

# **City of Edmonton Members of Council Interim Compensation Review 2017**

Independent Council Compensation Committee  
June 27 to August 29, 2017  
Final Report

## **Executive Summary**

Since 2000, *ad hoc* Independent Council Compensation Committees have been established every two Council terms to review and make recommendations on the remuneration provided to Members of Council.

The 2012 Independent Council Compensation Committee submitted 10 recommendations to Council in January 2013, dealing with tax treatment of compensation, annual compensation adjustment, salary differential between Mayor and Councillors, retirement benefits, car allowance, transition allowance, benefits package, and formation and frequency of an Independent Council Compensation Committee.

City Council approved all recommendations except 1.1, which dealt with the tax free aspect of municipal officials' salaries. "That effective Tuesday, October 29, 2013, the City of Edmonton Members of Council annual salary, annual retirement benefit, annual car allowance and transition allowance be fully taxable." That recommendation was declined by Council with the intent to support a modest savings in the City's operating budget. At the time, federal tax legislation allowed the exercise of a one-third tax-free option on remuneration for elected office holders.

The 2017 federal budget announced an intention to amend the *Income Tax Act* to eliminate the one-third tax-free option for elected office holders across Canada, no later than January 1, 2019. Council passed a motion on April 11, 2017, directing that remuneration for Edmonton's Mayor and Councillors, including annual salary, annual retirement benefit, annual car allowance and transition allowance, become fully taxable effective at the beginning of the 2017-2021 Council term, as recommended by the Independent Council Compensation Committee in 2013. Annual adjustments since 2013, based on changes in Alberta's Average Weekly Wage Earnings, would have resulted in post-election 2017 fully-taxable salaries of: Mayor \$209,835 and Councillors \$116,062.

On June 27, 2017, City Council re-established the Independent Council Compensation Committee (ICCC), with a narrow mandate to review the salaries of Mayor and Councillors in light of economic changes, recent federal tax legislation eliminating the non-taxable option, and current municipal comparators. The Committee, which is comprised of the same members as in 2012/13, was directed to provide a report with recommendations for the August 29, 2017, City Council meeting.

Given the short timeline for the initiative and the limited scope of the 2017 Committee's mandate, it was determined that the five volunteer Committee members would stand as the public's voice.

The 2017 Committee members are: Phyllis Clark (Chair), Dan McKinley (Vice Chair), George Andrews, Shelley Ewart-Johnson and Paul Precht. The Committee met on July 7 and August 10, 2017.

## **Data, Research and Analysis**

The Committee analyzed and discussed information and research on Edmonton Councillors' and Mayor's salaries in the context of Alberta's economy and salary levels.

Administration provided the Committee with calculations of current fully-taxable salary equivalent figures for Mayor and Councillors. For the years 2014, 2015, 2016 and 2017, fully taxable equivalent increases or decreases to Council's compensation have been based on Canada Revenue Agency annual tax treatments for two-thirds taxable and one-third non-taxable salary portions. For 2017, the following fully-taxable equivalents were calculated as: Mayor \$218,200; Councillors \$116,729. The Committee agreed that these figures, rather than the earlier calculations of \$209,835 and \$116,062, would be used as the baseline in determining its recommendation for 2017 post-election salaries.

Research undertaken included a review of salaries and other cash compensation for Mayors and Councillors in six Canadian municipalities, a review of recent trends in Alberta's average weekly earnings, cost of living changes in Canada, and wage and salary increases for City employees and elected officials from 2004 to 2017/18.

The six Canadian municipalities reviewed included Toronto, Mississauga, Ottawa, Winnipeg, Vancouver and Calgary. (See Appendix A.)

The Committee's deliberations on municipal comparators recognized that municipal governments may choose to provide a variety of other cash compensation options for elected officials, making accurate comparisons challenging. Given the 2017 ICC's narrow mandate, the Committee agreed to restrict its consideration solely to the salary components of the research findings.

Alberta's Average Weekly Earnings (AWE), published by Statistics Canada, is the basis for annual adjustments to Council's compensation, as recommended by the 2012 Independent Council Compensation Committee. Salaries are adjusted effective the first pay period of each year. The percentage increase or decrease is calculated using the percentage change in the 12-month average of the AWE values from September of the previous year against the same value for the year prior. While AWE is published with a two-month lag, it is more current than other measures of income, such as the Household Expenditure Survey and Tax Filer data published by Statistics Canada.

The Committee agreed that elected officials' salaries should reflect the level of average earning in the provincial jurisdiction where they work, and therefore determined that the most appropriate municipal comparator was Calgary, the other Alberta jurisdiction reviewed.

Recent trends in Average Weekly Earnings show Alberta's \$1,125 to be 16% higher when compared to the national average of \$971 (as of April 2017). Alberta's AWE is the highest of the provincial jurisdictions. (See Appendix A, Figures 1 and 2.) The Committee deemed it reasonable to extrapolate that elected officials in Alberta's two

largest cities should be eligible to receive higher salaries than elected officials in the other jurisdictions studied. However, it did not seem defensible that Edmonton’s elected officials should be paid a higher salary than Calgary’s elected officials.

The Committee considered cost of living changes as reflected in the movement in the consumer price index for Canada’s largest metropolitan areas. Although there are significant differences in particular years, the average rate of inflation over the past five years was not markedly different across the various metro areas. Hence, the change in cost of living for Edmonton has not been out of line with other major centres. (See Appendix A, Table 1.)

The Committee also maintains that elected officials’ pay must be sufficient to compensate for the dedication, complexity and time demanded of their roles. It must be at a rate that will attract citizens with a wide range of skills and backgrounds as candidates for office.

**Recommendation**

*That annual salaries for the City of Edmonton Members of Council be reduced to achieve parity with the City of Calgary Members of Council, effective October 24, 2017, as detailed below.*

<b>City of Edmonton</b>	<b>Current Fully Taxable Equivalent</b>	<b>Recommended Fully Taxable Salary</b>
Mayor	\$218,200	\$200,747
Councillor	\$116,729	\$113,416

**Rationale:**

*The Committee determined that the City of Calgary, as another large Alberta jurisdiction, was the most appropriate municipal comparator for the City of Edmonton. The above recommendation is based on salary comparators with Calgary’s Mayor and Councillors, a review of current Alberta economic indicators, and the recent federal tax legislation eliminating the non-taxable option.*

**Subsequent Recommendation**

As a result of their 2017 deliberations, the ICCC members recommend that the mandate of the next Independent Council Compensation Committee (in 2020), include consideration of total compensation, such as transition allowances, salary differentials between Mayor and Councillors, and all cash compensation comparators.

## **APPENDIX A**

Research support documents attached:

1. Cash Compensation for Elected Officials – Municipal Comparators
2. Recent Trends in Alberta's Average Weekly Earnings
3. Changes in the Cost of Living

*Administrative support was provided to the Committee by: Linda Sahli and Lynne Turvey, Office of the City Clerk; John Rose, Financial and Corporate Services; and Lori Yanish, Communications and Engagement.*