



City of
Peterborough

To: **Members of the Finance Committee**

From: **Patricia Lester
Commissioner of Corporate and Legislative Services**

Meeting Date: **January 14, 2019**

Subject: **Report CLSFS19-009
Council Compensation Review Update**

Purpose

A report to provide an update on the Councillor Compensation review that was received by Council in March 2017 and recommend an increase in base rates in response to the legislated tax adjustment.

Recommendations

That Council approve the recommendations outlined in Report CLSFS19-009, dated January 14, 2019, of the Commissioner of Corporate and Legislative Services as follows:

- a) That effective January 2019 and in recognition of the elimination of the one-third tax free exemption received in acknowledgment of expenses incurred related to the discharge of his or her duties, remuneration for elected officials be adjusted to the same net pay as prior to the elimination, and
- b) That the estimated incremental cost of \$31,491 be funded as follows:
 - i. A \$10,000 reduction in the provision for Councillor Expense Reimbursement included in the 2019 Draft Operating Budget, from \$25,000 to \$15,000; and
 - ii. The balance of the estimated cost of \$21,491 be funded from a transfer from the 2019 General Contingency provision.

Budget and Financial Implications

If the recommendation is approved, the incremental cost to the 2019 Operating Budget is estimated to be \$31,491 and would be funded by a \$10,000 reduction in the Councillor Expense Budget, with the balance of the \$21,491 estimated cost allocated from General Contingency.

If the optional Recommendation to provide Group Benefits is approved, the incremental cost to the 2019 Budget is estimated to be \$42,000. As the amount is not included in the Draft Budget, staff recommend that the cost for 2019 be funded from the General Contingency.

Background

In consideration of Report CPFS18-013 dated April 16, 2018, regarding Council Remuneration – One Third Exemption, Council resolved:

- a) That an additional \$10,000, for Councillor expense reimbursement, be included in the 2019 Draft Operating Budget for the Office of the Mayor, for a total budget provision of \$25,000.
- b) That the Councillor Compensation review that was received by Council in March 2017 be updated, including an update survey of compensation in comparable and regional municipalities and that the update include consideration of the federal government's elimination of the one-third tax exemption for elected officials.
- c) That the Councillor Compensation review update be presented to Council as part of the 2019 budget deliberations.

This report responds to the request for a further update.

Councillor Compensation Update

Base remuneration for the Mayor and members of Council was established by Council in 2012 through Report CP12-005 dated July 23, 2012. Council further resolved that a mechanism be established to index the amounts annually. The motion read as follows:

“That the remuneration be adjusted based on the Consumer Price Index, all items - Ontario as published by Statistics Canada, effective December 1, 2012 and be adjusted annually each December 1.”

The last Councillor Compensation Committee review was completed during 2016 with the results provided to Council in February 27, 2017, through Report CPCLK17-003. The Committee addressed ten areas as part of the review:

- Compensation
- Benefits
- Mileage
- A Possible Grid System to Reflect Seniority
- Separate Pay for Committee Work
- Part-Time Versus Full-Time Status
- An Automatic Review Process for Compensation
- Expense Accounts
- Mechanisms for Automatic Increases
- Consideration of Other Council Activities (i.e. ribbon cuttings, attending events)

On the issue of base compensation, the Committee felt that the rates in Peterborough were appropriate for both the Mayor and Councillors, and as such, made no recommendation to change the base rates. The Committee felt that the rates should be sufficient enough to attract good people but not so high that the compensation would be the main reason individuals would pursue a position on Council. The Committee further believed that the role of a Councillor should be compensated fairly but Councillors should have a sense of giving back to their community and that the rate should also be relative given the average income of the residents of the City.

The complete report from 2017 is attached as Appendix A.

As of December 1, 2018, base compensation rates have been indexed by 1.95%. Annual amounts are:

- Mayor - \$70,969
- Councillors - \$29,059

One-third Tax Exemption

When the Province amended the **Municipal Act** in 2001, subsection 283(4) was amended to provide that the 1/3 tax exemption was permitted to continue only if at least once each term, Council reviewed the by-law and continued the practice. If this did not occur, the 1/3 exemption would end and Council could not do anything to recommence it. The Province was attempting to make the payments to Council members by municipalities more transparent. It was clear that the Province was moving in the direction of reducing the number of municipalities that were taking advantage of the exemption.

Some municipalities discontinued the 1/3 exemption shortly after the amendment in 2001 and additional municipalities have stopped using it since then. In 2011, the City of Hamilton undertook a review of 12 municipalities roughly similar to their own. At that time only four of the municipalities were providing the 1/3 as non-taxable -- Windsor, Brampton, London, and Niagara. The remaining municipalities - Burlington, Halton,

Mississauga, Waterloo, Durham, Ottawa, Peel and York Regions — had already discontinued the practice and their Council pays were 100% taxable.

As reported through Report CPFS18-013 – Council Remuneration – One –Third Exemption Effective January 1, 2019 (Appendix B), Canada Revenue Agency is eliminating the one-third tax exemption altogether, whereby one-third of an elected City official's remuneration was deemed to be for expenses related to the discharge of his or her duties and was therefore exempt from income tax. In consideration of the staff report at that time, Council chose to increase the Councillor expense reimbursement provision by \$10,000 for a total budget of \$25,000, \$2,500 per Councillor. However, administratively, this approach is much less efficient for both individual Councillors and staff, as it requires the tracking and reimbursement of one's personal vehicle and certain out of pocket expenses and may still not make the Councillors whole at the end of the process.

Updated Survey

Staff have updated the 2016 survey results and these may be found in Appendix C. Most, if not all, of these municipalities continued the practice of the 1/3 exemption.

