

To: City Council

From: Stephanie Sinnott, Commissioner,
Corporate and Finance Services Department

Report Number: CNCL-24-03

Date of Report: January 24, 2024

Date of Meeting: January 29, 2024

Subject: Oshawa Power Group of Companies Board of Directors'
Stipends

Ward: All Wards

File: 03-05

1.0 Purpose

In September 2023 the City received two letters from Oshawa Power's Board of Directors President, Denise Carpenter.

The first letter, Correspondence CF-23-65, requesting stipends for Oshawa Power Group of Companies Board of Directors' Stipend related to additional companies in which Oshawa Power has Ownership or Financial Interests, was considered at the Corporate and Finance Services Committee meeting of September 11, 2023.

The second letter, Correspondence CF-23-66 requesting an increase in the stipends for the Oshawa Power Group of Companies Board of Directors' was also considered at the Corporate and Finance Services Committee meeting of September 11, 2023.

Correspondence CF-23-65 and CF-23-66 were both referred to staff for a report.

Attachment 1 - Oshawa Power Group of Companies Board of Directors' Stipend for Additional Companies in which Oshawa Power has Ownership or Financial Interests (CF-23-65)

Attachment 2 - Oshawa Power Group of Companies Board of Directors' Stipend (CF-23-66)

2.0 Recommendation

It is recommended to City Council:

That pursuant to Report CNCL-24-03 dated January 24, 2024:

1. The stipends for Board Directors for representation at Additional Companies in which Oshawa Power has ownership or financial Interests as outlined in Correspondence CF-23-65 be denied; and,
2. The stipends for Oshawa Power Group of Companies Board of Directors as outlined in Correspondence CF-23-66 be approved; and,
3. The Board of Directors of Oshawa Power be requested to perform a market review of the stipends once every five (5) years to ensure the rates remain competitive and in-line with comparable Local Distribution Companies.

3.0 Executive Summary

Not Applicable

4.0 Input From Other Sources

- Chief Administrative Officer
- Oshawa Power

5.0 Analysis

Every three (3) years, the Mearie Group prepares a survey on the Boards of Directors compensation of Local Distribution Companies ("L.D.C.s"). L.D.C.s are challenged with attracting Board Members that contribute to the oversight, support and guidance of the leadership team.

Forty-four (44) Ontario L.D.C.s were invited to participate in the survey of which thirty-five (35) organizations completed the survey materials. The materials requested a package containing the organizational profile, Board policies, Board of Directors compensation and Committee compensation.

The Oshawa Power Board of Directors are responsible to manage or supervise the management of the business and affairs of the Corporation including strategic planning, identification/mitigation of risks, succession planning, communications and the integrity of internal controls.

The current Board of Directors is comprised of eight (8) Directors. The Shareholder Declaration outlines the expectations of the Shareholder ("City") relating to the principles of governance and other fundamental principles and policies of the Corporation. The compensation of the Directors is also outlined in the Shareholder Declaration and states that the maximum compensation for Directors will be approved by the City.

During the recent Board recruitment and through the Mearie survey it was revealed that the current stipend is quite low. A total rewards program that is not designed strategically to be competitive makes it challenging to attract, recruit and retain talent especially in a specialized industry.

5.1 Oshawa Power Group of Companies Board of Directors' Stipend for Additional Companies in which Oshawa Power has Ownership or Financial Interests (CF-23-65)

The Directors of the Board have increased their time commitment by representing Oshawa Power on the Boards of companies in which it has a financial stake, specifically, Zooshare and the investment in the wind turbine. The involvement on the affiliate Boards has increased the demand on certain Board members.

Oshawa Power is proposing that a stipend be paid to those members in order to recognize the extra time and effort they are putting forth. The stipend is proposed to be a meeting fee of \$500 for preparation and attendance at meetings to represent Oshawa Power. As outlined in Correspondence CF-23-65 the financial impact of the meeting fees for Zooshare and wind turbine would amount to approximately \$18,000 annually.

However, this request is contrary to Section 10.2 of the Shareholders Declaration which states:

"No Additional Compensation – Members of the Holdco Board or the board of directors of any Subsidiary, shall not receive additional compensation for also being a member of the board of directors of any Affiliate."

To remain in compliance with the Shareholder Declaration, this request cannot be approved.

5.2 Oshawa Power Group of Companies Board of Directors' Stipend (CF-23-66)

The Board of Directors stipend was last reviewed in 2007. The business is growing and there is a need to ensure that appropriate skilled talent is recruited for the Board of Directors.

Oshawa Power is proposing an increase of the stipend rate based on inflation using the Consumer Price Index ("C.P.I.") as the basis for the calculation. Also, Oshawa Power is proposing an additional increase for the Committee Chairs. It is industry best practice to compensate Committee Chairs a slightly higher stipend than other Directors to account for the added duties of chairing a Board Committee.

