

Final Report of the Independent Council Compensation Committee

Recommendation:

That the recommendations as outlined in Attachment 3 of the January 23, 2013, Independent Council Compensation Committee report 2013COC003 be approved as the Compensation Model for Members of Council, effective Tuesday, October 29, 2013.

Report Summary

This report provides the final report and recommendations of the Independent Council Compensation Committee.

Report

- The mandate of the Committee as stated in Bylaw 15969 – Independent Council Compensation Committee, is to report and make recommendations to Council, not later than January 31, 2013, about:
 - a. establishing appropriate compensation for Members of Council who are elected to office after the 2013 general municipal election, including specific recommendations on base salary, benefits, pensions, and allowances; and
 - b. options for making periodic adjustments to established compensation.
- The final report of the Independent Council Compensation Committee is attached.

- If approved, all recommendations in the Committee's report will be implemented for Council Compensation beginning October 29, 2013.

Attachments

1. City of Edmonton Member of Council Compensation Review 2012/2013
2. Financial Implications – Appendix B
3. Summary of Recommendations

**City of Edmonton Members of Council
Compensation Review 2012/2013**

Independent Council Compensation Committee
2012/2013

Background

In 1975, 1978, 1982 and 1986, Edmonton City Council used reports provided by *ad hoc* citizen committees to guide its remuneration decisions. From 1986 to 1999, the House Committee (now Council Services Committee) assumed that advisory function.

In 1999, Council established the first *ad hoc* Independent Council Compensation Committee. In January 2000, Council passed a recommendation of the Committee to establish an Independent Council Compensation Committee every six years.

Subsequently, the 2006 Independent Council Compensation Committee was established to review and make recommendations on the remuneration provided to Members of Council. Following submissions of the Committee's report, Council established its current benefits package and formula to determine increases on an annual basis.

At the December 14, 2011, City Council meeting, Bylaw 15969 was passed, establishing the 2012 Independent Council Compensation Committee. The Committee comprises five individuals appointed by the City Manager on the basis of their expertise and credentials in financial services, business and economics, labour and employment relations, human resources, accounting, community service, and other related disciplines with pertinent expertise to the development of appropriate public sector compensation packages.

The 2012 members are:

Phyllis Clark, Chair
Dan McKinley, Vice-Chair
George Andrews
Shelley Ewart-Johnson
Paul Precht

Mandate and Guidelines

The mandate of the Committee as stated in Bylaw 15969 – Independent Council Compensation Committee, is to report and make recommendations to Council, not later than January 31, 2013, about:

- a. establishing appropriate compensation for Members of Council who are elected to office after the 2013 general municipal election, including specific recommendations on base salary, benefits, pensions, and allowances; and
- b. options for making periodic adjustments to established compensation.

The Committee followed the guiding principles of Bylaw 15969, to research and consider all aspects of compensation that it believes is relevant to making its recommendations, but will specifically consider the following matters:

- a. Compensation paid to Members of Council must be sufficient to attract individuals from all walks of life to offer to stand for election to municipal public office;
- b. Compensation must be commensurate with the responsibilities, accountability and time commitment of individuals holding municipal public office;
- c. Compensation should be reasonable in light of the City's corporate objective to be fiscally responsible in allocating City resources;
- d. Compensation should be reasonable in light of compensation paid to public office holders in Alberta and other jurisdictions; and
- e. The need for a mechanism to make periodic adjustments to compensation to account for market forces, without a full review of the compensation package.

Methodology

The first meeting of the Committee was held in April 2012, wherein the committee:

- determined a chair and vice-chair of the committee;
- reviewed the Independent Council Compensation Committee Bylaw 15969, including the mandate and guidelines of the Committee;
- reviewed background information, including Council remuneration history, and current remuneration for Members of Council;
- reviewed responsibility of the Committee within the Corporate Outcomes and The Way Ahead - Council's Strategic Plan, relating to organizational capacity and effective communication; and
- directed Administration to conduct relevant research and report back to the Committee.

