



Independent Council
Compensation
Committee

2020 Final Report

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2020 INDEPENDENT COUNCIL COMPENSATION COMMITTEE

The Independent Council Compensation Committee, appointed pursuant to Bylaw 19212, has completed its mandate and has the honour of submitting its final report for the consideration of Council.

Respectfully submitted,

Phyllis Clark (Chair)
Robert Bhatia (Vice Chair)
George Andrews
Shelley Ewart-Johnson
Paul Precht

INTRODUCTION

Since 2000, temporary, independent and citizen-led committees have been established every two Council terms to review remuneration provided to Members of Council.

The 2020 Independent Council Compensation Committee was established to review and make recommendations to Council on compensation for Members of Council, including salary, benefits, pensions, allowances, and any other form of compensation; and the frequency of future reviews of compensation per Bylaw 19212.

Recommendations approved by Council will be effective following the October 2021 municipal election. To emphasize, any recommendations of the committee do not apply to current Council Members in this term, with the notable exception of recommendation 2.1 which recommends pausing the January 2021 annual salary adjustment. The committee understands that this timeframe is outside the scope of its mandate, however, the committee felt strongly that it was important to include in its report for Council's consideration.

The economic situation in Edmonton dominated the discussions over the six months that the committee met. Committee members were mindful of the challenging circumstances of many citizens and businesses in the city. While the current economic state persists the

committee recommends to hold many aspects of Council's compensation steady. Where the committee made recommendations to expand any benefits, it did so with a focus on its mandate to set compensation at levels appropriate to attract a diverse range of candidates, be comparable to other jurisdictions, and reflect the responsibilities of Members of Council.

The committee also took into consideration alignment with existing comparator positions and categories and agreements reached by a wide range of associations and groups. Across the board, the committee found that compensation had been held in the short and medium term in part due to the current economic state.

After careful review of total compensation the committee has made nine recommendations for Council's consideration. The majority of the recommendations are adjustments to existing aspects of Council's compensation.

The committee believes that an independent system of review should continue in future years but instead of the usual eight year period, an interim review in four years for the following Council term should be considered due to the unprecedented current state caused by financial pressures and the world health pandemic.

RECOMMENDATIONS AT A GLANCE

1.0 Base Salary

The committee does not recommend a change to base salary.

2.0 Adjustments

2.1 That there be no annual adjustments to salaries for January 2021 and January 2022.

2.2 That in January 2023 and subsequent years City of Edmonton Members of Council's base salary be adjusted annually, effective the first pay of each year, by the year-over-year percentage change in the average monthly value for Alberta Average Weekly Earnings as reported by Statistics Canada from the period October to September in the year preceding the year in which the adjustments will come into effect. The annual adjustment will incorporate the latest data available from Statistics Canada's CANSIM Table 14-10-0223-01, using the industrial aggregate, including overtime and adjusted for seasonal factors. When an annual adjustment is being calculated, the calculation will incorporate the latest data available as of December each year. However, once an adjustment is applied, the data used for that year's adjustment will be considered final.

3.0 Health Benefits

The committee does not recommend a change to medical, dental, disability and insurance benefits.

4.0 Health Spending Account

4.1 That, effective immediately after the 2021 general election, City of Edmonton Members of Council are provided with a Flexible Spending Account in the amount of \$3,600 per year replacing the current Health Spending Account plan.

5.0 Retirement Options

5.1 That, effective immediately after the 2021 general election, City of Edmonton Members of Council are provided with the option to contribute to a Tax Free Savings Account in addition to the existing retirement options in place for Members of Council.

6.0 Transition Allowance

6.1 That City of Edmonton Members of Council continue to be provided with a transition allowance upon the conclusion of their service.

6.2 That, beginning with Councillors and Mayor elected at the 2021 general election, the transition allowance cap be increased from 36 weeks to a maximum of 39 weeks so that the transition allowance is equal to three weeks of salary for each year served to a maximum of 39 weeks.

