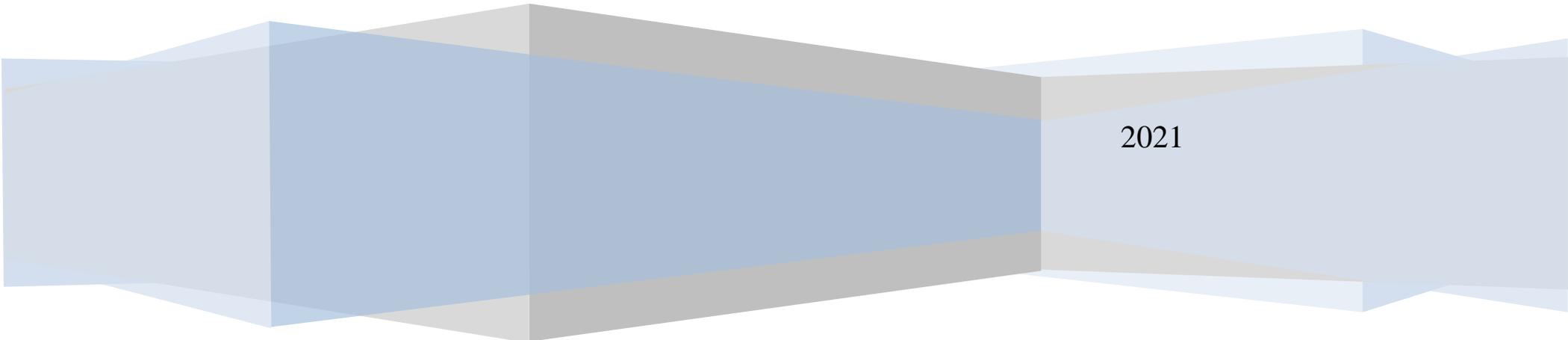


Quonset Development Corporation (QDC)

Chief Executive Compensation Report and Assessment

Compensation Benchmarking

Prepared by Butler & Associates Human Resources Consulting



2021

Chief Executive Compensation Report and Assessment

Summary

This report summarizes the findings of the 2021 Chief Executive Compensation Report prepared exclusively for the Board of Directors of the Quonset Development Corporation, North Kingstown, Rhode Island, a Rhode Island Quasi-Public Agency, by Butler & Associates Human Resources Consulting, an independent consulting firm with no known personal affiliation to the client or the employees of the Quonset Development Corporation. The objective of this report is to provide market comparability information and analysis of competitiveness and reasonableness of the total compensation program including base salary and bonus or incentive compensation for the Managing Director

Methodology and Sources

The data has been derived from sources covering national and local resources covering Executive/CEO total compensation in comparable sectors. Data was compared as closely as possible to base salary, bonus, and other compensation.

National and local data was collected from these sources:

- *Economic Research Institute (ERI)* the national leader in reporting salary data, which provides current compensation data derived from 1,100 industry sectors and 11,000 jobs in more than 9,000 different locations. Data was gathered on the following positions that reflect the diverse responsibilities in the Managing Director's job description:
 - President/CEO/Executive Director - Administration of Urban Planning and Community Development Government Support Services - National and Rhode Island
 - Vice President, Property Management - Operators of Non-Residential Buildings, Rhode Island
 - Top Executive, Facilities Management - Operators of Non-Residential Buildings, Rhode Island
 - Top Officer, Real Estate and Development - Rhode Island
 - Vice President Engineering - Engineering Services, Rhode Island
 - Executive Director/CEO - Port Harbor Operations, Rhode Island

- Executives from Rhode Island Quasi-Public Agencies as of October 2020 as reported on the 2020 State of Rhode Island Compensation Survey:
 - I-95 Redevelopment District Commission
 - Narragansett Bay Commission
 - RI Airport Corporation
 - RI Convention Center Authority
 - RI Commerce Corporation
 - RI Infrastructure Bank
 - RI Public Transit Authority
 - RI Resource Recovery Corporation
 - RI Student Loan Authority
 - RI Housing
 - RI Health and Building Corporation
 - Rhode Island Turnpike and Bridge Authority

- Compensation information that was publically reported for the top position of port authorities in the region, as well as ports of a similar size and scope to QDC nationally:
 - Massachusetts Port Authority
 - Connecticut Port Authority
 - Port of Pennsylvania-PhilaPort
 - Maryland/Baltimore Port Authority
 - North Carolina-Ports
 - Georgia Ports
 - Port Canaveral, Florida Port Authority
 - Port Hueneme, California
 - Seattle Port Authority

Data Analysis

We compared like data, i.e. average salary and average total compensation (salary and bonus or other cash remunerations). Typically, the key driver to setting Executive Compensation is operating revenue or budget. However, other considerations such as the number/complexity of programs, assets, including real estate/property, number of employees, length of service, etc. were considered when that information was available.

