



Burlington**hydro**
inc.

January 28, 2020

Mayor and Members of City Council,
City of Burlington,
426 Brant Street,
Burlington, Ontario.
L7R 3Z6

Dear Sirs/Mesdames:

Re: Burlington Hydro Matter - Board Remuneration for Consideration on February 13 at Council

When the City of Burlington created Burlington Hydro in 1999, they established a Board Director retainer and meeting fee schedule reflective of the 1999 market that was to be applied to compensate Directors for their Board work as well as attendance at Board and Committee meetings. The City's stated intention at that time was that the fee schedule was to be revisited "from time to time".

For the full calendar year of 2000, the aggregate fees paid to the seven Directors for all Board and committee work amounted to \$145,250.

In January of 2005, City Council reviewed Hydro Board remuneration making the decision to adjust the Board member annual retainer from \$5000 to \$6500 per year with the stated intention of reviewing the Hydro Board remuneration during the next term of Council. Since that time, the fee schedule applied to Hydro Board remuneration has remained unchanged.

In 2010, the Hydro Board made the decision to move to a more strategic governance model with themed board agendas. This change reduced the administrative burden on the organization and had the added benefit of reducing the Board meeting schedule from what was essentially meeting monthly to a quarterly meeting schedule albeit there was still an annual general meeting, a strategy session and shareholder update. This resulted in total Board remuneration dropping from \$160,200 paid in 2009 to \$122,500 paid in 2010.

In 2019, Council authorized a number of governance based changes to Hydro to comply with guidance issued by the Ontario Energy Board. As it is a governance best practice to regularly study market conditions related to compensation practices, the Hydro Board Compensation Committee asked HR consultant Korn Ferry (previously Hay Group) to provide some advice to the committee in this regard.

Korn Ferry has made recommendations to the Hydro Board Compensation Committee to update the Board compensation fee schedule based on their analysis of the market today. They concluded that the current fee schedule was no longer representative of the market and recommended that a number of adjustments be made to the fee schedule. Korn Ferry estimated that if these adjustments were applied, the Board aggregate fees would increase by a total of \$36,500.

To check the reasonableness of this suggested adjustment, the Board fee schedule established in 1999 was adjusted annually for inflation and then applied to the 2019 meeting schedule. The results of this analysis indicated that using an inflation adjusted fee schedule for 2019 would have netted a total hydro Board compensation of \$154,000 versus the actual paid in 2019 of \$89,000. Based on this comparison, the proposed Korn Ferry adjustment on a go forward basis would seem reasonable.



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I am writing to you today to solicit your input and approval on the timing of how this suggested change to Board Compensation might be achieved.

Two alternative approaches to phase in the \$36,500 adjustment have been put forward by Korn Ferry with the first being to phase the changes in over two calendar years (2020 and 2021) and the second to implement in the current 2020 calendar year. Moving forward, it would be the intention of the Compensation Committee to review Board remuneration on a 3 year cycle.

In this regard, the Hydro Board Compensation Committee is recommending to Council the following:

1. For the Board Chair, increase the annual retainer from \$15000 to \$20000 and continue to provide a meeting fee of \$500
2. For Board members, increase the annual retainer from \$6500 to \$9500 and continue to provide a meeting fee of \$500
3. For Committee Chairs, adopt a retainer of \$2500 and continue to provide a meeting fee of \$500
4. For Committee members, increase the meeting fee from \$250 to \$500

As an aside, I would like to remind Council that based on a prior Council decision, the Mayor does not receive a stipend or meeting fees for participating on the Board.

The Compensation Committee Chair (Sherry Smith) along with myself and our Corporate Vice President (Jennifer Smith), will be available to appear before Council on February 13, 2020 to answer any questions Council may have.

I look forward to seeing you.

Yours truly,

Gerry Smallegange
President and CEO

cc: Tim Commisso, City Manager
John Maheu, Chair of the Board
Sherry Smith, Chair, Compensation Committee