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PRIVATE & CONFIDENTIAL

Elected Officials Compensation Review

Township of Esquimalt (Revised Draft)

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For questions about this report, please contact:

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TABLE OF CONTENTS

TABLE OF CONTENTS.....	2
INTRODUCTION	3
BACKGROUND & METHODOLOGY	3
TABLE 1 – DATA SUMMARY OF COMPARATOR MUNICIPALITIES	5
TABLE 2 – COMPARISON OF ESQUIMALT TO MEDIAN MARKET.....	6
TABLE 3 – ALLOWANCES	6
MOVING FORWARD	7
SUMMARY	7
ATTACHMENT 1 – DATA DEFINITIONS.....	8
ATTACHMENT 2 – CONSULTANT PROFILE.....	9

INTRODUCTION

We are pleased to present our findings from the compensation review for elected officials at the Township of Esquimalt (the “Township”). We look forward to discussing this report once you have had the opportunity to review it.

BACKGROUND & METHODOLOGY

The Township of Esquimalt asked for assistance in conducting a compensation review for its elected officials. The Township wishes to review the current remuneration structure based on comparison with other comparable BC municipalities.

Based on the direction provided by the Township, we conducted a custom survey of select BC local governments. The survey captured data on base salary, allowances and whether any changes to elected officials compensation are anticipated in 2019 due the CRA ceasing the one-third tax free allowance.

We emailed the survey questionnaire to 10 local governments, collected data, reviewed and validated all returned participant data, identified anomalies, and followed up where necessary.

Data from the 10 BC local governments listed below are included this report.

- | | |
|-----------------|------------------|
| 1. Cranbrook | 6. Prince Rupert |
| 2. Dawson Creek | 7. Salmon Arm |
| 3. Oak Bay | 8. Squamish |
| 4. Pitt Meadows | 9. Terrace |
| 5. Port Alberni | 10. White Rock |

All the findings are summarized and presented in tables. Specific definitions to assist with understanding the data are found in Attachment 1.

A summary of the data collected from the comparator municipalities is shown in Table 1 below.

The population measures and annual expenses were collected from the BC government website (www.cscd.gov.bc.ca/lgd/infra/statistics). The most recent data available is from 2016.

All cities have seven elected officials and all elected officials receive one third of their annual base salary tax free.

TABLE 1 – DATA SUMMARY OF COMPARATOR MUNICIPALITIES

City	2016 Annual Expenses (\$ millions)	2016 Census Population (thousands)	Mayor – Current Annual Base Salary (\$)	Councillor – Current Annual Base Salary (\$)	Councillor salary as percent of mayor salary
Esquimalt	32.3	17.7	49,236	19,695	40%
Cranbrook	40.0	20.0	55,240	20,139	36%
Dawson Creek	41.7	12.2	61,215	20,813	34%
Oak Bay	35.8	18.1	29,833	12,660	42%
Pitt Meadows	29.4	18.6	74,316	27,868	38%
Port Alberni	37.0	17.7	40,432	17,920	44%
Prince Rupert	32.8	12.2	60,000	13,430	22%
Salmon Arm	28.5	17.7	53,725	21,660	40%
Squamish	56.7	19.5	75,330	32,392	43%
Terrace	22.9	11.6	37,588	15,266	41%
White Rock	35.4	20.0	83,220	33,290	40%
Summary – not including Esquimalt					
P25	30.3	13.6	43,800	15,900	-
Median (P50)	35.6	17.9	57,600	20,500	40%
P75	39.3	19.3	71,000	26,300	-
Average	36.0	16.8	57,100	21,500	38%

TABLE 2 – COMPARISON OF ESQUIMALT TO MEDIAN MARKET

Position	Esquimalt Base Salary	Market Median Base Salary	Esquimalt as % of Market Median
Mayor	\$49,236	\$57,600	86%
Councillor	\$19,695	\$20,500	96%

TABLE 3 – ALLOWANCES

Allowances	Township of Esquimalt Practice	Market Practices
Do you have any plans to adjust compensation when the CRA changes rules to no longer permit elected officials to receive 1/3 of their base salary tax free? If yes, please describe possible adjustments you are considering or have already made.	To be determined.	<p>Eight (8) organizations have not yet decided on a course of action when the one-third tax free allowance is no longer permitted in 2019.</p> <p>One organization has plans to increase compensation to offset the elimination of the allowance.</p> <p>One organization has plans to permit a taxable allowance to offset the elimination of the allowance.</p>
Acting mayor allowance	An additional five percent of base salary when serving for two months.	<p>Six organizations do not provide an allowance to the councillors when acting for the mayor.</p> <p>Three organizations provide an acting mayor allowance on a monthly basis: \$50, \$610, or \$1,380.</p> <p>One organization pays the councillor 60 percent of the mayor's salary pro-rated for the duration of the acting period.</p>

MOVING FORWARD

In terms of base salary, the Township of Esquimalt is somewhat less than competitive when comparing to the median (or middle) of its defined market of similar sized BC local governments for the mayor salary: the base salary of the mayor is 86 percent of the median result. The base salary for the councillors is more competitive at 96 percent of the median result.