Regarding the analysis of the data from the ERI category, Administration of Urban Planning and Community Development Government Support Services - National and Rhode Island our assessment is that the current Managing Director is being paid in the competitive range in this category, at or near the 50th percentile of the range.

The current range of reported total compensation for the RI Quasi-Public Agencies is \$155,000 - \$510,771. The QDC Managing Director Executive is positioned competitively within this range.

The salary information for the property management, real estate development, facilities and engineering positions is provided for reference, as none of these positions is a comparable match to the Managing Director position, and only reflect a portion of those responsibilities. It should be noted that in addition to the responsibilities of managing the QDC, the incumbent is also a certified professional engineer, which requires state licensure and ongoing professional development.

The reported compensation of the top executives of the nationwide Port Authorities/Ports ranges from \$200K to \$744K, with the majority of the incumbents (7) ranging from \$250K to \$375K (the average of all reported is \$354K). If we exclude the outliers, the average compensation reported is \$324K. Although the job description may not be an exact match to QDC, the scope or authority and responsibility is a competitive data point relative to the Managing Director of QDC. The current incumbent falls within the range, but well below the average reported compensation.

Based on historical practice at QDC, the overall compensation philosophy is to set base compensation at or slightly above the market rate (with adjustments to base salary averaging 2.67% over the last three years,) and incentivize the executive with bonus or at “risk compensation” up to the equivalent of 18% of salary. This incentive compensation is an integral component of the compensation program, focused on the achievement of performance to specific annual goals and consistent with a formal documented bonus structure, designed to motivate and retain qualified executives.

Projections for non-profit Executive Compensation for 2021 are being forecasted at the 2.8%-3% range by expert compensation organizations such as WorldatWork and Willis Towers Watson. Due to the pandemic and the related economic downturn, which has

resulted in many executives taking a pay decrease or freeze for 2020, organizations are approaching executive compensation cautiously. All in all—there is no consistent theme or trend based on the projections from compensation experts; organizations are trying to balance the budget implications and economic uncertainty with the need to retain top talent at the executive level.

When determining the compensation level for the Executive, total performance should also be taken into account; exceptional performance may indicate a more aggressive approach to compensation. Performance below expectations may indicate a lower adjustment or none at all.

Recommendations

The current incumbent has been in the position for over 15 years, and based on his performance reviews has been rated as a top performer. Therefore, we would expect total compensation to be between the 50th and 75th percentile of the range.

From a base salary/incentive compensation perspective, the current incumbent is paid within the competitive range. It should be noted that the QDC Managing Director position is very complex, with a very diverse set of responsibilities, properties and projects.

Assuming the board plans to continue with this total compensation strategy, our recommendation is to adjust the base salary from 2%-4% in the FY'22 year, assuming there are no significant changes to the Performance Pay and Bonus Structure.

Additionally, considering the complexity of the position, the total capital budget of approximately \$50M and the reported compensation of other ports, the Compensation Committee may want to conduct a broader compensation study next year and consider a more aggressive total compensation strategy for the FY'23 budget.

Other

All of the RI Quasi-Public Agencies offer executives the opportunity to participate in a retirement plan, either a defined pension benefit or defined contribution plan, such as 401(k), 401(a), 403(b) or 457(b) plan. A variety of programs exist. The current incumbent participates in the Rhode Island Commerce Corporation Pension Plan and Trust.

Benefits offered to CEO/Executive Directors include:

- Organization paid/contributed to health and dental insurance
- Paid life insurance
- Paid Time Off (vacation, sick, holidays, etc.)
- Paid cell phone
- Budget for professional development
- Reimbursements for business expenses, meetings, etc.

Best Practices

Best practices in Corporate Governance to comply with *Section 4958: IRS Code and IRS Report on Exempt Organizations Executive Compensation Compliance Projects Parts I and II* suggest non-profits:

- Develop an Executive Compensation and Total Rewards Policy
- Obtain valid/comparable market data from published sources of similar organizations, budget sizes, regions
- Benchmark executive total rewards against the market data
- Use an independent outside consultant to provide the market data
- The Board or Board Committee should review incumbent and market information and make a decision that is reasonable for their organization
- Document the process and decision