The rates are proposed as:

| Board Position | Per Director Stipend | | |
|---------------------------|----------------------|----------------|---------------|
| | Current | Proposed | \$ Increase |
| Directors | 20,000 | 25,000 | 5,000 |
| Cmtee Chair | 20,000 | 30,000 | 10,000 |
| BOD Chair | 35,000 | 45,000 | 10,000 |
| Total Extrapolated | | | |
| Annual Charge | 175,000 | 235,000 | 60,000 |

6.0 Financial Implications

There are no direct financial implications to the City Of Oshawa.

The expenses in Oshawa Power's future budgets will increase by the additional stipends however given the size of the budget the impact is immaterial.

7.0 Relationship to the Oshawa Strategic Plan

This report supports the Oshawa Strategic Plan goals of Economic Prosperity & Financial Stewardship and Accountable Leadership by providing proactive and responsible financial management while ensuring respect and transparency.



Stephanie Sinnott, Commissioner,
Corporate and Finance Services Department

100 Simcoe Street South, Oshawa, Ontario L1H 7M7 | Tel. (905) 723-4623 | Fax (905) 743-5222 | contactus@oshawapower.ca

September 1, 2023

Tracy Adams, CAO
City of Oshawa
50 Centre Street, South
Oshawa, ON L1H 3Z7

RE: Oshawa Power Group of Companies Board of Directors' Stipend for Additional Companies in which Oshawa Power has Ownership or Financial Interests

Dear Tracy,

I am writing today as a follow up to our meeting of August 3, 2023. In that meeting, we discussed that certain Board of Directors have increased their time commitment by representing Oshawa Power Group of Companies on the Boards of companies we have a financial stake in. As a reminder, Oshawa Power Group of Companies, through various investment opportunities, has expanded its representation on certain Boards namely:

- Zooshare Biogas Development Inc. – Oshawa Power Group of Companies holds 49% interest in the underlying Zooshare Biogas project and maintains 2 seats on the 5 person Board of Directors
- 2825411 Ontario Inc. – Oshawa Power Group of Companies holds 50% interest in the investment in the underlying wind turbine and maintains 3 seats on the 5 person Board of Directors

For details on all affiliates within the Oshawa Power Group of Companies, please see the attached corporate structure in the appendix.

As involvement in these affiliate Boards has increased the demands on certain Board members, we are proposing that those Directors who also sit on the Board of an affiliate company receive a meeting fee of \$500 for meeting preparation and attendance for the extra time and effort they are putting forth to ensure that Oshawa Power Group of Companies is well represented at the Board Room table. Meeting fees are standard business practice for Boards within the industry and would only apply to those attending Board meetings for the affiliates listed above. The estimated costs, based on current meeting schedules, are:

| Affiliate | # of mtgs | # of directors | Total \$ |
|-----------|-----------|----------------|-----------|
| Zooshare | 12 | 2 | \$ 12,000 |
| Wind | 4 | 3 | \$ 6,000 |

We look forward to hearing back from you on the above proposal.

