



Council Report 2018-62

Title: Elimination of Tax-Exemption for Council Members' Salaries and Compensation Review

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Strategic Plan: Organizational Excellence

Council Date: July 18, 2018

Recommendation

Whereas the Council of the County of Northumberland reviewed the recommendations as outlined in the report titled Elimination of Tax Exemption for Council Members' Salaries and Remuneration Review; and

Whereas a review of Council Members' remuneration and reimbursement for expenses is warranted; and

Whereas new Federal legislation will remove the one-third (1/3) taxable benefit, and Council Members' salaries and remuneration for meetings will be fully taxed in 2019;

Now Therefore Be It Resolved That Council Members' salaries and meeting remuneration be fully taxed commencing on December 12, 2018; and

Further Be It Resolved That Members' salaries be increased so as to be in line with the 60th percentile of Council-approved comparator municipalities, those salaries being \$18,347 for Councillors and \$45,477 for the Warden, commencing December 12, 2018; and

Further Be It Resolved That the By-law be changed to provide for meeting remuneration at a flat rate of \$100 per meeting; and

Further Be It Resolved That the By-law be updated to provide greater clarity regarding the responsibilities for which salary compensation and meeting remuneration is paid, and

Further Be It Resolved That Members' reimbursements for conference expenses be increased to a maximum of \$4,000 per year; and

Further Be It Resolved That staff review the Council-approved municipal comparators in mid-2019, to ensure that Northumberland Council Members' compensation is in line with the 60th percentile, following the expected adjustments within those municipalities; and

Further Be It Resolved That the Clerk review Council Remuneration and Expense Reimbursements every four (4) years, in the third (3rd) year of the term, and provide a report and recommendations to Council; and

Further Be It Resolved That By-law 2015-05, and Schedule A to By-law 2015-05 be repealed on December 12, 2018;

Further Be It Resolved That By-law 2018-27 and Schedule A be adopted, to come into force December 12, 2018."

Purpose

To provide Northumberland Council with information regarding the elimination of the one-third tax exemption for Council Members' salaries, and recommendations regarding: Members' salaries, meeting remuneration, and conference expenses.

Background

Currently salary, remuneration, and expenses for County of Northumberland Council Members are provided for in By-law 2015-05 (attached), adopted in February, 2015.

In the last twenty years, Northumberland County Council compensation was reviewed and changed in: 2015 (By-law 2015-05), 2006 (By-law 42-06), 2005 (By-law 13-05), 2001 (By-law 37-01) and 1998 (By-law 2-98).

Salaries

Currently, Northumberland Councillors receive an annual salary of \$9,842.52, and the Warden receives an annual salary of \$38,347.44. In addition to these salaries, Council Members receive remuneration for various meetings, and, reimbursement for conference expenses. Currently, the salaries and meeting remuneration are one-third (1/3) tax-exempt.

In 2017, the average compensation (salary plus meeting remuneration) for a Northumberland County Councillor was approximately \$16,000.

Annual salaries for Councillors and the Warden are adjusted on December 1st of each year to reflect the cost of living as measured by the annual change in the Consumer Price Index for Ontario. As per By-law 2015-05, these salaries are paid "for attending meetings of Council and other County related meetings as required".

As is the practice of many municipalities, Northumberland Council Members receive additional remuneration for meetings they attend (other than Council meetings).

As per previous federal legislation, Council Members currently receive a one-third (1/3) tax exemption for salaries and meeting remuneration.

Remuneration for Other Meetings

Currently, all Council Members receive remuneration for attending County Department meetings and other meetings, as follows:

- a) \$100 for each meeting attended during a time period not exceeding three and one half (3.5) hours;
- b) \$200 for each meeting attended during a time period exceeding three and one half (3.5) hours.

Some Counties across the Province provide remuneration on a half-day and full-day (per diem) basis. Northumberland Council Members are compensated for attendance at individual meetings.

Expenses

Council Members are authorized to attend any conference of an association for which the County pays membership fees. Reimbursements of registration fees, transportation, accommodations, and meals shall not exceed \$2,500 per calendar year.

Council Members receive reimbursement for mileage for County business travel, the rate of which is set annually. The 2018 rate is .55/km.

