

To:	Warden Halliday and Members of Grey County Council
Committee Date:	June 28, 2018
Subject / Report No:	CCR-CW-08-18
Title:	Council Compensation
Prepared by:	Heather Morrison and Sandra Shipley
Reviewed by:	Kim Wingrove and Kevin Wepler
Lower Tier(s) Affected:	N/A
Status:	Recommendation not adopted by Committee of the Whole. Staff directed to bring back a revised report regarding the further costings on the removal of the one-third taxable allowance as per Resolution CW178-18; Endorsed by County Council on July 12, 2018.

Recommendation

1. That effective January 1, 2019 council salaries include all meetings, including sub-committee and task force meetings as well as social obligations and no per diems be paid with the exception of approved conferences as outlined in the conference policy; and
2. That the Warden's salary include all meetings and attendance at conferences in one annual salary; and
3. That salaries and per diems be adjusted annually based on the approved non-union increase process; and
4. That missed meetings continue at a limit of three (3) per year for councillors and twelve (12) for the Warden after which the salary is reduced by a full day per diem; and
5. That the current \$50.00 technology allowance be included as part of council salary; and
6. That council salary be adjusted to reflect the removal of the one-third taxable allowance by keeping the net salary the same as it would have been with the 1/3 taxable allowance; and

- 7. That council salary be paid at the 55th percentile of the approved comparators list used by the non-union group plus payments for appointments to provincial associations in accordance with the per diem policy where the association does not provide per diems**

Executive Summary

Staff is recommending adjustments to council compensation for several reasons. Changes in federal legislation effective January 2019 to eliminate the one-third tax free exemption currently in place for municipal elected official's salaries will reduce council compensation. As well, recent surveys completed by the Association of Municipal Managers, Clerks and Treasurers of Ontario (AMCTO) and Western Ontario Warden's Caucus (WOWC) provide some rationale for recommended changes to Grey County's Council compensation program that would help to streamline remuneration and bring the County in-line with what other councils of similar make-up are currently being paid.

Background and Discussion

Currently council members receive a salary that covers all council and committee of the whole meetings and all related work associated with these meetings as well as all social obligations associated with being a county councillor. In addition, per diems are paid at a half day (less than six (6) hours) or full day (six hours or more) for additional sub-committee meetings (Forest Stewardship, Committee of Management etc.) and where the councillor is a county representative and compensation is not paid by another agency.

There are also provisions in the current council compensation process for deductions related to missed meetings of Council/Committee of the Whole. Missed meetings are counted after more than three meetings are missed. The Warden is allowed 12 missed meetings before deductions commence.

Removal of One-Third Taxable Income

In March 2017, the federal government announced the elimination of the one-third tax free exemption for municipal elected officials beginning January 1, 2019. The Association of Municipalities of Ontario (AMO) reported that 90% of the 144 municipalities who recently participated in its salary survey use this exemption and councillor compensation would decline if no action is taken.

In addition to a reduced salary, there will be additional costs to Councillors and the County for increased CPP and OMERS contributions which are calculated on taxable income. The County will also see an increase in the cost of Employer Health Tax (EHT) premium annually. Currently there is a line within the Council Operating budget that notes a rebate on non-taxable income and there is an HST rebate on non-taxable income. With the changes to the legislation there will no longer be a rebate line in the 2019 Council Operating budget.

Recommendation: That council salary be adjusted to reflect the removal of the one-third taxable allowance by keeping the net salary the same as it would have been with the 1/3 taxable allowance.

Salary Comparison

The Association of Municipal Managers, Clerks and Treasurers of Ontario (AMCTO) recently completed a survey of municipalities related to council compensation requesting information regarding council remuneration packages, salaries versus stipend and full-time versus part-time councils. Although the results covered a wide range of municipalities that vary significantly in size, of the councils that have a population similar to Grey County, that is with a population of 50,000-100,000, the following results were found:

- 86% pay councillors and the head of council a salary
- Average head of council pay is \$68,305
- Average council pay is \$26,241

Within the AMCTO report, it was noted that Central Ontario municipalities pay their councils at an above average provincial rate, while municipalities in northern and southwestern Ontario pay councillors at rates below the provincial average.

Within Grey County, we want to ensure that the salaries provided to the Warden and Council members are competitive while not being at the high level of comparators. Historically, Grey County Council has used the same comparators as non-union staff and established that non-union positions should be paid between the 45th and 55th percentile on average when reviewing salary adjustments. A summary of the 2017 Treasurer statements for these comparators is included within this report for information. These numbers differ slightly from the AMCTO results in that the average head of council salary is \$60,799 while the average councillor salary is \$22,095.85. In comparison, the Grey County Warden's salary for 2018 (including the 1.5% cost of living increase) is \$62,317.25 which does not include attendance at Federation of Canadian Municipalities (FCM) or the Great Lakes St. Lawrence conferences while the average councillor salary is \$17,284.68 plus per diems for sub-committees and conferences.

It is also recommended at this time, in order to streamline the calculations for cost of living increases, that Council pay increases be tied to those of non-union staff. Currently non-union staff increases are the average of a comparator group, consumer price index (CPI), OMERS CPI, County union increase and McDowell and Associates Municipal Survey. This is similar to the comparators for the County as well as many of the local municipalities within Grey County.