7.0 Vehicle Allowance

7.1 That City of Edmonton Members of Council continue to be provided with a vehicle allowance of \$601.35 per month for Councillors; and \$1,204.78 per month for the Mayor or choice of City-owned vehicle for the Mayor to offset transportation costs associated with fulfilling their duties.

7.2 That, beginning with Councillors and Mayor elected at the 2021 general election, the vehicle allowance is a flat rate and not indexed annually.

8.0 Council Compensation Reviews

8.1 That a review of Council compensation is conducted in 2024 by an independent committee to provide recommendations on total compensation for Councillors and Mayor elected at the 2025 general election and that the review include the frequency and timing of future reviews.

BACKGROUND

Independent Council Compensation Committees have been formed in 1999/2000, 2006 2012/2013, and 2017 to review and make recommendations on future compensation for Members of Council. The 2017 committee had a narrow mandate to review salaries in light of income tax changes eliminating the non-taxable option.

On February 19, 2020, Council unanimously passed the City of Edmonton Bylaw 19212 to establish a temporary Independent Council Compensation Committee to conduct a complete review of total compensation for the next Council term.

Mandate

The Independent Council Compensation Committee will, no later than December 31, 2020, provide a written report to Council with recommendations on the:

- (a) appropriate compensation for members of Council, including salary, benefits, pensions, allowances, and any other form of compensation; and
- (b) frequency of future reviews of compensation.

Principles

The recommendations of the Independent Council Compensation Committee will be based on the following principles:

- (a) compensation must be appropriate to attract a diverse range of candidates;
- (b) compensation must reflect the responsibilities, accountabilities, and time commitment required from members of Council;
- (c) compensation must be reasonable in light of economic circumstances and the City's objectives and financial constraints; and
- (d) compensation must be comparable to other jurisdictions.

APPROACH

Once the committee was recruited, the committee met on the following dates:

April 20, 2020
June 8, 2020
July 29, 2020
September 14, 2020
September 29, 2020

At the April 20, 2020 meeting, the committee elected a chair and vice chair, reviewed the mandate, and determined what information would be required for the next meeting.

Meetings were streamed to the public and agendas and minutes were posted on edmonton.ca.

From April to October, the committee reviewed current and historical remuneration, comparator groups, secondary research, economic data and forecasts, conducted a public survey, and an internal survey of Council.

The committee was supported by the following members of Administration:

Cathy Perraton, Office of the City Clerk
Alex Loxterkamp, Office of the City Clerk
Lorraine Wohland, Employee Services
Felicia Mutheardy, Budget Office
Mark Boulter, Public Engagement