Federal Legislation

In its March 2017 Federal Budget, the Government of Canada announced the elimination of the one-third tax exemption for elected officials. This legislation received Royal Assent on June 22, 2017 (*Bill C44*) and is effective for the first pay of 2019. This means that Members' salaries and remuneration for meetings will be fully taxed in 2019; they will no longer receive monies that are tax-exempt.

Consultations

County staff reviewed results from two recent surveys:

- AMCTO Report "Municipal Council Compensation in Ontario", released in March, 2018, and,
- County of Renfrew's "Ontario Counties Elected Official Remuneration Survey – 2018", draft report released in May, 2018.

Compensation data was collected from the nine Council-approved comparator municipalities used for the non-union group annual compensation review. Northumberland County uses this data to ensure it remains competitive and within the 60th percentile of our comparator group. Our Council-approved comparator municipalities include:

- County of Haldimand
- County of Hasting
- County of Lanark
- County of Lennox & Addington
- County of Prince Edward
- County of Renfrew
- County of Wellington
- United Counties of Leeds & Grenville
- United Counties of Prescott & Russell

It must be noted that an “apples to apples” comparison is virtually impossible. All municipalities have a unique way of compensating their council members. For example, some upper-tier municipalities compensate their members’ attendance at conferences on a per diem basis, in addition to reimbursing them for their expenses. Northumberland County Council Members do not receive per diems for conferences they attend; they only receive expense reimbursements.

Something that is not apparent in either the AMCTO or the Renfrew surveys is that many upper-tier municipalities provide fewer services and programs than does Northumberland County. Northumberland County is an upper-tier municipality that provides a full range of services, including: Community & Social Services, Waste and Recycling collection, and Long-Term Care.

A variety of factors should be studied when reviewing Council remuneration, including:

- ensure that pay is competitive,
- consider workload and meeting preparation requirements,
- review comparator municipalities’ compensation levels (while recognizing that there is no consistent method used by all),
- consider the fiscal capacity of the municipality.

The table below illustrates the current annual salaries and per diems for Wardens and Councillors in the nine comparator municipalities, and those of Northumberland County.

Annual Salaries and Per Diems - Northumberland County & Comparator Municipalities

	Warden Salary	Councillor Salary	Warden Per Diem	Councillor Per Diem
Lanark	\$47,613	\$19,644	\$150	\$150
Lennox & Addington	\$29,108	\$16,403	\$210	\$210
Prescott & Russell	\$36,937	\$18,833	\$150	\$150
Renfrew	\$58,366	\$10,612	\$187	\$187
Haldimand	\$79,756	\$39,879	-	-
Hastings	\$50,000	-	-	\$382
Leeds & Grenville	\$60,000	\$40,000	-	-
Northumberland (2017) * Estimates; Members paid on a per meeting basis.	\$37,706	\$9,678	* \$200	* \$200
Prince Edward County	\$39,116	\$19,558	-	-
Wellington	\$93,740	\$34,233	-	-
Median	\$42,275	\$17,618	\$169	\$169
55th Percentile	\$43,876	\$17,983	\$174	\$174
60th Percentile	\$45,477	\$18,347	\$180	\$180
65th Percentile	\$47,079	\$18,712	\$185	\$185

Medians & Percentiles are calculated based on the four comparators in **red**:
Lanark, Prescott & Russell, Lennox & Addington, and Renfrew Counties

Staff used four of the nine comparator municipalities to calculate salary and per meeting recommendations: Lanark County, United Counties of Prescott & Russell, County of Lennox & Addington, and Renfrew County. These four were selected because their compensation models for their Councils are similar to that of Northumberland County. The other five comparators have significantly different compensation models, and were not used in the median and percentile calculations.

It is clear from data that Northumberland County Councillors' salaries are below many of its approved comparators, and, below other similar upper-tier municipalities in Ontario.

Legislative Authority / Risk Considerations

Section 283 of the *Municipal Act, 2001*, S.O. 2001, as amended, provides that a municipality may pay remuneration and expenses to Members of Council.

Discussion

The issue of compensation for elected officials has historically been difficult to address.

“An important element of fostering good government is to ensure that municipalities can attract visionary and competent politicians...”

(AMCTO “Municipal Council Compensation in Ontario”, March 2018)

While this statement is important, it is also important to recognize that fiscal restraint and the limitations of taxpayers must be considered when contemplating changes to Council Members' compensation.