The current method of the combination of salaries plus per diems for certain sub-committee meetings is time consuming for both councillors and payroll staff and can be confusing at times in determining if per diems should be paid or not and verification of half day versus full day payments. The role of a councillor has evolved over many years and moving to a straight salary will provide for a more efficient process for all parties as well as provide a simplified and transparent process that is consistent with what many of the County's comparators are currently doing.

All council members have the option of participating in extra committees such as Accessibility Advisory Committee, Forest Stewardship etc. While not all councillors have the additional time to devote to these committees, those that do participate in order to provide the sub-committee with their knowledge and past experiences to assist in continuing to move the committee forward in a positive way for Grey County. Therefore it is recommended that council salary be all inclusive and include all council and committee of the whole meetings, sub-committees, task

force meetings and social obligations while acting on behalf of Grey County. This will not include attendance at approved conferences where a per diem is paid, which will continue to be paid in accordance with the approved Council Conference and Seminar Procedure. [Council Conference and Seminar Procedure](#)

Recommendation: That effective January 1, 2019 council salaries include all meetings, including sub-committee and task force meetings as well as social obligations and no per diems be paid with the exception of approved conferences as outlined in the conference policy.

Recommendation: That the Warden's salary include all meetings and attendance at conferences in one annual salary plus a cost of living allowance (COLA) annually.

Recommendation: That salaries be adjusted annually based on the approved non-union increase process.

Recommendation: That missed meetings continue at a limit of three (3) per year for councillors and twelve (12) for the Warden after which the salary is reduced by a full day per diem.

Recommendation: That council salary be paid at the 55th percentile of the approved comparators list used by the non-union group plus payments for appointments to provincial associations in accordance with the per diem policy where the association does not provide per diems.

Additional Benefits

Unlike a number of our comparators, Grey County provides a number of benefits to council members including eligibility for OMERs and the provision of iPads and cell phones. The AMCTO report noted that while a majority of municipalities provide mileage and conference funding; only a small group provide reimbursement for cell phones and group benefits.

Currently Grey County also provides for a \$50.00 per month technology allowance which was put in place at a time when technology was fairly new and expensive to cover items such as fax lines, paper etc. It is recommended that the technology allowance be rolled into the salaries of the members.

Staff also reviewed the role of Deputy Warden and has included report CCR-CW-07-17 as a link to this report. In that report a chart was included noting that only Haldimond, Lambton and Simcoe Counties provide any further compensation for the role of Deputy Warden. No action has been taken on this item within this report.

Recommendation: That the current \$50.00 technology allowance be included as part of council salary.

Legal and Legislated Requirements

In 2017 the federal budget removed the one-third taxable income exemption which requires changes to the way County Council members are paid in order to maintain council compensation at the current levels.

There are no other legal considerations related to this report.

Financial and Resource Implications

If a change to the method of council pay is made, it will alleviate some administrative time by payroll staff in reviewing per diems and determining proper payment. It will also provide a more streamlined approach for council members in that they will not have to submit paperwork for each sub-committee they attend and only submit for attendance at conferences. Mileage will continue to be paid for all meetings attended.

The removal of the one-third taxable income exemption will generate a significant financial impact to Grey County in order to provide a competitive salary for councillors. Starting in 2019, this change will add an additional financial impact based on the option chosen:

Option One-\$32,196.31-same gross pay

Option Two-\$65,199.78-same net pay

Move to 55th percentile-same gross pay plus grid movement-\$70,048.97 or same net pay plus grid movement \$102,052.44 plus the cost of benefits

There will be an annual increase to the salaries and benefit lines of the Council Operating budget. This change will be included in the 2019 budget for Council's consideration.

Relevant Consultation

- Internal Human Resources, Finance and CAO staff.
- External-AMCTO Compensation report, Western Ontario Warden's Council Compensation Information, approved comparators Treasurer Statements.

Appendices and Attachments

- *Table 1-2017 Treasurer Statement Summary of comparators*
- *Table 2-Salary Impacts*
- *Table 3-Salary and Employer Contribution Impacts*
- *Table 4-Proposed Salary Structure 2018*
- [CCR-CW-07-17 Deputy Warden Terms of Reference](#)

**2017 Treasurer's Statement
Summary of Comparators**

WARDEN		COUNCIL		
Municipality	Wage	Municipality	# Council	Avg Wage
Bruce	\$40,149.02	Bruce	7	\$23,187.58
Dufferin	\$43,398.77	Dufferin	12	\$18,487.67
Grey	\$63,858.85	Grey	17	\$19,106.43
Haldimand	\$78,334.00	Haldimand	6	\$39,639.83
Hastings	\$51,408.22	Hastings	13	\$12,815.80
Huron	\$56,694.58	Huron	14	\$19,055.59
Lambton	\$68,769.30	Lambton	16	\$17,749.24
Lanark	\$48,626.00	Lanark	15	\$21,265.80
Leeds & Grenville	\$49,498.29	Leeds & Grenville	9	\$25,740.45
Norfolk	\$76,138.00	Norfolk	8	\$33,401.75
Northumberland	\$44,026.91	Northumberland	6	\$13,022.46
Oxford	\$87,105.00	Oxford	9	\$26,618.33
Prescott-Russell	\$42,390.21	Prescott-Russell	7	\$22,060.24
Renfrew	\$63,627.00	Renfrew	16	\$12,419.19
Simcoe	\$72,488.17	Simcoe	30	\$16,546.81
Wellington	\$89,989.42	Wellington	15	\$33,080.08