Although many municipalities have yet to address the issue (Appendix C – Column 16), the City of Kawartha Lakes, City of Kingston, and City of Barrie have addressed it. It is also reasonable to expect that other municipalities in the comparator group will address it. Staff is also aware of other municipal Councils that have chosen to increase base rates whereby individual Councillors receive the same net pay such as County of Peterborough and the City of Brantford.

Based on this update, it is apparent that Peterborough rates are not keeping pace with the comparator group, as compensation for both the Mayor and members of Council are well below average. The base rate for the Mayor's position is the lowest of the comparator group.

Staff recommend that the remuneration for elected officials be adjusted to the same net pay as they would have received prior to the elimination of the one-third exemption. This will not address any further issues with the comparator group, but it will address the issue of the elimination of the one-third exemption.

Funding of Adjustment

As set out in the updated chart in Appendix D, Columns 3 and 4 show the additional costs the Mayor, Councillors and the City will assume in 2019, regardless of the whether or not changes are made to base rates. Altogether, the 2019 Operating Budget will be impacted \$19,484 simply from the change in legislation and the consequential loss of HST rebates and the additional cost of certain mandatory deductions.

Under a fully taxable, same net pay scenario, Columns 5 and 6 show that the Mayor's income would need to be increased by \$12,365 (17.4%) to \$83,334 and each individual

Councillor by \$3,585 (12.3%) to \$32,644. The incremental annual cost to the City over and above the fully taxable – same gross pay scenario is estimated to be \$31,491.

As part of Report CPFS18-013 dated April 16, 2018, Council resolved that the 2019 Operating Budget include an additional provision of \$10,000 (\$1,000 for each Councillor for 2019 expenses incurred). Should Council accept the recommendation and adopt the Same Net Pay scenario, staff would further recommend that the additional \$10,000 budgeted, be repurposed to offset the additional cost of compensation. The differential cost of \$21,491 would be allocated from the 2019 General Contingency provision.

Benefits

Elected officials at the City of Peterborough do not receive benefits as part of their compensation with the exception that the Mayor can participate in the OMERS Pension Plan (based upon Council By-law 07-074). This topic has come up numerous times since 2016 and although it is beyond the one-third exemption issue, staff offer an update for Council's consideration.

In 2016, the Councillor Compensation Committee did not recommend the provision of Group Benefits, although the Committee did acknowledge that the majority of the comparator municipalities do provide benefits to Council members and that six of the questionnaires submitted by City Councillors of the day, indicated that the provision of benefits should be considered. The Committee rationale in not recommending the extension of benefits to Council was the fact that the household income in Peterborough was quite low and that many individuals in this community also do not receive benefits. It was also noted that the position of Councillors is considered a part-time position and part-time City employees do not receive any benefits.

In 2019, certain permanent unionized part-time staff do receive limited Group Benefits. Also, based on a survey done by the Association of Municipal Clerks and Treasurer's of Ontario that was published in March 2018, 44% of municipalities with populations between 50,000 – 99,999 provide Group Benefits and Pension contributions to their municipal Council. The complete survey may be found at the following link.

<http://www.amcto.com/getattachment/a9e4b504-21c2-4378-bfab-ef4e1eb001c2/.aspx>

As shown in Chart 1, staff have provided estimated costs for Group Benefits should Council wish to give the topic consideration.

The estimated annual cost is \$2,200 for the Council member only (single) and \$5,600 per Councillor if electing family coverage. Depending on the mix of single vs. family coverage, the annual cost will range from \$24,600 - \$61,400. All of the above being said, the basic rationale of the Councillor Compensation Committee related to the low household income in Peterborough is still valid as can be seen in the updated survey results in Appendix B.

Chart 1
Group Benefits

Name	Summary Details	Effective Date	Estimated City Cost	Who Pays
Extended Health Care	Semi-private hospitalization, travel, vision care, paramedical services.	Effective first of the month following appointment	\$16,300 - \$42,500	City
Dental	Core plan only.	Effective first of the month following three months of service	\$8,300 - \$18,800	City
Group Life Insurance and AD&D	Coverage for 2 x annual salary.	Effective first of month following date of appointment	\$485	City
Employee Assistance Program	Program offers counselling on a confidential basis to employees and dependents who wish to resolve personal, social or health problems.		N/A	City

For Extended Health Care Coverage and Dental, if the member has benefit coverage through another employer (i.e. they work elsewhere and have coverage under that group plan), they would not be eligible for coverage through the City's policy. Further details are provided in Appendix E.

Should Council wish to provide Group Benefits as listed in Chart 1, the appropriate motion to make would be:

“That as of February 1, 2019, Councillor Compensation include certain Employee Benefits as outlined in Chart 1 of Report CLSFS19-009, to be funded by a transfer from the 2019 General Contingency provision.”

Next Councillor Compensation Review

The context of this report is a response to the legislated change in tax being withheld on individual Councillor remuneration with a view of making Councillors financially whole. It is not an attempt to address the question of compensation.

In regard to Councillor Compensation Review, the standing motion on the books at this time reads:

“That Council compensation automatically be reviewed the second year of each term with any recommended changes to take effect the following term.”

The next Councillor Compensation Review will take place in 2020, for the 2022 - 2026 term of Council.

Summary

This report provides an update of the Councillor Compensation review that was received by Council in March 2017, recommends that Councillors be made financially whole in light of the legislated tax adjustment, and provides information on certain Councillor Group Benefits.

Submitted by,

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Attachments:

Appendix A – CPCLK17-003 Councillor Compensation Committee Results
Appendix B – CPFS18-013 – Council Remuneration – One –Third Exemption
Appendix C - Councillor Compensation Survey Results – Update
Appendix D – Estimated Cost – Fully Taxable Same Net Pay Mandatory Deductions
Appendix E – Benefit Coverage Details