

CITY OF VAUGHAN

EXTRACT FROM COUNCIL MEETING MINUTES OF JUNE 27, 2017

Item 3, Report No. 7, of the Finance, Administration and Audit Committee, which was adopted without amendment by the Council of the City of Vaughan on June 27, 2017.

3 RESOLUTION OF THE DIRECTORS AND SHAREHOLDERS OF VAUGHAN HOLDINGS INC. REGARDING BOARD COMPENSATION

The Finance, Administration and Audit Committee recommends approval of the recommendation contained in the following report of the Deputy City Manager, Legal and Human Resources, Chief Financial Officer and City Treasurer and City Clerk, dated June 19, 2017:

Recommendation

The Deputy City Manager, Legal and Human Resources, Chief Financial Officer and City Treasurer and City Clerk recommend:

1. That the City of Vaughan as the 100 per cent shareholder of Vaughan Holdings Inc. endorse the following remuneration to the nine directors sitting on the Board as follows:
 - a. Chair \$16,750
 - b. Vice Chair \$15,250
 - c. Director \$13,500
 - d. Per meeting fee \$ 600 (for each member including the Chair/Vice Chair)
 - e. Reimbursement of reasonable out-of-pocket expenses as approved from time-to-time in policy.
2. That the new remuneration be effective as of the date of the Alectra merger, being January 31, 2017;

Contribution to Sustainability

Vaughan Holdings Inc. (VHI) shares, and in turn VHI's shares in the newly merged Alectra Inc., help to diversify and increase the yield of the City of Vaughan's investment portfolio. This relatively stable revenue stream contributes to increased financial sustainability over a long term horizon.

Economic Impact

Board members are remunerated through the dividends received on VHI's investment in Alectra Inc. The compensation increase proposed is immaterial in the context of the annual dividends received from Alectra Inc. As such, there is no material economic impact from endorsing the recommendations above to the City as shareholder.

Communication Plan

Communication of this item will occur through the regular meeting agenda process and is available on www.vaughan.ca.

Purpose

The purpose of this report is to obtain Council approval, as the 100 per cent shareholder of VHI, of the appropriate remuneration paid to VHI Board Directors, who will be providing oversight of the holding company post-merger (January 31, 2017).

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Background

On January 31, 2017 three leading Ontario electrical utilities merged to become Alectra Inc. Enersource, Horizon Utilities and Powestream announced their intention to merge and acquire Hydro One Brampton. This merger created one of the largest municipally-owned utility company in Canada serving approximately one million homes and businesses in the Greater Golden Horseshoe Area. The merger is expected to achieve efficiencies over time such as lower costs to customers, improved customer service, better system reliability and more robust emergency response capabilities in storms and inclement weather.

The City of Vaughan, through VHI, is one of the major shareholders of Alectra Inc. As a result, the Directors of VHI will be expected to provide active strategic oversight of Vaughan's investments in Alectra. The scale and complexity of the holding in Alectra has significantly increased over the previous holding in Powerstream.

In order to review and determine the appropriate Board compensation levels, VHI retained the services of Brown Governance who conducted targeted research on Board compensation practices at public sector utility holding companies in Ontario municipalities.

Brown Governance presented its findings in the attached report (Attachment 2) at the March 6, 2017 VHI Board meeting. This report provides the detailed research, analysis and recommendations for setting the Board compensation levels post-merger.

Staff have reviewed the consultant's report and agree with the recommendations noting the review is consistent with best practices in reviewing compensation, such as comparing the role and compensation of the Board to other similar comparators within the same geographic region.

The consultant's review results in the following recommended adjustments to Board compensation levels, based on the assumption that there are 8 meetings per year:

Position	Previous Compensation (Prior to January 31, 2017)			Proposed Compensation (January 31, 2017 onwards)		
	Annual	Per Meeting	Total	Annual	Per Meeting	Total
Board Chair	\$18,000	\$125	\$19,000	\$16,750	\$600	\$21,550
Board Vice Chair	\$15,000	\$125	\$16,000	\$15,250	\$600	\$20,050
Board Member	\$9,000	\$125	\$10,000	\$13,500	\$600	\$18,300
Total Board Compensation			\$45,000			\$59,900

Per the consultant's report, the narrowing of the gap between Board members and the Chair / Vice Chair positions is reflective of the fact that unlike similar private sector Chair / Vice Chair positions there is no greater expectation of expertise or knowledge of the subject matter on the part of the Chair / Vice Chair.

The VHI Board, at its March 6, 2017 Board meeting, approved a resolution (Attachment 1) to modify the remuneration of its directors in accordance with the recommendations in the attached report from Brown Governance.

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Relationship to Term of Council Service Excellence Strategy Map (2014-2018)

This report is consistent with the Term of Council Service Excellence Strategic Initiatives of improving Operational Performance and Staff Engagement.

Regional Implications

Not applicable

Conclusion

The objective of this report is to align Director remuneration with the work effort and decision making responsibilities under VHI's increased responsibilities. It is recommended that the compensation structure of the new Board post-merger as identified in this report and approved by the VHI Board be approved by City Council and that the effective date be January 31, 2017.

Attachments

1. Resolution of VHI Board – May 1, 2017
2. Board Compensation Report by Brown Governance dated February 2017

Report prepared by:

Demetre Rigakos, Chief Human Resources Officer
Lloyd Noronha, Director, Financial Planning and Development Finance, Deputy City Treasurer

(A copy of the attachments referred to in the foregoing have been forwarded to each Member of Council and a copy thereof is also on file in the office of the City Clerk.)