The Committee held seven subsequent meetings wherein research reports regarding compensation, benefits, and economic circumstances of the City were presented, followed by detailed discussion and debate by the Committee. Meeting process was governed by Part III of Bylaw 15969.

A summary of extensive research undertaken by City Administration at the direction of the Committee is attached (Appendix A).

In addition, the Committee examined comparable jurisdictions and reports, including the HayGroup study on Elected Officials Total Remuneration, 2011 Calgary Compensation Committee review report, and the 2012 Alberta MLA Compensation Review report.

The Committee adopted a strategy for public survey and consultation regarding Council compensation. Specific questions were posed requesting selection of positions and salary most similar to that of the Mayor and a Councillor, fairness of determining increases, and an opportunity to provide additional comments. Banister Research & Consulting Inc. was commissioned to review and publish the online public questionnaire from July 20 until August 30, 2012. Extensive promotion of the questionnaire was conducted. Over that time, a total of 699 questionnaires were completed by City of Edmonton residents. Consolidated results, provided by Banister Research & Consulting Inc., were taken into account by the Committee. In addition, a letter addressed to the Chair of the Committee was received and considered.

Administrative support was provided to the Committee by Alayne Sinclair, Cheryle Card, Alex Kotyk, Lynne Turvey and Colleen Johnson of the Office of the City Clerk; Lorraine Wohland, Jon Labonte and Dave Popowich of the Human Resources Branch; John Rose of the Corporate Accounting and Treasury Branch; and Gary Dyck of the Corporate Communications Branch.

Recommendations

1. Tax Treatment

1.1 Recommendation: *That effective Tuesday, October 29, 2013, the City of Edmonton Members of Council annual salary, annual retirement benefit, annual car allowance, and transition allowance, as detailed below, be fully taxable.*

	2013 Salary (1/3 tax exempt)	2013 Salary (fully taxable equivalent)
Mayor	\$163,928	\$198,523
Per Councillor	\$90,788	\$107,127

	2013 Retirement Benefit 11% (1/3 tax exempt)	2013 Retirement Benefit 11% (fully taxable equivalent)
Mayor	\$18,032	\$21,838
Per Councillor	\$9,987	\$11,784

	2013 Car Allowance (1/3 tax exempt)	2013 Car Allowance (fully taxable equivalent)
Mayor	\$13,620	\$16,495
Per Councillor	\$6,792	\$8,015

	2013 Transition Allowance (1/3 tax exempt)	2013 Transition Allowance (fully taxable equivalent)
Mayor	\$9,421	\$11,409
Per Councillor	\$5,218	\$6,157

Current: Compensation is currently one-third tax exempt as allowed by the *Municipal Government Act* and the federal *Income Tax Act*. One-third of the current retirement allowance, car allowance and transition allowance is also non-taxable.

Rationale: The Committee examined current salary and benefits without the one-third tax free option (“grossed-up”) and the implications for total compensation. In considering the input from the public survey for the use of the City of Calgary as a comparator, the Committee observed that Calgary no longer provides its Mayor and Councillors the one-third tax free option and that in June 2012 the Province of Alberta eliminated the one-third tax free practice for MLAs and Ministers.

While recognizing that eliminating the one-third tax free option for Mayor and Councillors would represent some additional cost to the City, the Committee determined that restating the current remuneration as a grossed-up amount allows openness and transparency, fairness, direct comparison, and ease of understandability to the public. The Committee believes the budget impact should not be a deterrent as these positive outcomes outweigh the cost savings. It is important to note that the grossed-up amount **does not change the take-home pay** that the Mayor and Councillors are currently eligible to receive, and the Committee recommends that this aspect be particularly clearly communicated to the public.

2. Annual Compensation Adjustment

2.1 Recommendation: *That City of Edmonton Members of Council compensation be adjusted effective the first pay of each year by the percentage change in the 12 month average of Alberta Average Weekly Earnings values from September of the previous year against the same value for the year prior.*

Current: The current method relies on the year over year change in Alberta Average Weekly Earnings for the month of September as a basis for setting increases for City Council compensation.