Most organizations target the median level of their defined market. They do not wish to be the top of the market, nor the bottom of the market, but want to be in the middle. The key to being competitive when using the median level of the market is to define the most relevant market. In addition, the median, **not** the average, is the preferred approach when using compensation data since the median, unlike the average, is not overly affected by extremely low or high data points in the sample.

Moving forward, if the Township of Esquimalt is satisfied with the definition of market, it may wish to consider adjusting the 2018 salary of the mayor to align to the median level of the market (i.e., \$57,600) and the 2018 salary of the councillor position to the median percentage of the mayor's salary (i.e., 40 percent for a salary of \$23,000) to maintain the current relativity between the two salaries. Alternatively, the councillor salary could simply be adjusted to align to the median level of the market (i.e., \$20,500).

Position	Current Esquimalt Base Salary	Proposed Esquimalt Base Salary	Percent Change
Mayor	\$49,236	\$57,600	17%
Councillor	\$19,695	\$23,000 (40% of mayor median market)	17%
Councillor	\$19,695	\$20,500 (councillor median market)	4%

SUMMARY

With respect to the expected 2019 CRA changes where the salaries of elected officials will no longer be one-third tax free, few municipalities have made a decision on possible adjustments. Historically, the one-third tax free was in place to recognize the expenses elected officials incur while carrying out their duties. Moving forward, there appears to be three approaches for consideration: do nothing, increase the base salary to off-set the increased taxes, or permit expenses to be deducted. These would be the most straight forward options for the Township to consider.

The finance department of the Township of Esquimalt will calculate the costs of increasing base salary to offset the increased taxes based on payroll deductions as well as the new proposed base salaries if the Township wishes to explore this option.

ATTACHMENT 1 – DATA DEFINITIONS

The data in this report have been rounded, aggregated, and summarized using tables. Some definitions to assist with understanding the data follow:

- An average (mean) is the sum of all data divided by the number of observations included.
- A median value (50th percentile or P50) is the number that falls within the middle of a series of observations (e.g., if there are seven data observations and they are ranked in order of highest to lowest, the number or observation that is in the fourth position is the middle value and represents the median value). It is the most common percentile statistic included in survey data. It is the point at which half of the data fall below and half of the data fall above.
- The 25th and 75th percentiles (P25 and P75), also referred to as the first and third quartiles, offer an indication as to the “spread” or range of the data. At the 75th percentile, 75 percent of the observations are at this level or below. Similarly, at the 25th percentile, 25 percent of the observations are at this level or below.
- It is important to note that a minimum number of observations is required to report data and still maintain confidentiality. A minimum of three observations is required to report the average, four to report the median, and five to report the quartiles (i.e., P25 and P75) and P60.
- The number of observations (# obs) indicates the number of organizations that provided data.

ATTACHMENT 2 – CONSULTANT PROFILE

Julie Case has over 17 years in the compensation field. During her career, Julie has worked with a variety of private and public sector clients to develop compensation structures, implement job evaluation plans, conduct custom compensation market surveys, advise on general salary administration, conduct market pricing, and develop compensation philosophies.

Julie's work involves developing and implementing compensation strategies for a broad, cross section of employee groups including: executive, management and professional, technical, and unionized staff.

Over the course of her career, Julie has gained considerable compensation expertise in the public and private sectors. She specializes in defining strategic compensation philosophies that align to the business goals of the organization. Julie handles compensation projects from the strategic planning stage through to the collection and analysis of compensation data and finally to the recommendations and implementation stages. Julie has designed job evaluation plans for use in exempt and union environments. She has facilitated many job evaluation committees in their goal of creating and recommending new or revised job worth hierarchies.

Julie has considerable experience working with municipalities in British Columbia. She has worked with the largest cities in the province. Once upon a time, Julie worked for a municipal government: she spent four years working in the chief administrative officer's office at the city of Maple Ridge, B.C. This role included facilitating business planning sessions, defining corporate performance measures, and leading performance improvement reviews.

Julie holds a Bachelor of Arts degree from Simon Fraser University with a major in economics and a minor in biology. She also holds a Master of Arts degree in leadership and training from Royal Roads University. She is currently a member of WorldatWork and a certified compensation professional (CCP).

Julie worked for Watson Wyatt Worldwide in Vancouver as a compensation consultant where she was hired by senior consultant Tim Dillon. Tim open his own firm in 2006 and Julie worked as an associate of Case Dillon & Associates (formerly Tim Dillon & Associates) from 2006 until the end of 2017. Tim Dillon passed away at the end of 2017 and Julie continues to work with all the same associates but not currently under the Case Dillon & Associates banner as the company is in testate.