the Job Size Analysis:

Compensation Component	Description
Base Salary	Actual base salary
Actual/Target Short-term Incentives (%)	Actual/Target short-term incentives ("STI") as a % of base salary
Actual/Target Total Cash	Actual/Target base salary plus actual/target STI
Long-term Incentives (%)	Present value of long-term incentives ("LTI") as a % of base salary
Actual/Target Total Direct Compensation	Actual/Target total cash plus present value of LTI
Benefits Value	Total non-cash benefit value including group benefits, retirement benefits, employee perquisites, and total allowances (including car allowance and flex perquisites account)
Actual/Target Total Remuneration	Actual/Target total direct plus benefits value

- Please refer to [Appendix E](#) for more information on benefit elements.



Methodology (cont'd)

- We have analyzed the following compensation elements for the Job Match Analysis for the GridSmartCity Cooperatives, based on the following pay elements:

Compensation Component	Description
Salary Paid	Amounts reported as employment income on the Canada Revenue Agency T4 slip, which also includes per diems and/or retainers paid to employees.
Taxable Benefits	Benefits that are taxable and included in his/her employment income when the benefit is received or enjoyed. Your employee is considered to receive a benefit if you pay for or give something that is personal in nature directly to your employee or to a person who does not deal at arm's length with the employee (such as the employee's spouse, child, or sibling). A benefit is a good or service you give, or arrange for a third party to give, to your employee such as free use of property that you own. A benefit includes an allowance or a reimbursement of an employee's personal expense.

Source: 2018 Ontario PSSD

Methodology (cont'd)

- All dollar figures are stated in Canadian dollars.
- KF data used in job size analysis is as of May 2019.
- The 2018 Ontario PSSD data used in the job match analysis has been disclosed to the public in March 2019. For cases of partial-year incumbents, appropriately aged compensation data from 2017 Ontario PSSD for the same position has been used.
- BHI's compensation data has been compared against the market median for illustrative purposes only.





2 Compensation Analysis



Key Observations

- **Comparing to All Industrial Market**



- **Comparing Ontario Utilities Market:**



- **Comparing to GridSmartCity Positions (2018 Ontario PSSD):**



Results – Using the KF Database

President and Chief Executive Officer, Gerry Smallegange (■■■■ Hay Points)

	Actual Compensation						Target Compensation					
	Base Salary	STI % ¹	Total Cash	LTI % ¹	Total Direct	Benefits Value	Total Remuneration	STI % ¹	Total Cash	Total Direct	Total Remuneration	
Burlington Hydro Electric Inc.	■■■■	■■■■	■■■■	■■■■	■■■■	■■■■	■■■■	■■■■	■■■■	■■■■	■■■■	
All Industrial Market												
P75	■■■■	■■■■	■■■■	■■■■	■■■■	■■■■	■■■■	■■■■	■■■■	■■■■	■■■■	
P50	■■■■	■■■■	■■■■	■■■■	■■■■	■■■■	■■■■	■■■■	■■■■	■■■■	■■■■	
P25	■■■■	■■■■	■■■■	■■■■	■■■■	■■■■	■■■■	■■■■	■■■■	■■■■	■■■■	
Average	■■■■	■■■■	■■■■	■■■■	■■■■	■■■■	■■■■	■■■■	■■■■	■■■■	■■■■	
Variance from Median	■■■■	■■■■	■■■■	■■■■	■■■■	■■■■	■■■■	■■■■	■■■■	■■■■	■■■■	
Market Position	■■■■	■■■■	■■■■	■■■■	■■■■	■■■■	■■■■	■■■■	■■■■	■■■■	■■■■	
Ontario Utilities Market												
P75	*	*	*	*	*	*	*	*	*	*	*	
P50	■■■■	■■■■	■■■■	■■■■	■■■■	■■■■	■■■■	■■■■	■■■■	■■■■	■■■■	
P25	*	*	*	*	*	*	*	*	*	*	*	
Average	■■■■	■■■■	■■■■	■■■■	■■■■	■■■■	■■■■	■■■■	■■■■	■■■■	■■■■	
Variance from Median	■■■■	■■■■	■■■■	■■■■	■■■■	■■■■	■■■■	■■■■	■■■■	■■■■	■■■■	
Market Position	■■■■	■■■■	■■■■	■■■■	■■■■	■■■■	■■■■	■■■■	■■■■	■■■■	■■■■	