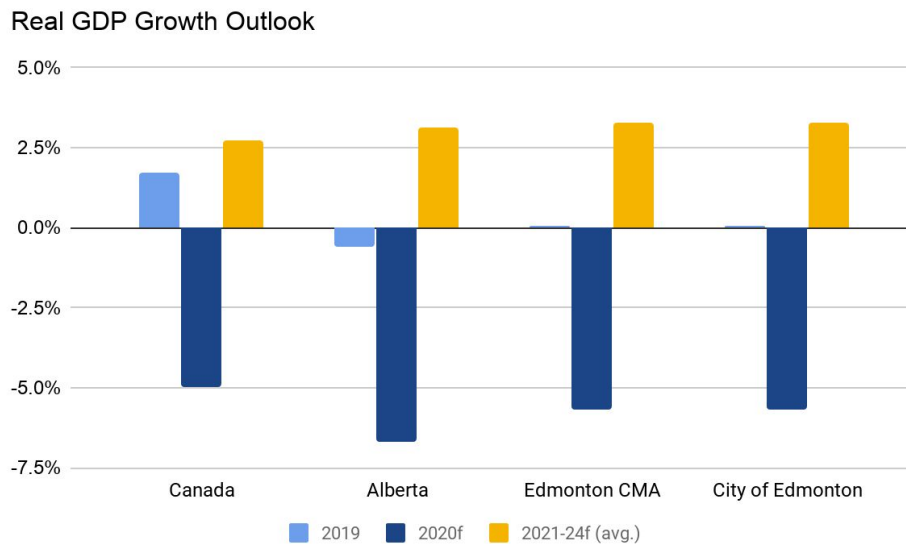
INPUTS

Current Economic Conditions

The City of Edmonton's Chief Economist's Office provided an economic and labour market outlook to the committee. According to the spring 2020 outlook, "The economy is forecast to contract by 5.7 per cent in 2020, with an economic recovery back to 2019 levels not expected until early 2022. Though the population in Edmonton will continue to grow, the annual growth rate in 2020 and over the next several years has been reduced. Edmonton's employment is expected to fall by 30,000 positions in 2020 with an average unemployment rate of 11.7 per cent."

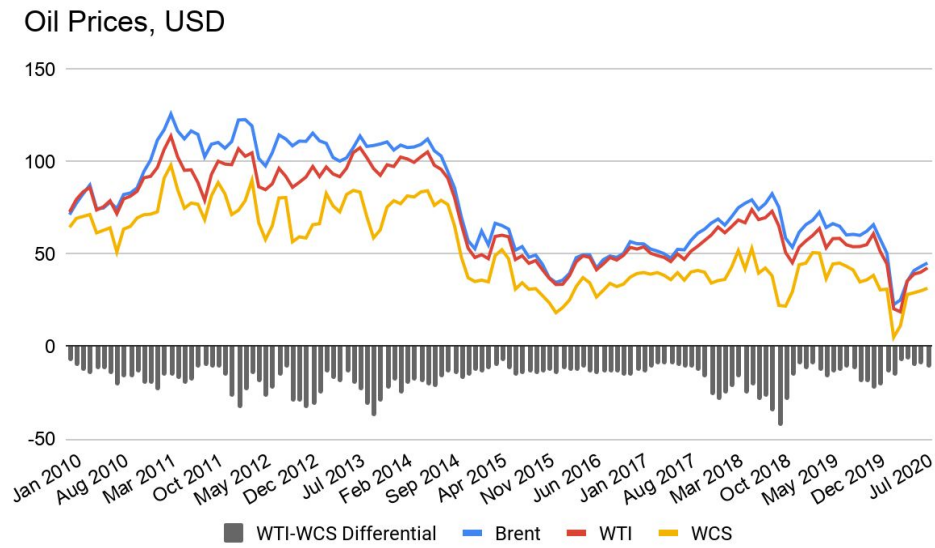
The economic impact of the global health pandemic, lower than anticipated oil prices, and significant budgetary pressures faced by the Province have all negatively impacted the Edmonton economy and the City of Edmonton's budgetary situation. The full extent and duration of the economic impact on Edmonton and the region remain uncertain. These are factors the committee must take into consideration as per its mandate.

Figure 1: Real GDP Growth Outlook



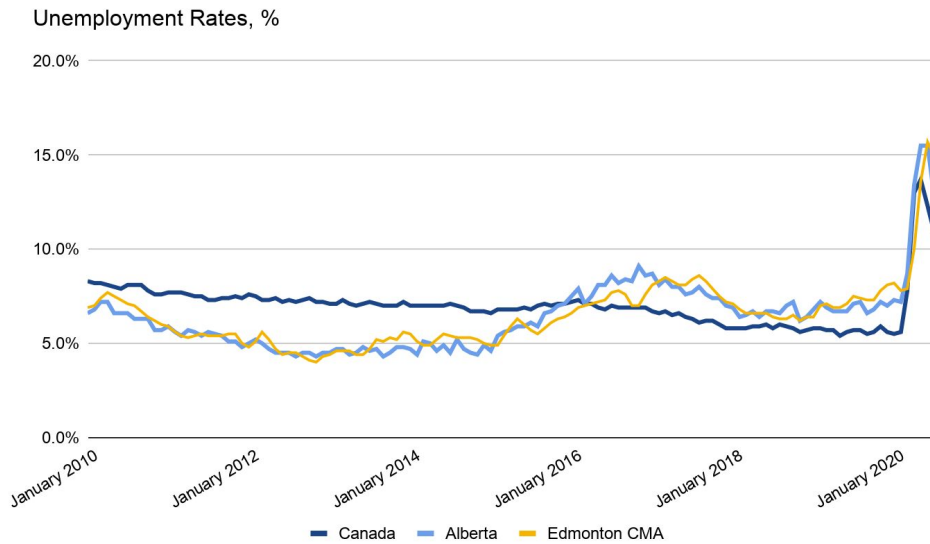
Source: City of Edmonton and Stokes Economics, Spring 2020 Forecast Update

