

# Council Remuneration Review

Recommendations of the Public Task Force

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Strathcona County, 2014

# Council Remuneration Review

## Recommendations of the Task Force

### Overview

On July 8, 2014 Strathcona County Council directed the Chief Commissioner to establish a public task force for the purpose of reviewing the *Elected Officials Remuneration* policy GOV-001-013. This report compiles the recommendations from the task force for Council's consideration.

The 2014 Council Remuneration Review Task Force is an independent group of individuals from Strathcona County appointed by the Chief Commissioner on the basis of their knowledge and experience in public administration human resources, financial services, municipal elected office and business/ economics.

The last review of compensation levels for elected officials in Strathcona County was 1997, where a committee of four residents researched and made recommendations on: elected officials roles and responsibilities; total compensation levels; elements of compensation; and, benefits. This information was reviewed by the 2014 task force and used as a starting point for discussion and research.

Remuneration is a difficult topic for any council and there is no right time to review it. Having a public committee or task force review compensation and benefits provides objectivity and independence to the process, and offers evidence for decision-making by a council.

## *Public Task Force Members*



The 2014 Council Remuneration Review Task Force members are:

- Todd Banks, *Chair*
- Lynn Oscroft
- Ross Undershute
- Peter Wlodarczak

Administrative  
Responsibility:

- Rob Coon, *Chief Commissioner*

Administration support  
provided by:

- Pamela Steppan,  
*Corporate Planning &  
Intergovernmental  
Affairs*
- Debra Smith,  
*Human Resources*
- Debbie Nahnybida,  
*Office of the Chief  
Commissioner*

## Scope of Review, Guiding Principles

The 2014 Council Remuneration Review Task Force agreed that the scope of this compensation review include: the flat rate allowance (salary) for the mayor and each councillor, one-third non-taxable portion of salary, annual adjustment of salary, vehicle allowance and mileage, benefits, retirement contributions and other allowances.

Before starting the review, the Task Force discussed what fundamental premises or principles should be used as a basis for recommendations resulting from this review. The following principles were agreed upon by the Task Force:

- 1) As a specialized municipality, the elected offices of Mayor and Councillors for Strathcona County have a varied set of obligations, roles and expectations which make the position of a fulltime nature;
- 2) Remuneration should be competitive to attract quality individuals to public service, with salaries comparable to those of elected officials with similar roles and responsibilities in other municipalities;
- 3) Annual adjustment of remuneration should be based on sound methodology reflecting the existing economic situation.

There were components of the review that, after research and discussion, the Task Force agreed should be maintained as currently stated in policy or provided to elected officials. These are as follows:

- 1) The one-third non-taxable portion of salary provided to elected officials, as stated in the Income Tax Act (c1, s82 (2)), should remain unchanged. Because there is a perception of inequality and lack of transparency due to the tax-free portion, the Task Force asked Administration to include a chart in this report showing the salaries both fully taxable and with the one-third non-taxable portion to provide clarity. There is a fiscal benefit in keeping the one-third non-taxable portion as it saves taxpayers dollars. If salaries were to be fully taxed, those increases would be passed to the taxpayer. Strathcona County, and even Alberta, would most likely not see those tax dollars coming back into the community.

Strathcona County	2014 Mayor Salary		2014 Councillor Salary	
	(1/3 Tax Exempt)	Fully Taxable	(1/3 Tax Exempt)	Fully Taxable
<b>Total remuneration</b>	125,261	149,853	69,677	80,790
<b>Taxable Earnings</b>	83,507	149,853	46,451	80,790
<b>Non-taxable Earnings</b>	41,754	-	23,226	-
<b>Income Tax</b>	(21,044)	(45,636)	(8,953)	(20,066)
<b>NET PAY</b>	104,217	104,217	60,724	60,742



- 2) The benefits package provided to the elected officials should remain in its current form, with the exception of long term disability (Recommendation 6). The benefits package provided to Strathcona County Elected Officials is the same as provided to fulltime permanent employees of the County, with the same cost share. The package includes: dental, extended health care, basic life insurance, and basic accidental death and dismemberment insurance; in addition to a flex-spending account.
- 3) The Retirement Savings Plan is satisfactory as currently stated. The contribution level is restricted up to the maximum allowable RRSP contribution as determined by Canada Revenue Agency, which is already stated in the policy. Canada Revenue Agency (CRA) does not consider the one-third non-taxable salary to be 'income' and therefore it does not count toward RRSP room. Although the present policy indicates that RRSP levels are 'matching' to the Local Authorities Pension Plan (LAPP) contribution levels, both RRSP contribution room constraints and the fact that one-third of an elected officials earnings are non-taxable affect the actual contributions, which are about half of what employees contribute under LAPP.
- 4) The Task Force also reviewed the *Elected Officials Business Expense* policy (GOV-001-026) and recommends no further changes other than those presented in this report, which are expenses involving use of personal vehicles for council-related business (Recommendation 5).

