

November 26, 2018

To: His Worship the Mayor
And Members of City Council

Re: Executive Committee: Council Remuneration

RECOMMENDATION

**RECOMMENDATION OF THE EXECUTIVE COMMITTEE
- NOVEMBER 14, 2018**

1. That Administration report back to Executive Committee in Q1 of 2019 outlining the process on how to establish a Salary Review Commission to address the City Council remuneration structure.
2. That the City Solicitor be directed to make the necessary amendments to *The City Council Remuneration Bylaw, Bylaw No. 2001-108* to maintain the net pay for City Council members beginning January 2019 when the federal taxation change takes effect.

EXECUTIVE COMMITTEE – NOVEMBER 14, 2018

The Committee adopted the following resolution:

1. That Administration report back to Executive Committee in Q1 of 2019 outlining the process on how to establish a Salary Review Commission to address the City Council remuneration structure.
2. That Administration bring back a report to Executive Committee to amend Bylaw No. 2001-108 to maintain the net pay for City Council members beginning January 2019 when the federal taxation change takes effect.
3. That the City Solicitor be directed to make the necessary amendments to The City Council Remuneration Bylaw, Bylaw No. 2001-108 to maintain the net pay for City Council members beginning January 2019 when the federal taxation change takes effect; and
4. That recommendation #5 be amended to include sufficient time for advertising of the required public notice for the respective bylaw.
5. That this report be forwarded to the November 26, 2018 meeting of City Council for approval.

Recommendations #2, 4 and 5 do not require City Council approval.

Mayor Michael Fougere, Councillors: Bob Hawkins (Chairperson), Lori Bresciani, Sharron Bryce, John Findura, Jerry Flegel, Jason Mancinelli, Joel Murray, Mike O'Donnell, Andrew Stevens and Barbara Young were present during consideration of this report by the Executive Committee.

RECOMMENDATION

1. That Administration report back to Executive Committee in Q1 of 2019 outlining the process on how to establish a Salary Review Commission to address the City Council remuneration structure.
2. That Administration bring back a report to Executive Committee to amend Bylaw No. 2001-108 to maintain the net pay for City Council members beginning January 2019 when the federal taxation change takes effect.
3. That this report be forwarded to the November 26, 2018 meeting of City Council for approval.

CONCLUSION

Bylaw #2001-108 was passed following the recommendations of the City Council Remuneration Review Commission and the remuneration structure defined within this bylaw became effective in 2002. The City Council Remuneration structure has remained unchanged since.

Starting in 2019, the one third tax exemption for members of City Council will be removed and without a change to the Council Remuneration structure, the Mayor and City Councillors will see a significant drop in net pay beginning in 2019 of approximately \$16K for the Mayor and \$3.6K-4.2K for the Councillors. This presents the City with an opportunity to review City Council's remuneration to ensure that the remuneration structure provided is sustainable and fair in comparison with other municipalities.

This report provides a recommendation to amend Bylaw #2001-108 and maintain the net pay for City Council members beginning January 2019 when the federal taxation change takes effect.

BACKGROUND

On September 17, 2001 City Council established the City Council Remuneration Review Commission (the Commission) with the following members:

- Dr. David Barnard, President, University of Regina
- Ms. Barbara Byers, President, Saskatchewan Federation of Labour
- Mr. Ron Cameron, President, Regina Chamber of Commerce

The Commission was instructed to review remuneration and benefits for members of City Council and to provide a report with recommendations.

The recommendations of the Commission included:

1. Mayor's annual remuneration would be 77.3% of the provincial Cabinet Minister's salary
2. Councillors salary would be 33.3% of the Mayor's annual remuneration
3. A Salary Review Commission be established by City Council to address whether the remuneration structure is keeping pace with other municipalities; to ensure benefit allowance is comparable; and to review Council remuneration every 3-6 years

The City Council Remuneration Bylaw #2001-108 was developed based on the recommendations of the Commission which outlines the annual remuneration structure for members of City Council and this structure has been in place to date. The third recommendation of establishing a Salary Review Commission was never completed as a review has not happened since 2001.

Section 56(2) of *The Cities Act* states: "One-Third of the total remuneration paid to a member of council is deemed to be paid with respect to general expenses incurred that are incidental to the discharge of the duties of a member of council."

The *Income Tax Act* provided an expense allowance for members of City Council that allowed one-third of their salary and allowances to be exempt from Income tax. In the 2017 federal budget it was announced that the tax exemption will be removed beginning in 2019. This means that the Mayor and Councillors will see a significant drop in their net pay due to an additional one-third of their salary becoming taxable.