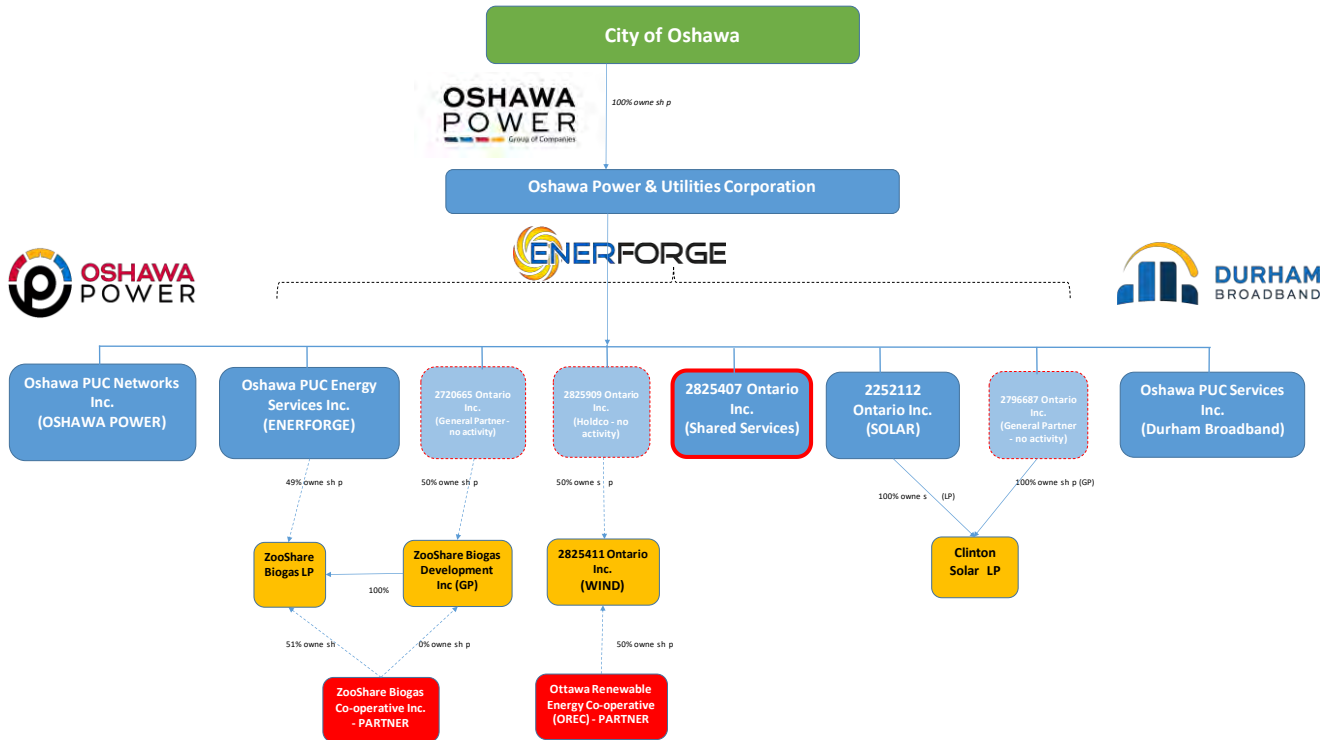
Sincerely,



Denise Carpenter, ICD.D, GCB.D
Chair, Oshawa Power Board of Directors
Attachments – Corporate Structure – Oshawa Power Group of Companies

Appendix

Corporate Structure



100 Simcoe Street South, Oshawa, Ontario L1H 7M7 | Tel. (905) 723-4623 | Fax (905) 743-5222 | contactus@oshawapower.ca

September 1, 2023

Tracy Adams, CAO
City of Oshawa
50 Centre Street, South
Oshawa, ON L1H 3Z7

RE: Oshawa Power Group of Companies Board of Directors' Stipend

Dear Tracy,

I am writing today as a follow up to our meeting of February 14, 2023. In that meeting, we discussed that the Board of Directors stipend was last reviewed in 2007. With the growing business and the need to ensure we attract appropriately skilled talent as we head into recruitment for additional Board members, we are seeking approval to increase the Director Stipends.

As current stipends have not increased annually with inflationary increases since 2007, we are proposing a true up based on inflation using the Consumer Price Index ("CPI") as the basis for the calculation. The recommendation is slightly less than what the inflation true up would be. See Appendix for annual CPI increases for 2008 onwards. We are also proposing an additional increase for the Committee Chairs. It is industry best practice to compensate Committee Chairs a slightly higher stipend than other Directors to account for the added duties of chairing a Board Committee. As a reminder, Oshawa Power has the following Committees that support the Board:

- Finance and Audit Committee
- Human Resources and Governance Committee
- Project Monitoring Committee

As Oshawa Power Group of Companies has been growing, the demands on its Board members has also increased. Based on our analysis, we are proposing the following for Oshawa Power Group of Companies Board of Directors:

| Board Position | Per Director Stipend | | |
|---|----------------------|----------------|---------------|
| | Current | Proposed | \$ increase |
| Directors | 20,000 | 25,000 | 5,000 |
| Cmtee Chair | 20,000 | 30,000 | 10,000 |
| BOD Chair | 35,000 | 45,000 | 10,000 |
| Total Extrapolated Annual Charge | 175,000 | 235,000 | 60,000 |

We look forward to hearing back from you on the above proposal.

Sincerely,



Denise Carpenter, ICD.D, GCB.D
Chair, Oshawa Power Board of Directors
Attachments – Board Stipend Analysis CPI

Appendix

CPI Analysis

| Year | CPI | Current Stipend | |
|------|------|---------------------|-----------------------|
| | | Directors 20,000 | Board Chair 35,000 |
| 2008 | 2.3% | 20,460 | 35,805 |
| 2009 | 0.3% | 20,521 | 35,912 |
| 2010 | 1.8% | 20,891 | 36,559 |
| 2011 | 2.9% | 21,497 | 37,619 |
| 2012 | 1.5% | 21,819 | 38,183 |
| 2013 | 0.9% | 22,015 | 38,527 |
| 2014 | 2.0% | 22,456 | 39,298 |
| 2015 | 1.1% | 22,703 | 39,730 |
| 2016 | 1.4% | 23,021 | 40,286 |
| 2017 | 1.6% | 23,389 | 40,931 |
| 2018 | 2.3% | 23,927 | 41,872 |
| 2019 | 1.9% | 24,381 | 42,668 |
| 2020 | 0.7% | 24,552 | 42,966 |
| 2021 | 3.4% | 25,387 | 44,427 |
| 2022 | 6.8% | 27,113 | 47,448 |