Rationale: The Committee examined alternative price and earnings measures to determine the adequacy of this measure.

After a review of alternative indicators, the Committee concluded that Alberta Average Weekly Earnings was an acceptable basis for annual changes in compensation for Mayor and Council. In order to make the escalation less volatile, with essentially the same results over a long period, the committee recommends using the rate of change in the Alberta Average Weekly Earnings for the 12 months ending in September of each year compared to the 12 months ending in September of the previous year.

3. Salary Differential

3.1 Recommendation: That effective Tuesday, October 29, 2013, the City of Edmonton Members of Council annual salary be as detailed below.

	Current Salary 2013 (fully taxable equivalent)	Recommended Salary (fully taxable)
Mayor	\$198,523	\$198,523
Per Councillor	\$107,127	\$109,805

Note: This recommendation affects calculations reflected in recommendation 1.1.

Rationale: Under the terms of the mandate and guidelines of Bylaw 15969, the Committee researched and considered all aspects of current Council compensation in light of the responsibilities, accountability and time commitment of the position, sufficient to attract individuals from all walks of life, reasonable in terms of the City's corporate objective of fiscal responsibility, comparable to public office holders in Alberta and other jurisdictions, and relevant to changing economic conditions.

In consideration of the salary differential between Mayor and Councillor, the Committee recommends a 2.5 percent increase to Councillor compensation in recognition of current disparities in relative compensation vis-à-vis relative workloads and responsibilities, public input outlining similar job duties to the City of Calgary, and current market conditions.

4. Retirement Benefits

4.1 Recommendation: That effective Tuesday October 29, 2013, the City of Edmonton provide Members of Council with the option to participate in one of the following retirement contribution options:

- a. 11% contribution to elected official's total annual salary to support retirement; or*
- b. 12% contribution directed to Alberta Urban Municipalities Association (AUMA) Defined Contribution Pension Plan.*

Current: Currently, City of Edmonton Members of Council receive 11% of their annual salary to support their retirement.

Rationale: The Committee considered various pension plan options, including the October 24, 2011, Corporate Services report 2011COH008 referred to the Committee by City Council. The Committee did not consider a defined benefit pension plan appropriate for elected officials.

The Committee recommends that Members of Council may still elect to receive a total of 11% contribution towards their retirement. However, if a Member of Council elects to participate in the AUMA Defined Contribution Pension Plan, the Committee recommends a 12% contribution to the AUMA Plan.

The 12% Defined Contribution Plan option provides an incentive through an additional 1% contribution to encourage participation in a Pension Plan.

5. Car Allowance

5.1 Recommendation: That City of Edmonton Members of Council continue to be provided with an annual car allowance to offset the transportation costs associated with fulfilling their duties, as follows:

- a) \$16,495* (2013 fully taxable equivalent) for the Mayor or the choice of a City owned vehicle; and*
- b) \$8,015* (2013 fully taxable equivalent) for Councillors.*

*[*valid as at January 23, 2013. Allowance will be adjusted in July 2013.]*

5.2 Recommendation: That effective the first pay period ending in July 2014 and each year thereafter, car allowance amounts be indexed by the increase or decrease in the City of Edmonton mileage rate from January 1 of the previous year to January 1 of the current year.

Current: The City of Edmonton reviews mileage rates annually based on Canada Revenue Agency legislation and regulations, the CAA Driving cost formula, employee concerns, minimum insurance coverage requirements and policies of other large Alberta and Edmonton area employers.

Rationale: In order for car allowance rates to be adjusted as the economic basis for this allowance changes, the Committee felt it was fair to use the same rate of increase or decrease as provided to City of Edmonton employees.

6. Transition Allowance:

6.1 Recommendation: That City of Edmonton Members of Council continue to be provided with a transition allowance upon the conclusion of their service equal to three weeks salary for each year served to the maximum of 36 weeks.

Current: Members of Council are not eligible to receive unemployment benefits for the transition period to re-establish themselves back into the workforce upon vacating office.