The elimination of one- third tax free status is not legislated until the first pay of 2019. However, the next term of Council will be sworn in at the Inaugural Meeting on December 12, 2018. Staff recommend that Council Members be fully taxed as of December 12, 2018, and going forward.

The table below provides examples of annual compensation (1/3 tax exempt) and projected annual compensation (100% taxable) at current rates, for a Northumberland County Warden and a Northumberland County Councillor. (Compensation includes annual salary and meeting remuneration, but does not factor in the increases recommended in this report.)

**Northumberland County
Examples of Members' Annual Salaries - 1/3 Tax-Exempt and 100% Taxable**

	Current Annual Net Remuneration (1/3 tax exempt)	2019 Annual Net Remuneration (100% taxable)
Warden (attendance at Council & 9 meetings/month)	\$40,168.64	\$35,872.32
Councillor (attendance at Council & 3 meetings/month)	\$10,650.48	\$ 9,726.48

Recommendations

Staff reviewed and considered a range of options, and recommend the following:

- **Salaries**
 - Increase Councillors' and Warden's annual salaries to the 60th percentile of approved comparator municipalities: \$18,347 and \$45,477 respectively.

- **Meeting Remuneration**
 - Change Councillors' and Warden's meeting remuneration to a flat rate of \$100 per meeting.

- **Conference Expenses**
 - Increase Council Members allowable reimbursements for conference expenses from \$2,500 per calendar year to \$4,000 per calendar year.
 - This amount is for expenses incurred at association conferences for which the County pays membership fees, and includes: registration fees, transportation, accommodations, and meals.
(Detailed information regarding expenses, limits and reimbursements is provided in the Council and Employee Expense Policy, revised in 2016).

- **Timing**
 - December 12, 2018 is the start of the new Council term, following the municipal election. Council Members would be paid the new salaries as of that date.

Financial Impact

In 2018 the total budget for Council Members' salaries, meeting remuneration and conferences is \$139,835. If the recommendations are adopted, the total budget for Council Members' salaries, meeting remuneration and conferences in 2019 would be \$209,559. This represents an increase of \$69,723 in total, for the seven Members.

The total County levy for 2018 is \$54,108,351.

Currently, Council Members' salaries, meeting remuneration and conference expenses represent approximately 0.26% of the total County levy.

If Northumberland Council adopts this report's recommendations, Members' salaries, meeting remuneration, and conference expenses would represent approximately 0.39% of the total County levy. That is a 0.13% increase.

Member Municipality Impacts

n/a

Conclusion

A review of comparator municipalities indicates that the recommendations regarding annual salaries and expenditure adjustments are appropriate, and well within the range of many upper-tier municipalities (Counties) within Ontario.

In summary, staff recommend that:

- Council Members' salaries and meeting remuneration be fully taxed commencing on December 12, 2018; and
- Members' salaries be increased so as to be in line with the 60th percentile of four Council-approved comparator municipalities, those salaries being \$18,347 for Councillors and \$45,477 for the Warden, commencing December 12, 2018; and
- The By-law be changed to provide for meeting remuneration at a flat rate of \$100 per meeting; and
- The By-law be updated to provide greater clarity regarding the responsibilities for which salary compensation and meeting remuneration is paid; and
- Members' reimbursements for conference expenses be increased to a maximum of \$4,000 per year; and
- Staff review the Council-approved municipal comparators in mid-2019, to ensure that Northumberland Council Members' compensation is in line with the 60th percentile, following the expected adjustments within those municipalities; and

- The Clerk review Council Remuneration and Expense Reimbursements every four (4) years, in the third (3rd) year of the term, and provide a report and recommendations to Council; and
- By-law 2015-05, and Schedule A to By-law 2015-05 be repealed on December 12, 2018; and
- By-law 2018-27 and Schedule A be adopted, to come into force December 12, 2018.

Attachments

- AMCTO report “Municipal Council Compensation in Ontario”, March 2018
- County of Renfrew draft report “Ontario Counties Elected Official Remuneration Survey – 2018”, May, 2018
- Council & Employee Expense Policy
- By-law 2015-05 and Schedule A
- By-law 2018-27 and Schedule A