In addition to this adjustment to net earnings, it is important to note that the provincial Cabinet Minister's salary was reduced by 3.5% in 2017 which reduced Council's remuneration effective January 1, 2018. In 2018, the 3.5% reduction was added back into the Cabinet Minister's salary which will increase Council's remuneration back to what it was previously effective January 1, 2019.

DISCUSSION

It has been 16 years since Council remuneration has been reviewed. Additionally, in 2019 the taxation for City Council remuneration will change which will result in a decrease to the net income of Council members.

A review of other municipalities was conducted to determine how City of Regina Council remuneration compares to other municipalities. In summary:

- Of the 14 municipalities surveyed, 5 of 14 did not provide the one-third tax exemption and are unaffected by the change as they are already fully taxed, the remaining 9 municipalities are affected.
- Of the 9 municipalities that are affected by the 2019 taxation change 4 have made decisions to gross up the salaries of their Council members to ensure their net pay is unaffected, the remaining 5 municipalities, including Regina, remain undecided.
- The majority of the municipalities surveyed have an on-going Council Remuneration review processes. Examples of the review processes include a review prior to each

Council term based on municipal comparator groups and annual indexation based on the Statistics Canada index or General Wage Increase.

- All municipalities would deem their Mayor's to be full-time. The average wage per 1000 residents for Mayors is \$337.28. Of the 14 municipalities, 8 would deem their Councillors as part-time or undefined. The average wage per 1000 residents for Councillors is \$145.40 for the part-time grouping and \$155.85 for the full-time grouping.
- Based on current Council Remuneration numbers for the City of Regina, the Mayor is earning \$469.89 per 1000 residents and Councillors are earning \$156.63 per 1000 residents.

**Based on the population of Regina being 230,430.

Council members for the City of Saskatoon will also be impacted by the 2019 removal of the exemption. They have not yet decided how to address this issue. However, their Municipal Review Commission is currently reviewing their Mayor and Councillor salaries. Their Mayor and Councillor salaries have been frozen since April 1, 2016 at \$123,379 for their Mayor and \$56,754 for their Councillor's.

To ensure that City of Regina Council members are not negatively impacted by the 2019 taxation change it is recommended that a salary increase be implemented that will ensure their net pay remains consistent with their estimated 2019 net pay. The proposed recommendation would increase the operating budget by approximately \$108K for 2019 and ongoing.

In order to maintain net salaries for members of Council, a change to Bylaw #2001-108 is required that would increase the percentage for the Mayor's salary from 77.3% to 99.78% of the Cabinet Minister's salary. For Councillors, the recommendation to maintain net pay would result in a decrease from 1/3 (33.33%) of the Mayor's salary to 30.73% of the Mayor's salary.

Below is a chart that provides an estimate of the effect of the taxation change on the Mayor and City Council members along with the associated impact on budget for this recommendation.

Salary	Mayor	Councillor with Benefits	Councillor Without Benefits	Associated Budget Increase
2019 Annual	\$112,202.50	\$37,400.83	\$37,400.83	
Estimated 2019 Net (Bi-Weekly)	\$3,332.88	\$1,235.13	\$1,302.05	
Estimated Reduction Net Pay if No Change (Bi-Weekly)	\$2,700.06	\$1,071.99	\$1,163.49	0
Effective 2019:				
Mayor 99.78% of Cabinet Minister	\$144,832.66			
	\$3,350.96			
Councillor 30.73% of Mayor		\$44,507.07	\$44,507.07	\$103,693
		\$1,251.27	\$1,356.91	
Estimated Benefit Cost Increase				\$4,000

* These estimates are based on the 2019 Council Remuneration Calculation rates and using 2018 taxation rates (subject to change in 2019)

** Individual net pay amounts fluctuate based on personal benefit and taxation elections

RECOMMENDATION IMPLICATIONS

Financial Implications

A proposed change would affect the general operating budget with an estimated budget increase of \$108K for 2019 and forward.

Environmental Implications

None with respect to this report.

Policy and/or Strategic Implications

Although remuneration is probably low on the list of reasons for someone to choose to be Mayor or a City Councillor, it is important that these positions, like all others within the organization, are compensated in a fair and appropriate manner.

Other Implications

None with respect to this report.

Accessibility Implications

None with respect to this report.

COMMUNICATIONS

An external communications strategy and key messages will be developed to support this report.

DELEGATED AUTHORITY

There is no delegated authority as this report is for informational purposes only.

Respectfully submitted,

EXECUTIVE COMMITTEE



Jim Nicol, Secretary