### Recommendations

The following recommendations are the compilation of research, dialogue and consensus on aspects of remuneration reviewed by the Task Force. The rationale for each recommendation is also provided.

#### Clarification of Fulltime Commitment

- 1) *Elected Officials' Remuneration* policy (GOV-001-013) should clearly state in its 'Policy Statement' that the time and commitment expectations for Strathcona County Mayor and Councillors are fulltime.**

The Task Force agrees with the roles and responsibilities outlined in the 1997 Strathcona County Elected Officials Compensation Review. These include such things as meeting with various stakeholders and maintaining relationships; reading and researching issues and policies; participation in meetings, committees and functions; responding to issues and concerns by residents. The time and effort required to fulfill the duties and meet the responsibilities of their elected office would be similar to a fulltime job, but with daily unpredictable work hours. The time commitment required of the Elected Offices should be stated in writing in the same policy which outlines the remuneration for these Offices. The Task Force further agrees that the Office of Elected Officials is the primary focus of Council members.

#### Annual Adjustment of Salary

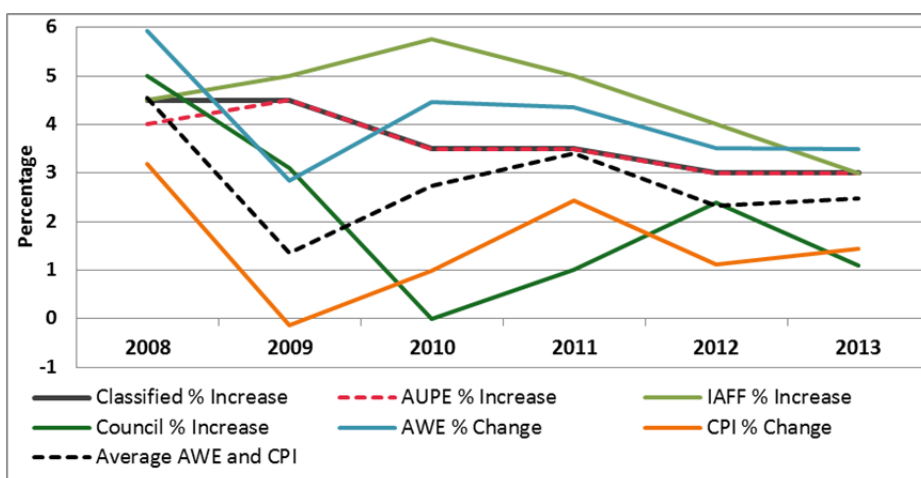
- 2) Elected officials should receive an annual salary increase each July. The methodology to be used starting July 2015 is an average of the percent change in annual average index of Alberta CPI and the percent change in annual average earnings of Alberta AWE, not to exceed the general increase given to the majority of Strathcona County staff, nor be less than zero percent.**

The Task Force reviewed Strathcona County's annual adjustment methodology, as well as methodologies used in several other municipalities in Alberta. As there is no true "cost of living" statistic, either the annual change in Alberta consumer price index (CPI) or the annual change in Alberta average weekly earnings (AWE) is often used. The CPI only measures the change in prices of a static basket of goods and services. The AWE includes overtime and is derived by dividing total weekly earnings by the total number of employees. Therefore, the Task Force recommends using the change in annual averages for Alberta CPI and Alberta AWE (obtained by averaging the indexes or earnings for the 12 months of the

calendar year), and averaging the change in the two annual statistics for the previous year. This would reduce the volatility of each statistic. The Task Force also recommends a cap on the increase, not to exceed the annual increase given to the majority of Strathcona County staff.

The following table illustrates the percent differences depending on the methodology used to calculate the increase. The recommended annual adjustment is the mean of the index or earnings for the 12 months of the calendar year of Alberta AWE and Alberta CPI for the previous year, with a limit of the lesser of the general increase applied between AUPE and Classified staff of the current year. The coloured line graph shows the various salary increases or changes in annual rates that were reviewed.