Figure 2: Oil Prices



Source: Bloomberg

Figure 3: Unemployment Rates (percentage)



Source: Statistics Canada, 3-month moving average (3-mma) for Edmonton CMA

Summary of Alberta Forecasts for 2020

	2020 Spring Forecast						
	2019	BMO	CIBC	RBC	Scotia	TD	City of Edmonton
Real GDP Growth	-0.6%	-7.0%	-8.4%	-8.7%	-10.1%	-7.9%	-6.7%
Employment Growth	0.5%	-7.2%	N/A	-8.2%	-7.7%	-8.7%	-6.2%
Unemployment Rate	6.9%	11.7%	10.7%	11.3%	11.8%	12.2%	11.6%

Table 1: 2020 Spring Forecasts

Source: Statistics Canada, BMO Economics, CIBC Economics, RBC Economics, Scotiabank Economics, TD Economics, City of Edmonton and Stokes Economics

Looking ahead, there is more positive medium to long term economic growth expected as the economy recovers. Growth is expected to be gradual.

Supplemental Forecast Data

Year-over-year change (%)	Forecast						
	2009-19 (Annual Average)	2019	2020	2021	2022	2023	2024
Alberta Average Weekly Wages (2)	2.52	2.81	2.4	1.23	2.22	2.47	2.66
Alberta Average Weekly Earnings (industrial aggregate, including overtime) (1)	2.08	1.4	N/A				
Edmonton CMA Average Annual Wages (2)	1.17	2.25	4.36	1.77	2.23	2.4	2.43
Edmonton CMA CPI (1)	1.65	1.74					
Conference Board of Canada Forecast (2)			1.15	2.33	1.92	1.97	1.97
City of Edmonton Forecast (3)			1.3	1.8	1.8	1.7	1.6

Table 2: Forecast Data to 2024

Source: Statistics Canada (1), the Conference Board of Canada (2), City of Edmonton and Stokes Economics (3)

Note: Data is by calendar year (i.e. January to December)

Alberta Average Weekly Earnings

The annual 2021 adjustment cannot yet be calculated as Average Weekly Earnings (AWE) data is only available with a three month lag. Based on spring numbers, the annual increase could be in the range of 2.9 to slightly above 5 per cent for 2021 based on available data¹. This range was determined under the following scenarios:

- Assuming² AWE holds at April 2020 values from May to September 2020 (increase of about 4.8 per cent);
- Assuming AWE holds at May 2020 values from June to September 2020 (increase of about 5.2 per cent);
- Calculating the year-over-year change in the 12-month period ending in April 2020 (increase of about 2.9 per cent); and
- Calculating the year-over-year change in the 12-month period ending in May 2020 (increase of about 3.1 per cent).

City of Edmonton

The committee received a presentation on the City's financial state from the Deputy City Manager of Financial and Corporate Services & Chief Financial Officer for the City of Edmonton outlining the significant negative impact of COVID-19 on the City's 2020 budget, resulting in over \$150 million of variance in the best scenario and over \$170 million in the probable scenario. The unprecedented budget pressures of the pandemic have led to a number of reduction strategies corporately and a new Re-Imagine Strategy being implemented in response to the impacts of COVID-19 which will continue to affect the City's budget in 2021.