Rationale: The existing transition allowance is modest, is comparable to other jurisdictions and to the public sector, and provides

appropriate economic protection to citizens who must leave other employment to serve on City Council.

7. Benefits:

7.1 Recommendation: That City of Edmonton Members of Council continue to be provided with the same employee benefits package and employer contribution rates as the City of Edmonton's Management Exempt Group (non-union management employees of the City of Edmonton) including future enhancements to the package.

7.2 Recommendation: That the City of Edmonton continue to provide an annual flexible Health Spending Account for Members of Council in the amount of \$500.

Rationale: The suite of benefits is equivalent to that of Administration, and comparable to other jurisdictions. There is no grossed up salary impact on these benefits.

8. Formation and Frequency of Independent Council Compensation Committee:

8.1 Recommendation: That the City of Edmonton continue to establish an Independent Council Compensation Committee every two Council terms, to review and make recommendations on the remuneration provided to Members of Council.

Rationale: The Committee believes that the recommended salary levels, benefits and escalators for Members of Council are generally robust, but the Committee deems it good business practice to conduct an independent compensation review every two Council terms. This is consistent with past practice. Should the Council term be amended to four years, the recommendation still provides for the review of remuneration every two terms.

APPENDIX A

Summary of Research – Available upon request

2012 Committee Establishment

- Council Compensation Review – Process Direction report (November 9, 2011, City Council meeting)
- City of Edmonton Bylaw 15969 – Independent Council Compensation Committee (December 14, 2011, City Council meeting)
- Council Compensation Review report (February 2, 2011 City Council meeting)

Salary

- Taxable Gross Compensation and Implications report (Sept 20, 2012)
- Municipal Tax Free Portion Comparison report (June 11, 2012)
- Municipal Pay Practices report (June 11, 2012)
- Gross Compensation and Differentials report (July 16, 2012)
- Historical Mayor and Councillor Differentials report (June 11, 2012)
- Alberta MLA Compensation Review report (June 11, 2012)

Annual Salary Increases

- Additional Economic Indicators report (July 16, 2012)
- Alternative Economic Indicators report (June 25, 2012)
- Economic Indicators report (June 11, 2012)

Pension

- Pension Options – Costing and Benefits report (July 16, 2012)
- Pension Review report (June 25, 2012)
- Perquisites and Benefits report (June 11, 2012)
- October 24, 2011, City Council motion
- Participation in AUMA Retirement Services report

Public Submissions

- Public Questionnaire Consolidated Results report (Sept 20, 2012)
- Public Questionnaire Final Copy report (July 16, 2012)
- Public Survey and Consultation Strategy report (June 11, 2012)
- Survey of Council report (June 11, 2012)

City of Calgary's 2011/2012 Compensation Review

- January 23, 2012, Calgary City Council Minutes
- Final report of the Council Compensation Review Committee and Appendices

		1/3 Tax Free	Taxable Equivalent	Proposed Increase	Additional Budget	
1.1	Mayor Salary	163,928	198,523	-	34,596	
	Councillor Salary	90,788	107,127	-	196,069	
	Mayor Retirement Benefit 11%	18,032	21,838	-	3,806	
	Councillor Retirement Benefit 11%	9,987	11,784	-	21,568	
	Mayor Car Allowance	13,620	16,495	-	2,875	
	Councillor Car allowance	6,792	8,015	-	14,672	
	Mayor Transition Allowance	9,421	11,409	-	1,988	
	Councillor Transition Allowance	5,218	6,157	-	11,268	
						286,840

			Taxable Equivalent	Proposed Amount	Additional Budget
3.1.	Councillor Salary		107,127	109,805	32,138
	Councillor Retirement Benefit 11%		11,784	12,079	3,535
	Councillor Transition Allowance		6,157	6,311	1,847
					37,520

			Taxable 11%	Taxable 12%	Maximum Additional Budget
4.1	Mayor Retirement Benefit		21,838	23,823	1,985
	Councillor Retirement Benefit		12,079	13,177	13,177
					15,162

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