



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: July 23, 2019

Report Number: CS-2019-14

Subject: Council Compensation Review

Recommendations

It is recommended:

That consideration be given to the following recommendations provided by the Council Compensation Review Committee which have been given in accordance with the Committee's Terms of Reference and Scope of Review established by Council at their December 11, 2018 Special Meeting:

1. That the base pays for the Mayor, Deputy Mayor and Councillor positions **be adjusted** to offset the removal of the 1/3 tax free treatment, effective January 1, 2019, and that the adjustment be removed in the event that the Canada Revenue Agency (CRA) provision is repealed;
2. That the base pays for the Mayor, Deputy Mayor and Councillor positions **be adjusted** annually using the percentage adjustment provided for the Management/Non-union Salary Grid;
3. That the economic adjustment for the Mayor, Deputy Mayor and Councillor positions in 2019, and future years, **be varied** to normalize the base pay for the three positions in order to be more aligned with the comparator practice and the 65th percentile (100% of the economic adjustment for the Mayor, 50% for Councillor and 25% for Deputy Mayor);
4. That an external review **be conducted** once every four years during the term of Council using a Community Advisory Committee, a Consultant and comparator data;
5. That the comparator municipalities for the next Council compensation review **be changed** when the comparators for the Management/Non-union compensation change.

6. That a more itemized Annual Statement of Council Remuneration **be given**.

Background

At the December 11, 2018, Special Meeting of Council, held for the purpose of appointing Committee and Board Members for the current term of Council, consideration was given to Report CS-2018-43.

At the meeting, Report CS 2018-43, regarding the appointment of a Council Compensation Review Committee (Committee), was received and 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 the Report in Appendix 1, were approved.

At the meeting the following Members were appointed to the Committee: Fiona Bryden, Jules Champoux, Marian Drouillard, Dwayne Ellis, and Joey Jraige.

The Terms of Reference for the Committee were to undertake a review of the current level of remuneration/compensation paid to the Mayor and Members of Council, and benefits, including but not limited to:

- health benefits,
- taxation issues (T-2200),
- 1/3 tax-free allowance elimination, and
- the provision of equipment and staffing resources.

The Committee was made responsible for making recommendations regarding any proposed changes effective January 1, 2019, for the new term of Council by the end of July 2019.

The Director Corporate Services & Clerk was appointed by Council to provide administrative support and to be responsible for associated costs related to supporting the Committee, including a third-party consultant. The Director Financial Services & Treasurer was appointed to provide support related to the financial impacts and costing of remuneration alternatives.

In keeping with the direction given, the Committee and third-party consultant, Marianne Love, will be reporting to Council at the July 23, 2019, Regular Meeting of Council on their recommended changes to the remuneration/compensation and benefits for the positions of Mayor, Deputy Mayor and Councillor.

This report is prepared in conjunction with the Committee and Consultant joint report to provide background on the review, the legislative authority for compensating Council and offering health care benefits, and the financial implications of the recommended changes.

Comments

Council Compensation and Benefits

The last review of the compensation for Tecumseh Council was undertaken in 2005. At that time an increase in the base pay for the Mayor, Deputy Mayor and Councillor positions was approved to include committee, special and public meeting per diems. The base pay for the Deputy Mayor was increased in 2007 relative to the Mayor and Councillor positions.

The base pay is increased annually for cost of living by the same adjustment provided to non-union management employees, as set out in the Council Remuneration By-law No. 2006-84, as amended by By-law No. 2007-85. The current (2018 rate) annual compensation paid to each Member of Council is:

Mayor: \$39,047

Deputy Mayor: \$31,650

Councillor: \$24,254

In 2017, health and dental benefits were made available to the Members equivalent to the same benefits offered to non-union management employees. A life benefit was also introduced at that time of \$50,000 for each Member.

Legal Authority

The *Municipal Act, S.O. 2001*, Chapter 25, (Act) in section 283 provides authority for the Council of a municipality to provide payment of remuneration to the Members of Council.

Section 282 of the Act provides authority, subject to the *Health Insurance Act*, for a municipality to provide, only through contract either with an insurer licensed under the *Insurance Act* or with an association registered under the *Prepaid Hospital and Medical Services Act* group life, group accident insurance or group sickness insurance for Members of Council.

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, 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, in 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.

Scope of Committee's Review

The scope of the review to be undertaken by the Committee, as directed by Council, was to:

- examine the current work-load and level of responsibility and commitment required of the Mayor and Members of Council;
- determine the adequacy of the current compensation and benefits;
- undertake a review of other peer municipalities, for the purpose of establishing a viable comparative measure; and
- seek feedback and public input as appropriate.

In accordance with the direction provided, the Committee conducted a survey of the Members of Council in order to assist them in understanding their respective roles, responsibilities and level of commitment.

A custom survey was also conducted of nine comparator municipalities. The Committee selected the market comparator municipalities based on the last Management/Non-union compensation study having regard to:

- historic comparators
- geographic location (i.e., County and surrounding area)
- similar service alignment/"like" services
- size (i.e., population/operating budget)

The comparator municipalities included all of the local municipalities in Essex County, the County of Essex, as well as three external municipalities, namely: the Town of St. Thomas, City of Stratford and Town of Innisfil.

The comparators were used to determine competitive remuneration and benefits for Council.

