



# CORPORATION OF THE TOWNSHIP OF ESQUIMALT

Municipal Hall  
1229 Esquimalt Road  
Esquimalt, B.C. V9A 3P1

## Staff Report

PRESENTED TO

MAY 22 2018  
SPECIAL  
MUNICIPAL  
COUNCIL

File #:18-211

## REQUEST FOR DECISION

**DATE:** May 14, 2018

Report No. ADM-18-014

**TO:** Laurie Hurst, Chief Administrative Officer

**FROM:** Vicki Gannon, Director of Human Resources

**SUBJECT:**

Mayor and Council Compensation Review

**RECOMMENDATION:**

That Mayor and Council receive Staff Report ADM-18-014 for information and provide staff with direction to revise Council Remuneration Bylaw, 2014, No. 2836, effective November 1, 2018.

**RELEVANT POLICY:**

Council Policy ADMIN-58 Independent Review and Market Analysis of Council Remuneration  
Council Policy ADMIN-62 Remuneration for Elected Officials  
Council Remuneration Bylaw, 2014, No. 2836

**STRATEGIC RELEVANCE:**

This Request for Decision is not directly related to any specific Council priority.

**BACKGROUND:**

Council Policy Admin-62 outlines that Mayor and Council appoint an independent consultant to review Council remuneration in January of the 4<sup>th</sup> year of a Council Term, and that a sample grouping be established, with criteria as set out in the Policy. Council remuneration will be based on the median remuneration as the most objective and fair measurement.

At an *In-Camera* meeting on February 19, 2018, Julie Case, an independent consultant, met with Council for clarity on the criteria and process prior to commencing the review.

It was agreed, at that meeting, that the following 10 comparable municipalities would be surveyed to determine the remuneration for their elected officials:

- Cranbrook
- Dawson Creek
- Oak Bay

- Pitt Meadows
- Port Alberni
- Prince Rupert
- Salmon Arm
- Squamish
- Terrace
- White Rock

Mayor and Council also requested information as to what other municipalities are implementing in order to deal with the changes to the income tax laws that will come into effect in January 2019: that the one-third tax free allowance, which previously applied to many public sector elected officials, will be eliminated. As a motion was passed on December 11, 2017 whereby the income tax changes would not result in any reduction in net pay to the elected officials, Mayor and Council also requested specific information pertaining to the financial implications to their net remuneration as a result of this change.

***Data from 10 Comparable Municipalities:***

As outlined in the report from the Consultant, a copy of which is attached, the median salary for the Mayor's position, of the 10 comparable municipalities surveyed, is \$57,600, which is approximately 17% more than what the Township currently pays. The report also indicates the median salary of Councillors is \$20,500, which is approximately 4% more than what the Township currently pays. If the Township were to pay Mayor and Council at the median rate as outlined above, there would be an annual increase of \$13,194.

The current Bylaw outlines that Councillors are paid 40% of the Mayor's annual salary. If the Township were to pay the Mayor at the median rate of \$57,600, and the Councillors at 40% of the remuneration of the Mayor, the annual salary for the Councillors would be \$23,040, approximately 17% more than what the Township currently pays. This amounts to an annual increase of \$28,434.

***Changes to the Income Tax Act (Elimination of 1/3 Tax Free Allowance):***

The combined 2018 Federal and BC marginal tax rate for the Councillor positions is 20.06%, and the rate for the Mayor's position is 28.2%. The impact of eliminating the tax-free allowance will not be the same for every member of Council, as it depends on each individual's marginal income tax rate. The Township cannot be responsible for any additional tax impact on income earned by members of Council outside of their Township remuneration.

As per the table below, the Mayor would need additional compensation of 9.4% to cover the increase of income tax payable, and the Councillors 6.7% (based on 2018 rates).

If the Mayor and the Councillors received a 9.4% increase in order to keep the Councillors at 40% of the Mayor's remuneration as per the current Bylaw, the annual increase would be approximately \$15,737.

Councillors	2/3 tax at 20.06%	100% tax at 20.06%	Difference	% of total compensation
19,695	2,634	3,951	1,317	6.7%
Mayor	2/3 tax at 28.20%	100% tax at 28.2%	Difference	% of total compensation
49,236	9,256	13,885	4,629	9.4%

**Elimination of 1/3 Tax Free Allowance - What other Municipalities are doing:**

Of the 10 municipalities that were used as comparators, 8 have not yet decided on a course of action when the one-third tax free allowance is eliminated. One organization plans to increase compensation to offset the loss of the allowance, and one plans to permit a taxable allowance to offset the loss of the allowance.

Both the CRD and the Town of Sidney are adjusting elected official remuneration to make net pay the same in consideration of the loss of tax exemption status.

The District of Central Saanich hired Ms. Case in 2017, and increased their elected official remuneration to be at the median level of the comparator groups that were used, plus a CPI bump. Because their compensation was raised considerably, they did not make any further adjustments for the taxation change.

**ISSUES:**

1. Rationale for Selected Option

This report is for Council's information and decision relating to Council remuneration to be effective as of November 1, 2018.

2. Organizational Implications

There are no organizational implications.

3. Financial Implications

If Council remuneration were to be set at the median of the 10 comparator municipalities for the Mayor, and the Councillors' rate set at 40% of the Mayor's annual remuneration, as established in the current Bylaw, the annual increase would be \$28,434 (17% more than current rates).

If Council remuneration were to be set at the median of the 10 comparator municipalities for both the Mayor and the Councillors, the annual increase would be \$13,194 (17% increase for the Mayor and approximately 4% increase for the Councillors).

If Council remuneration were to be adjusted by 9.4% to make their net pay the same, in consideration of the loss of the tax exemption status, it would result in an annual increase of approximately \$15,737.

4. Sustainability & Environmental Implications

There are no sustainability or environmental implications.

**5. Communication & Engagement**

Once Mayor and Council determine any changes to Council remuneration, the Director of Human Resources will update the Council Remuneration Bylaw and implement the changes to Council remuneration beginning in November, 2018 for the new term of Council.

**ALTERNATIVES:**

1. That Mayor and Council receive Staff Report ADM-18-014 for information and provide staff with direction to revise Council Remuneration Bylaw, 2014, No. 2836, effective November 1, 2018.
2. That Council provide alternative direction to staff.