	Alberta CPI	Alberta AWE	Average of Both
2007	4.93%	5.90%	5.42%
2008	3.18%	5.93%	4.56%
2009	-0.14%	2.85%	1.36%
2010	0.99%	4.46%	2.73%
2011	2.44%	4.35%	3.40%
2012	1.12%	3.52%	2.32%
2013	1.44%	3.50%	2.47%



## Increase in Base Salary

- 3) Elected officials should receive a one-time base salary adjustment effective January 1, 2015. Using the proposed annual adjustment methodology, the salary for mayor would be \$125,261 (7 per cent increase or \$8,169) and for a councillor would be \$69,677 (7 per cent increase or \$4,554). The salary for these elected offices includes the one-third non-taxable portion.

The Task Force reviewed the salaries of mayors and councillors in other Alberta municipalities, reflecting on the requirements of the roles in Strathcona County, and the applicability of the economy. In municipalities over 55,000 population, only Edmonton and Calgary councillors were deemed fulltime. The majority of other municipalities also pay per diems to mayors and councillors in addition to their base salaries. Strathcona County does not pay per diems to elected officials to attend committee and council meetings, but for Strathcona County elected officials who are members of Capital Region Board committees

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or Water Commission committees, they do receive per diems directly from those organizations. The appendix of this report contains an overview of this information. Of note, the mayor's salary for Strathcona County reflected in this report is that from Schedule A of policy GOV-001-013, and not of Schedule B.

The Task Force then investigated what the current salaries of Strathcona County elected officials would be if the annual adjustment methodology was applied for the last two terms, which reflects a time period of similar economic environment as to current conditions.

This one-time increase is for the elected office, thus there would not be retroactive pay for current or former Council members.

The following chart illustrates the salary differences had the proposed methodology been applied. "Original" salary is the percent increase Council received based on current policy; "Recommended" salary is the increase that would be applied under the new methodology.

	Salary of Mayor		Salary of Councillor		Increase (Capped)
	Original	Recommended	Original	Recommended	
<b>2007</b>	\$ 102,016	\$ 102,016	\$ 56,747	\$56,747	
<b>2008</b>	\$ 107,117	\$ 106,607	\$ 59,585	\$59,301	4.00%
<b>2009</b>	\$ 110,432	\$ 111,404	\$ 61,432	\$61,969	4.50%
<b>2010</b>	\$ 110,432	\$ 112,908	\$ 61,432	\$62,806	1.36%
<b>2011</b>	\$ 111,542	\$ 115,990	\$ 62,046	\$64,520	2.73%
<b>2012</b>	\$ 114,219	\$ 119,470	\$ 63,535	\$66,456	3.00%
<b>2013</b>	\$ 115,475	\$ 122,242	\$ 64,224	\$67,998	2.32%
<b>2014</b>	\$ 117,092	\$ 125,261	\$ 65,123	\$69,677	2.47%

Please note the equivalent salary for the elected office of mayor - if it was fully taxed - would be \$149,853; for a councillor it would be \$80,790.

### Transition Allowance

- 4) Upon leaving the elected office, Councillors and Mayor should receive a transition allowance equal to two weeks' pay per consecutive years as an elected official, to a maximum of 16 weeks' pay (8 years served), effective for service commencing October 2013.**

Elected officials hold an "office" and are not considered employees, thus they are not eligible for employment insurance (EI). Regardless if an elected official loses an election or

chooses not to run for office again, it may be difficult to find immediate suitable employment or transition from a public figure to private individual. This allowance provides some financial protection while they re-establish themselves into the workforce or private life. It also supports the second guiding principle - provision of competitive and attractive remuneration.

There are other municipalities in Alberta that provide a transition allowance to outgoing elected officials, including Edmonton, Calgary and the Regional Municipality of Wood Buffalo (RMWB) (see table below). The transition allowance recommended by the Task Force is more moderate than those municipalities.

Municipality	Weeks of Salary per Year of Service	Maximum weeks (years served)
City of Edmonton	3 weeks salary	36 weeks salary (12 years of service)
City of Calgary	2 weeks salary	52 weeks salary (26 years of service)
RMWB	2 weeks salary	N/A
Strathcona County	*2 weeks salary	*16 weeks salary (8 years of service)

\*Recommendation proposed

### Vehicle Allowance and Mileage

- 5) In addition to the current vehicle allowance of \$400 per month and mileage reimbursement for business travel outside of Strathcona County (at 1 cent below CRA rate), elected officials should be reimbursed for business-related mileage within Strathcona County at a rate of 16.5 cents per kilometre (30.5 per cent of CRA rate).**

The mayor and councillors attend many events each month in all eight Strathcona County wards. The vehicle allowance stated in both the Elected Officials Remuneration policy and Elected Officials Business Expense policy was last adjusted in 2008, while mileage changes with the Canada Revenue Agency (CRA) rate. The Task Force considered options such as increasing the allowance, a flat mileage for all business travel and leaving it status quo.