Grey Ranks 7

Grey Ranks 9

45th percentile \$55,373.00
 50th percentile \$60,160.79
 55th percentile \$63,684.96

45th percentile \$10,003.72
 50th percentile \$20,186.12
 55th percentile \$21,464.41

50th percentile diff -0.27%

50th percentile diff 12.34%

Notes:

Removed Deputy Warden from Simcoe Councillor amounts

ELGIN was not included in the survey as their Treasurer Statement does not breakout remuneration and expenses

GREY'S 2017 Treasurer's Statement information was \$59,829.72 (Warden) and \$18,442.72 (Councillor average) and was amended as follows:

Remuneration for outgoing and incoming Warden was adjusted so that all Warden compensation is reported under

Warden column Base Councillor salary was used for Councillor Jack due to LOA in 2017

Added \$50 tech allowance paid to Grey figures \$7800.00 (averaged over 18 councillors/warden) or 433.33 per

person Removed provincial association earnings from Grey

Table 2-Salary Impacts

	Current One-Third Tax Exempt		Option 1: Do Nothing Loss of 1/3 tax free allowance		Option 2: Adjust for loss of Exemption	
	Head of Council	Councillor	Head of Council	Councillor	Head of Council	Councillor
Annual Remuneration*	\$59,829.72	\$18,442.72	\$59,829.72	\$18,442.72	\$59,829.72	\$18,442.72
Additional salary for equal net pay					\$7,270.00	\$1,245.00
Total remuneration	\$59,829.72	\$18,442.72	\$59,829.72	\$18,442.72	\$67,099.72	\$19,687.72
Taxable earnings	\$39,886.48	\$12,295.15	\$59,829.72	\$18,442.72	\$67,099.72	\$19,687.72
Non-taxable earnings	\$19,943.24	\$6,147.57				
Deductions:						
Income Tax	\$4,798.56	\$0.00	\$9,463.08	\$607.68	\$11,303.88	\$876.60
CPP	\$1,801.13	\$435.36	\$2,564.10	\$739.66	\$2,564.10	\$801.29
OMERS	\$3,589.78	\$1,106.56	\$5,638.34	\$1,659.84	\$6,699.76	\$1,771.89
Net Pay	\$49,640.25	\$16,900.80	\$42,164.20	\$15,435.53	\$46,531.98	\$16,237.93
Difference in net pay compared to one-third exempt option			-\$7,476.05	-\$1,465.27	-\$3,108.27	-\$662.86

-\$3,109.98 -\$665.33 OMERS difference
-1.71 -2.47

* 2017 Treasurer Statement and 2017 tax tables used for analysis
* Salary and per diem only - taxable mileage and other allowances not included

Option 3 is approximate same net pay less additional pension (OMERS) contributions as Councillor receives increased pension benefit for additional contributions

Table 3-Salary and Employer Contribution Impacts

	Option 1: Fully Taxable - Same Gross Pay		Option 2: Fully Taxable - Same Net Pay	
	Head of Council	Councillor	Head of Council	Councillor
Salary costs	-	-	7270.00	21165.00
CPP	\$762.97	\$5,173.10		\$1,047.71
OMERS	\$2,048.56	\$9,405.76	\$1,061.42	\$1,904.85
EHT	\$388.89	\$2,037.92	\$141.77	\$412.72
Loss of GST/HST Rebate on one-third tax free Councillor expense allowance	\$1,983.73	\$10,395.38		
Subtotal additional costs	\$5,184.15	\$27,012.16	\$8,473.19	\$24,530.28
Total additional cost to County		\$32,196.31		\$33,003.46
Cost of implementing both options	\$65,199.78			

Table 4 - 2018 Annual Salary Proposal

WARDEN		
2018 current salary	\$62,317.25	
admin allowance	\$433.33	
* add conference per diem	<u>\$2,059.68</u>	
2018 new salary	\$64,810.26	\$64,810.26

*in 2017 12 days of per diem were paid for ICF, FCM, Great Lakes/St. Lawrence conferences
 12 x 171.64 (2018 per diem)

COUNCILLOR		
55th percentile target	\$21,464.41	
add 2018 COLA (1.5%)	<u>\$302.79</u>	
	\$21,767.20	<u>\$370,042.40</u>
^less average conference amt	<u>\$989.45</u>	
2018 new salary	\$20,777.75	

\$434,852.66 Proposed total Council salary
\$397,000.00 Less budgeted salary
\$37,852.66 Annual cost excluding benefits

^in 2017, 98 days of per diem were paid for conferences
 98 x 171.64 (2018 per diem) / 17 councillors