

Executive Director Compensation Research and Recommendations

*Prepared for: I-195 Redevelopment District
Providence, Rhode Island*

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Project Scope and Methodology

The **objectives** of this project were to:

- Research the Rhode Island markets quasi-public organizations to obtain specific compensation data for their chief executives
- Use other established executive data companies to obtain regional information
- Analyze that data and compare it to the executive director compensation package

The **methodology** used to substantiate findings:

1. Information was gathered using a data gathering information questionnaire (included at the end of this document) from:
 - Two (2) RI based quasi-public organizations
 - ERI Executive Compensation data. To construct the ERI report, data was gathered using industry codes eSIC: 6500, NAICS: 530000 and UsSEC: 0000 (Real Estate and Development) in the Providence, RI region. Other data points used with ERI included companies that were (a) at or near a target revenue range of \$50M to \$500M and (b) for compensation comparisons between the 10th and 90th percentiles.
2. Data was compared using total compensation and base salary (and benefits, where possible).
3. Since benefits varied from company to company, particular attention was paid to base salary as compared to annual incentives and total compensation, although benefit compensation was addressed.
4. Recommendations are based on best practices in business in general and are not specific to any particular agency, organization or company.

Notes:

- In addition to the information we received from two organizations, we reached out to four (4) additional quasi corporations who either did not respond or declined to participate in the research.
- Research revealed that although these agencies were similar in that they are both quasi-public organizations, the compensation data was based on the industry they occupied and by the nature of the work that is performed.
- The District had the lowest number of employees (4), however, the budget was greater than all other organizations, which factored into the findings.

Findings

Total Compensation

1. ERI – Using the *mean* compensation data and revenue of \$50M, the District Executive Director is paid \$208,269 including \$23,384 in benefits, approximately \$64,115 behind the peer group (including budget and full time equivalent employees [FTE]).
The data also revealed that as pay percentiles increase, so does the gap; for example, at the 75th percentile the compensation package was behind by \$66K and at the 90th percentile was behind by \$126K.
2. RI Resource Recovery Corporation (RIRRC) – total compensation is approximately \$210,000 (using 16% of base compensation for benefits). This organization provides fewer benefits given that all but one employee is responsible to pay for most benefit costs. There is a matching contribution for the retirement benefit.
3. Quonset Development Corporation (QDC) total compensation is \$206,331 with a base of \$184,885 and benefits at \$21,446. Benefits that are provided are paid for by the employer similar to the District situation.

Base Salary

1. ERI – Based on salary mean for all jobs in similar *industries* within RI, the District is paid \$7,515 above his peers; however, if one considers the 25th percentile (\$64,115 below) and the mean base (\$164,784 below) there is strong evidence to recommend a higher base salary.
2. RIRRC with more employees (95 FTE) but a lower budget is below the District Executive Director in base salary by almost \$12K. Note some differences in their benefit plan in that employees pay for most of their own benefits provided by the organization.
3. QDC with a lower budget and more employees (44FTE) is paid lower (\$7,515).

Benefits/Incentives

1. ERI – Findings show that the District is significantly behind the mean of other similar industries by 85%, with that number rising at the 75th percentile, and at the 90th percentile.
2. RIRRC provides benefits to employees with many of those benefits paid by the employees in comparison to the District where the company pays most benefit premiums. This organization is truly a quasi-public model in that the employees do not pay into Social Security but does pay into SS at a higher rate. RIRRC does not provide any opportunity for incentive bonuses.
3. QDC provides medical and life and long-term disability with a short-term incentive bonus at the discretion of the organization on a year-to-year basis.

Recommendations

This data and in particular, the ERI industry findings, demonstrates that there is an opportunity for the District Board of Directors to provide the Executive Director with additional total compensation. This change, although more in line with industry standards, will significantly increase the delta between the District Executive Director and Rhode Island peers who participated in this survey. Should the Board decide to make changes in the compensation, it is recommended that the following be considered:

- Based just on salary (rather than total compensation) and the lowest budget responsibility (\$50M), there is room for an increase in base of up to \$64,000 (33% of current base) in the form of base salary increase and/or bonus incentives to come closer to the 25th percentile which is a standard approach.
- As an alternative, provide a more modest base salary increase and provide a bonus incentive (ERI, for example, shows bonus incentives at the 10th percentile at \$70,868 and at the 25th percentile at \$106,765).
- The incentive bonus would be based on a “Pay for Performance” model utilizing an *Incentive Pay Dashboard*. The Board would establish performance goal and objectives to provide a means for the Executive Director to be rewarded when specific annual goals are met. (Sample Performance Document attached)
- Bonuses might be paid out as a short or long term incentives based on short, medium and long term strategic goals established and evaluated by the Board.
- Consideration might be given to a combination of the above in the form of:
 - Increased annual company paid incentive amounts by providing annual and/or long-term bonuses based on a dashboard measurement
 - Additional company paid incentives/benefits, e.g. company vehicle/allowance, short/long-term disability plan, life insurance
 - Annual merit increase based on “pay for performance” management process.