The current flat monthly rate is meant to offset the fixed expenses for using a personal vehicle for business purposes, while the recommended additional mileage rate within Strathcona County would offset the operating expenses of the vehicle, such as fuel. The current rate for travel outside of Strathcona County is the same mileage rate for Strathcona County employees, while the recommended rate within Strathcona County is similar to a rate set by the Government of Alberta for purposes where operating expenses only would be reimbursed. The latter recommended rate would be adjusted each year to 30.5 per cent of the CRA rate.



As taxpayer dollars are to be used responsibly, accounting for the business kilometres supports transparency and accountability. This recommendation is also consistent with CRA rules. Elected officials would continue to not be reimbursed for commuting costs - travel between residence and place of work. The recommended mileage rate is for business travel from workplace to workplace (e.g. County Hall to townhall discussions anywhere within Strathcona County, ribbon-cutting events, public engagement functions, etc.).

### Long Term Disability

#### **6) Elected Officials should participate in the same Long Term Disability (LTD) plan as classified staff with the same cost share of premiums and the same benefit level.**

The current LTD plan for elected officials requires mandatory participation due to the small group size (nine individuals). The cost to the individual elected official is quite high as premiums are 100 per cent paid for by the elected official. Although there has never been an LTD claim by an elected official, the insurance company anticipates that one claim would impact premium rates, and two claims would have a significant impact on premiums.

Adding elected officials to the current classified plan would not impact overall LTD premium rates. The premium cost for the individual elected official would slightly decrease as the premiums would be cost-shared between the individual and the County, and the plan could also be optional to the elected official. Overall the potential benefit paid to an elected official would decrease (from 85 per cent to 75 per cent of earnings) but would be consistent with what is paid to the majority of staff.

### Next Remuneration Review

#### **7) A public committee or task force should review Council remuneration on a regular basis, with a recommendation of review to occur every two terms, early in the term.**

Public office remuneration should be reviewed on a regular basis - no matter what level of government - by an independent, public committee. As already mentioned, there is no "good" time to undertake a review of salary, but it needs to be done within a reasonable time of the previous review. With the recommendations presented in this report, the Task Force believes that, if passed by Council, the methodology will be in place to maintain integrity and reflect changing economic environments. Reviewing remuneration in



approximately eight years will allow enough time for considerate evaluation of the implemented recommendations and methodologies from this review.

This recommendation should be added into the Elected Officials Remuneration policy (GOV-001-013).

## Appendix

### Comparison of Mayor and Councillor 2013 Compensation

*For Alberta Municipalities with Populations Exceeding 55,000 Residents*

Municipality	Councillors			Mayors		
	2013 Salary Paid	Employment Status	Per Diems	2013 Salary Paid	Employment Status	Per Diems
<b>Edmonton</b>	\$91,000	Full-time	no	\$162,000	Full-time	no
<b>Calgary</b>	\$111,000*	Full-time	no	\$208,000*	Full-time	no
<b>Strathcona County</b>	\$66,000	Full-time	no	\$119,000	Full-time	no
<b>Lethbridge</b>	\$41,669	Part-time	yes	\$108,995	Full-time	yes
<b>Grande Prairie</b>	\$36,867	Part-time	yes	\$90,453	Full-time	yes
<b>Medicine Hat</b>	\$32,550	Part-time	yes	\$98,000	Full-time	yes
<b>St. Albert</b>	\$37,811	Part-time	yes	\$100,359	Full-time	yes
<b>Wood Buffalo</b>	\$37,632	Part-time	no	\$127,779	Full-time	no
<b>Red Deer</b>	\$56,000	Part-time	yes	\$94,000	Full-time	yes

#### Notes:

- Salary shown for all municipalities except Medicine Hat and Lethbridge are taken from the 2013 Financial Statements (Salary and Benefits Disclosure).
- \* Calgary base salary is 100% taxable; all other municipalities are 2/3 taxable and 1/3 non-taxable.
- Lethbridge salary shown is the 2014 salary set by policy, including the 1/3 non taxable portion but excluding per diems.
- Medicine Hat salary shown is the 2014 salary set by policy, including the 1/3 non-taxable portion.
- Councillor salary for each municipality may vary if per diems are paid, the highest reported salary is shown in the above table.
- Full-time employment status means that Council members in these municipalities devote most or all of their work week to Council duties.