



The Corporation of the Town of Tecumseh

Corporate Services & Clerk

To: Mayor and Members of Council

From: Laura Moy, Director Corporate Services & Clerk

Date to Council: December 11, 2018

Report Number: CS-2018-43

Subject: Council Compensation Review Committee

Recommendations

It is recommended:

That CS-2018-43 regarding the Council Compensation Review Committee **be received;**

And that the Terms of Reference, Committee Composition and Name, Scope of Review, as well as the Budget and Administrative Support, for the Council Compensation Review Committee appended to CS 2018-43 in Appendix 1, **be approved;**

And further that consideration be given to appointments to the Council Compensation Review Committee, based on the Committee Composition contained in Appendix 1, from the seven (7) applications received in accordance with the Committee/Board Application & Appointment Policy No. 4.

Background

At the August 14, 2018 meeting of the Policies & Priorities Committee, discussion was held on conducting an independent review of the compensation for Members of Council through a committee and/or consultant.

Direction was given to provide a report on the review and how it will be conducted (PPC-5/18). This report is provided in accordance with that direction.

Comments

Council Remuneration

By-law No. 2006-84 was adopted by Council on November 28, 2006 under the authority of the *Municipal Act, S.O. 2001, Chapter 25, as amended (Act)*. Specifically, section 283 provides authority for the council of a municipality to provide payment of remuneration to the members of Council, and such remuneration may be determined in any manner that Council considers advisable. The schedule of By-law No. 2006-84 was subsequently amended by By-law No. 2007-85 on November 27, 2007. These by-laws will be collectively referred to hereafter as the "Remuneration By-law."

The Remuneration By-law sets out the annual remuneration for Council Members as of 2007, and permits an annual increase, each year thereafter, equal to the percentage wage adjustment awarded to non-union employees of the Corporation.

The current annual remuneration for the Mayor and Members of Council is:

Mayor: \$39,047

Deputy Mayor: \$31,650

Councillor: \$24,254

Up to and including 2018, during the term of Council, 1/3 of elected officials' pay was received as a tax-free allowance for income tax purposes. This allowance was meant to offset employment expenses related to carrying out their duties as an elected official and thereby replacing the need to maintain detailed records of business related expenses (which could then be similarly deducted from income for tax purposes). Any expenses above the 1/3 tax-free allowance amount can still be itemized and deducted from taxable income.

The Federal Government, within its 2017 budget, made a change to this allowance, which now stipulates that elected officials are no longer permitted this tax free allowance, beginning in 2019.

In support of the direction of Council at its Policies & Priorities Committee Meeting in August 2018, the impacts of the elimination of the 1/3 tax free allowance should be considered and evaluated relative to the 2019 elected officials' remuneration.

Consideration should be given to the following major impacts:

- Elimination of the 1/3 tax free allowance will result in increased costs to the Town for its share of CPP, and EHT, as well as lost HST recovery. Currently the Town is not required to remit these deductions for the 1/3 tax free share.

- Once the allowance is eliminated in 2019, in accordance with the new Federal guidelines, elected officials' net take home pay will decrease because of higher statutory deductions for CPP. Additionally, annual net pay could also decrease if the employment expenses incurred in any given year (to be deducted by each elected official on their own personal tax return) are below the amount of the 1/3 tax-free allowance that is currently being deducted at the source. The amount of the decrease would depend on each elected official's marginal tax bracket and other deductions that are unique to each elected official.
- Valuable elected officials' time (and likely some municipal administrative time) will need to be devoted to maintaining detailed records of employment expenses. These expenses may be able to be deducted on an elected official's income tax return.
- Some municipalities have eliminated the tax-free allowance but increased wages in order to ensure the same take home pay for elected officials. This option would increase the Town's costs for wages, as well as statutory employer benefits contributions related to the higher earnings.

As a result of the 1/3 tax free allowance being eliminated, municipalities are considering three options:

1. Leave elected officials remuneration status quo;
2. Provide additional elected official remuneration to ensure net take home pay remains unchanged; or
3. Undertake a full review of elected official remuneration.

As previously mentioned, Council has given direction to undertake a comprehensive review of their compensation in a transparent and accountable manner by way of Committee consultation.

Compensation Review Committee

Administration contacted other municipalities that have reviewed their elected officials' compensation/remuneration by way of Committee for best practices, terms of reference and experience.

Based on the findings from other municipalities, attached as Appendix 1 are the recommended Terms of Reference, Composition and Name of the Committee, Scope of the Review, as well as the Budget and Administrative Support for the Compensation Review Committee.

Applications for the Committee were called, along with other Committee and Board Applications in accordance with the Town's Committee/Local Board Application & Appointment Policy No. 4. Prior to the application deadline, which was extended to Friday, November 30, 2019 for all Committees and Boards, seven (7) applications were received for the Council Compensation Review Committee.

The following is a list of the applicants:

- Fiona Bryden
- Jules Champoux
- Phil Daniel
- Marian Drouillard
- Dwayne Ellis
- Joey Jraige
- Patrick Strong

The applications submitted by the above persons are available in the Corporate Services & Clerks Department for review.

It is recommended that Council give consideration to appointments to the Committee, based on the Committee Composition contained in Appendix 1, at the Special Meeting of Council scheduled for Tuesday, December 11, 2018 for the purpose of considering all Committee and Board Applications and appointments to each.

Consultations

Financial Services
Area Municipalities

Financial Implications

Funding has been included in the 2019 Human Resources Budget under Professional Fees – Other for a third party consultant to assist the Committee and the Director Corporate Services & Clerk with the remuneration/compensation review for the Mayor and all Members of Council. Funding for notices of the public consultations and other related costs will be absorbed within the Corporates Services Budget for 2019.

Link to Strategic Priorities

Applicable	2017-18 Strategic Priorities
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- Make the Town of Tecumseh an even better place to live, work and invest through a shared vision for our residents and newcomers.
- Ensure that the Town of Tecumseh’s current and future growth is built upon the principles of sustainability and strategic decision-making.
- Integrate the principles of health and wellness into all of the Town of Tecumseh’s plans and priorities.
- Steward the Town’s “continuous improvement” approach to municipal service delivery to residents and businesses.
- Demonstrate the Town’s leadership role in the community by promoting good governance and community engagement, by bringing together organizations serving the Town and the region to pursue common goals.

Communications

Not applicable

Website Social Media News Release Local Newspaper

This report has been reviewed by Senior Administration as indicated below and recommended for submission by the Chief Administrative Officer.

Prepared by:

Laura Moy, Dipl. M.M., CMMIII HR Professional
Director Corporate Services & Clerk

Reviewed by:

Luc Gagnon, CPA, CA, BMath
Director Financial Services & Treasurer

Recommended by:

Tony Haddad, MSA, CMO, CPFA
Chief Administrative Officer

Attachment Number	Attachment Name
1	Council Compensation and Review Committee