Additionally, the Association of Municipal Managers Clerks & Treasurers (AMCTO) publication, *Municipal Council Compensation in Ontario (March 2018)* was referenced to identify best practice and common trends relative to the review, as well as for the purpose of establishing a viable comparative measure. The publication can be found at [AMCTO Municipal Council Compensation Study, March 2018](#)

The Annual Statement of Remuneration in 2018 for each of the comparator municipalities were examined by the Committee. It was noted however, that each municipality's Statement was itemized differently and did not consistently break down the reporting contents.

Committee's Conclusions

In summary, as a result of the Review, the Committee concluded that:

The 65th percentile target (P65) is a reasonable pay target for base pay having regard to local area practice and the comparator municipalities.

Other elements of compensation for Tecumseh are generally competitive with the comparators, including health and life benefit coverage, the provision of technology (i.e. cell phones, computers, laptops), travel and professional development.

The 2018 base pay remuneration for the Mayor, Deputy Mayor and Councillor positions for Tecumseh is the same or higher relative to the comparator municipalities. The base pay for the Deputy Mayor and Councillor positions is higher than the P65 of the comparators; 22% and 13% respectively. (See [Appendix 1](#))

The difference in base pay between Tecumseh's Mayor and Deputy Mayor positions is 19%; the average difference in base pay between the Mayor and Deputy Mayor among the area comparator municipalities is 33%. Tecumseh's Deputy Mayor base pay is sitting closer to the Mayor base pay relative to Deputy Mayors/Mayors in the area comparator municipalities. (See [Appendix 2](#))

The comparator municipalities are representative, based on select criteria, and are aligned with the comparators for the Management/Non-union Employee Group. However, the Town of St. Thomas does not have a Deputy Mayor position and the base pay amounts for the City of Stratford positions do not align with those in the comparator group (i.e. Mayor is high; Deputy Mayor is low).

The majority of the municipal comparators have adjusted the base pay for their elected officials' salary to offset the 1/3 tax free benefit. This is also supported by prevailing practice in the province.

It is common practice to increase the annual base pay for elected official positions, annually, by the amount used to adjust the Management/Non-union salary grid. This allows for a year over year increase to align with cost of living increases. This practice was also supported by the Committee's survey results.

It is best practice to review compensation once during the term of Council using a survey of comparator municipalities.

Recommendations of the Committee

The Committee at their June 13 and 28, 2019 meetings passed motions to make the following five recommendations to Council:

1. That the base pays for the Elected Official positions be adjusted to offset the removal of the 1/3 tax free treatment, effective January 1, 2019, and that the adjustment be removed in the event that the CRA provision is repealed.
2. That Council continue the practice of adjusting base pays for the Elected Official positions annually by using the % adjustment provided for the Management/Non-union Salary Grid; however, Council may wish to consider a varied economic adjustment for the Mayor, Deputy Mayor and/or Councillor position in 2019 and future years to normalize the base pay for the three positions and become more aligned with comparator practice and the 65th percentile (i.e., 100% of the economic adjustment for the Mayor, 50% for Councillor and 25% for Deputy Mayor).

3. That an external review be conducted once every four years using a Community Advisory Committee, a Consultant and comparator data; the next review being during the next term of Council (2022-2026).
4. That Council consider revising the comparator group when the comparators for the Management/Non-union compensation change.
5. That Council consider providing more itemization of the remuneration and benefits in the Annual Statement of Council Remuneration.

Consultations

Chief Administrative Officer
Financial Services
Comparator Municipalities
AMCTO
Marianne Love, Consultant

Financial Implications

Offsetting the removal of the 1/3 tax free treatment, so that Members of Council will ultimately receive the same net compensation in 2019 as they did in 2018, will increase payroll costs by approximately \$45,000.

An economic adjustment to base pay for Members of Council for 2019 by a percentage equivalent to that of the Management/Non-union Salary Grid (2%), in accordance with Council Remuneration By-law 2006-84 and as amended by 2007-85, will amount to approximately \$5,000.

Varying the economic adjustment to normalize the base pay for the three positions in order to be more aligned with the comparator practice and the 65th percentile, will reduce the 2019 economic adjustment by approximately \$2,000.

The possibility of offsetting the 1/3 tax free treatment and an estimate for an economic adjustment was considered during the 2019 budget process and an amount sufficient to cover this net increase of approximately \$48,000 is included in the 2019 approved budget.

A periodic increase to the operating budget every four years of approximately \$12,000 will be necessary to fund the cost of an external review, based on cost of current review.

Link to Strategic Priorities

Applicable	2019-22 Strategic Priorities
<input type="checkbox"/>	Make the Town of Tecumseh an even better place to live, work and invest through a shared vision for our residents and newcomers.
<input type="checkbox"/>	Ensure that Tecumseh’s current and future growth is built upon the principles of sustainability and strategic decision-making.
<input type="checkbox"/>	Integrate the principles of health and wellness into all of Tecumseh’s plans and priorities.
<input type="checkbox"/>	Steward the Town’s “continuous improvement” approach to municipal service delivery to residents and businesses.
<input checked="" type="checkbox"/>	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:

Tom Kitsos, CPA, CMA, BComm
Director Financial Services & Chief Financial Officer

Recommended by:

Margaret Misek-Evans, MCIP, RPP
Chief Administrative Officer

Attachment Number	Attachment Name
1	Market Analysis (2018 Base Pay)
2	Comparator Base Pay Differentials