¹ Indicates where eligible, whether or not payment was received

* Insufficient data to display

Note: Figures rounded to nearest hundred dollars, and nearest whole percentage

Results – CAO / City Manager Pay Using the 2018 Ontario PSSD

All 26 Municipalities from GridSmart City Cooperative

	2018 Ontario PSSD	
	Salary Paid	Taxable Benefits
P90	272,900	12,000
P75	237,700	10,600
P50	207,900	2,100
P25	156,700	900
P10	132,500	500
Average	202,700	6,000

10 Municipalities from GradSmart City Cooperative with Size Comparable to City of Burlington

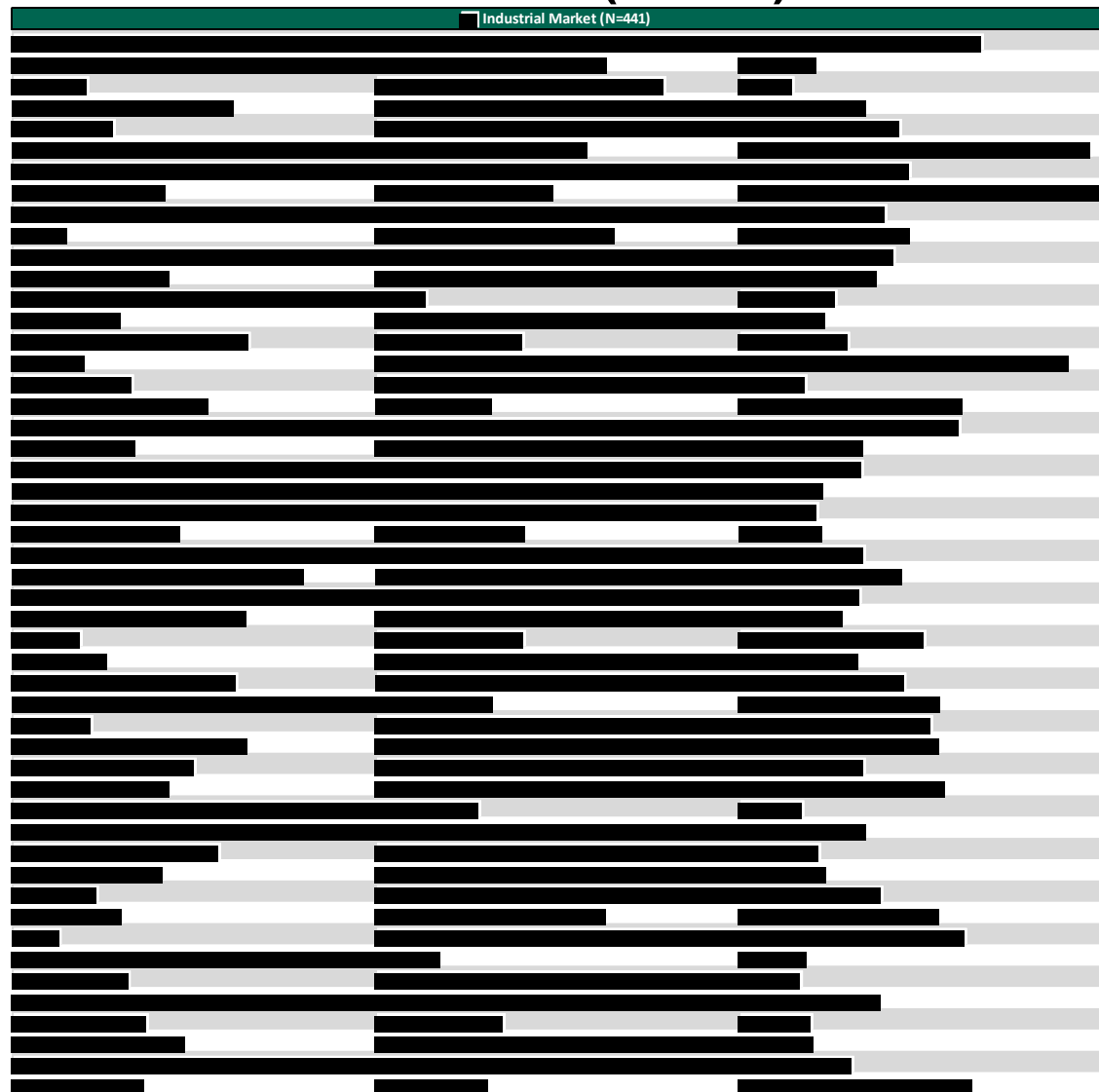
	2018 Ontario PSSD	
	Salary Paid	Taxable Benefits
P90	*	*
P75	273,000	10,800
P50	246,900	10,500
P25	226,200	8,900
P10	*	*
Average	249,083	10,393

