


TO: Members of the Halifax Regional Water Commission Board

SUBMITTED BY:


Colleen Rucell, CA, Chair


Russell Walker, Vice Chair

DATE: November 18, 2013

SUBJECT: Executive Compensation

ORIGIN

Nova Scotia Utility Review Board Decision dated June 24, 2013.

RECOMMENDATION

It is recommended that the maximum amount of the General Manager's total compensation which can be recovered from rate regulated funds will be equivalent to 110% of a Senior Deputy Minister salary; and shall not exceed 110% of an HRM Director Level 3.

It is recommended that the maximum amount of a Director's total compensation which can be recovered from rate regulated funds will be equivalent to 100% of a Senior Deputy Minister salary; and the amount to be recovered from rate regulated funds shall not exceed 100% of an HRM Director Level 2.

Where total compensation is over the above stated thresholds, the portion over the threshold would come from unregulated funds.

BACKGROUND

The NSUARB's decision dated June 24, 2013 noted that the Province of Nova Scotia, as a public policy direction, has tied the Nova Scotia Power Inc.'s executive salaries to the provincial Senior Official Pay Plan. The approach to executive compensation at Halifax Water differs greatly from NS Power, but both organizations are regulated by the Nova Scotia Utility and Review Board (NSUARB), and the extent to which executive compensation can be recovered through regulated rates is subject to approval of the NSUARB.

The NSUARB directed that by December 31/2013 there should be a discussion on senior staff compensation with the HRWC Board and the results filed with the NSUARB. The topics to be discussed relate to the Hay methodology, and whether HRWC should adopt an approach similar to NS Power and cap the amount of executive compensation that can be included within the rates. As well, the NSUARB requested more detailed support for the inclusion of a 0.5% factor for step increases in salaries in 2014/15, which is addressed in a separate report to the HRWC Board.

The Government of Nova Scotia caps the salary of the President and CEO of NS Power that can be charged to rate payers, at 110% of the maximum salary of a senior Deputy Minister. The top salary of a senior deputy minister is \$191,000 annually. In a similar manner, the salary that can be funded for positions below the NSP President and CEO level is equivalent to 100% of the salary of a senior Deputy Minister (i.e. \$191,000). The NSUARB suggested that Halifax Water consider a similar pay structure in relation to the Senior Official Pay Plan. The HRWC Board requested benchmarking against the Halifax Regional Municipality (HRM) also, to reflect that Halifax Water is a municipal utility and, like Halifax Water, HRM utilizes the Hay methodology for non-union compensation.

DISCUSSION

In response to the NSUARB directive, the Executive Committee of the Halifax Water Board has reviewed the salaries of the General Manager and Directors and confirm they are currently below the threshold salary to be recovered from the rate base as set by the Government of Nova Scotia for NS Power executives. The General Manager's current salary is \$198,625 and the highest Director Salary is \$158,951

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Notwithstanding that the thresholds tied to the Senior Official Pay Plan are based on salary only, HRWC is defining total executive compensation as salary, performance incentive, and any compensation that is not offered to all employees.

It is recommended that the Halifax Water Board adopt an approach for recovery of executive salaries through regulated rates similar to that imposed by the Government of Nova Scotia, for NS Power. In light of the fact that Halifax Water is a municipally owned utility, rather than an investor owned utility, benchmarking against relevant HRM salaries is also recommended. The top of HRM's Director Level 3 band is currently \$190,000. Accordingly, the maximum salary that can be charged to the rate payers for the General Manager is recommended to be 110% of the Director Level 3 or \$209,000. The top of HRM's Director Level 2 is currently \$165,000 and, accordingly, the maximum that can be charged to rate payers for HRWC Director positions is recommended to be 100% of a Director Level 2. Benchmarking against HRM in addition to the Senior Official Pay Plan, currently results in thresholds that are less than benchmarking against the Senior Official Pay Plan. The thresholds that would result from benchmarking against the Senior Official Pay Plan are \$210,000 for the General Manager, and \$191,000 for Directors.

BUDGET IMPLICATIONS

If accepted there would be no 2013/14 budget implications as the salaries for the General Manager and Directors would continue to be funded from regulated revenues. Any future compensation over the thresholds would be funded from unregulated revenue, effective in the 2014/15 fiscal year.

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