* Disclosure for 2018



3 Appendices

Appendix A – All Industrial Market (N=441)



100

All Industrial Market (N=441)		
1	100%	100%
2	95%	95%
3	90%	90%
4	85%	85%
5	80%	80%
6	75%	75%
7	70%	70%
8	65%	65%
9	60%	60%
10	55%	55%
11	50%	50%
12	45%	45%
13	40%	40%
14	35%	35%
15	30%	30%
16	25%	25%
17	20%	20%
18	15%	15%
19	10%	10%
20	5%	5%
21	0%	0%
22	0%	0%
23	0%	0%
24	0%	0%
25	0%	0%
26	0%	0%
27	0%	0%
28	0%	0%
29	0%	0%
30	0%	0%
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32	0%	0%
33	0%	0%
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90	0%	0%
91	0%	0%
92	0%	0%
93	0%	0%
94	0%	0%
95	0%	0%
96	0%	0%
97	0%	0%
98	0%	0%
99	0%	0%
100	0%	0%

Appendix A – All Industrial Market (N=441)(cont'd)



100



Appendix C – Selected Ontario Municipalities (N=26 / 10 organizations)

Municipality	Position Title	Selected*	Salary Paid	Taxable Benefits
City of Brantford	Chief Administrative Officer	Yes	\$227,851	\$9,362
City of Burlington	City Manager	Yes	\$273,085	\$10,796
City of Kingston	Chief Administrative Officer	Yes	\$252,812	\$10,830
City of Kitchener	Chief Administrative Officer	Yes	\$225,614	\$10,125
City of Niagara Falls	Chief Administrative Officer	Yes	\$213,530	\$24,640
City of Waterloo	Chief Administrative Officer	Yes	\$206,503	\$8,797
City of Welland	Chief Administrative Officer		\$187,197	\$5,953
City of Windsor	Chief Administrative Officer	Yes	\$278,174	\$11,053
County of Brant	Chief Administrative Officer		\$183,857	\$12,858
Municipality of Chatham-Kent	Chief Administrative Officer	Yes	\$241,042	\$10,819
Municipality of Dutton–Dunwich	Chief Administrative Officer/Clerk		\$100,984	\$2,605
Municipality of Leamington	Chief Administrative Officer		\$185,787	\$1,460
Town of Amherstburg	Chief Administrative Officer		\$209,320	\$1,591
Town of Halton Hills	Chief Administrative Officer		\$270,636	\$1,010
Town of Lasalle	Chief Administrative Officer		\$211,105	\$878
Town of Lincoln	Chief Administrative Officer		\$205,799	\$503
Town of Milton	Chief Administrative Officer	Yes	\$299,577	\$7,505
Town of Oakville	Chief Administrative Officer	Yes	\$272,641	\$0
Town of Pelham	Chief Administrative Officer		\$173,795	\$903
Town of Tecumseh	Chief Administrative Officer		\$211,681	\$20,000
Township of North Dumfries	Chief Administrative Officer		\$141,116	\$1,112
Township of Strathroy-Caradoc	Chief Administrative Officer		\$132,399	\$961
Township of Wellesley	Chief Administrative Officer		\$132,553	\$565
Township of West Lincoln	Chief Administrative Officer		\$131,634	\$953
Township of Wilmot	Chief Administrative Officer		\$150,706	\$284
Township of Woolwich	Chief Administrative Officer		\$151,033	\$780

*Comparable to the operating budget of City of Burlington

Source: 2018 Ontario PSSD



Appendix D – Overview of Job Evaluation

Korn Ferry Hay Guide Chart – Profile MethodSM



Appendix E – Non-Cash Benefits Elements

- The following are items that have been considered in the valuation of the market. All values reflect the employer-paid portion only
- All non-cash benefits elements are independently arrayed
- Please note that there is some overlap between car value and allowance

Pension Value	Defined benefit plans, defined contribution plans and retirement allowances
Death	Life Insurance and accidental death and dismemberment insurance
Disability	Short term disability/salary continuance, and long-term disability insurance
Health & Dental	Extended health care insurance and dental insurance
Other Benefits	Cafeteria, employee education benefit, dependent education benefit, club benefit, loans at reduced interest, transportation benefit such as parking, telecommunication benefits (e.g. employer paid cell phones/computers/internet), personal financial counselling
Car Value	Car allowance or company car
Stock Purchase	Employee share purchase plan either at a discounted price or company matching
Allowance	Car allowances, perquisite spending accounts but not retirement allowances
Total Non-Cash Benefits	Sum of all benefits and allowances



Thank you

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