¹The monthly values are taken from Statistics Canada's The Daily publication. The figures included in the calculation refer to the industrial aggregate, including overtime and adjusted for seasonal factors.

² It is important to note that the percentage changes presented are based on assumptions that are likely to change as monthly data are released in the coming months. As employees are added back onto payrolls in the months following May 2020, there is a chance that monthly AWE values for Alberta may see a reduction, especially if employment gains are in the lower paying sectors that were disproportionately affected by the pandemic.

Public Engagement

In July 2020, the Independent Council Compensation Committee asked Edmontonians to participate in a questionnaire regarding Council Members' compensation.

The survey was open for three weeks, from July 6 to July 27, 2020. It was promoted on the City's website, social media channels: Facebook and Twitter, weekly public service announcements (PSAs) distribution list, the Insight Community, and to the Edmonton Federation of Community Leagues. There were 4,041 respondents in total.

The survey sought input from Edmontonians on salary ranges for the Mayor and Councillor positions, salary differentials, the benefits package, annual adjustment formula, and on the total compensation package necessary to attract potential candidates.

There was a range of perspectives on salaries from minimum wage to current levels and above.

Overall:

- 62% of respondents agreed (strongly or somewhat) that the total benefits package provided was appropriate;
- 75% of respondents agreed (strongly or somewhat) that the total compensation package was appropriate to attract candidates for Mayor;
- 72% of respondents agreed (strongly or somewhat) that the total compensation package was appropriate to attract candidates for Councillor.

The comments from the survey filled 250 pages. We heard from many citizens that this is a difficult economic year for everyone and that the current economic state should be a key consideration when determining the recommendations to Council.

Roles and Responsibilities of Council

The committee was mandated to take into consideration the responsibilities, accountabilities, and time commitment required from Members of Council.

City Council forms a decision-making governing body that sets direction for and approves the policies, programs and bylaws that:

- shape the quality of life in Edmonton;
- improve community safety, economic development, and service delivery ; building thriving, connected communities; and
- determine the City's short and long-term strategic direction while building a livable, prosperous city that attracts residents and businesses to make Edmonton their home.

Council holds the power of taxation, and sets annual budgets of more than \$3 billion, approving funding for the city's infrastructure plans, parks and roadways, transit network, facilities like recreation centres, and hundreds of programs and services.

Council's work is complex and is informed by the many perspectives of different communities, citizens, and stakeholders; responding to changing circumstances, and finding common ground where possible.

The Mayor represents nearly one million residents, and works closely with elected officials in other municipalities, the provincial and federal governments, and community representatives to champion the City of Edmonton. The Mayor helps to shape City policy, chairs Council meetings, and takes part in executive-level decision making. As part of the Mayor's role as spokesperson for the City, the Mayor is called on to represent the City at hundreds of events each year.

Time Commitment

A key part of each Member of Council's role is convening as the city's governing body, City Council. In 2019, there were 149 meetings of Council or a Council Committee totalling 669.75 hours. Members are also appointed to represent the City on agencies, boards, committees, and commissions.

Outside of Council and Committee meetings, Councillors hear from their constituents on a wide variety of topics and try to help them navigate to a resolution where they can. Engagement with citizens and communities is a priority for Members of Council and where they reported they spend the bulk of their time when not in Council or Committee.

Survey of Members of Council

In May 2020, the committee surveyed Members of Council to better understand their views on current compensation including salary and benefits, average workloads and the balance of responsibilities of elected officials.

An invitation to participate was sent to all Members of Council. The survey was open from May 19 to May 29, 2020. Eleven of the 13 members completed the survey.

Common themes included the acknowledgement that candidates are attracted to the positions out of a "desire to serve" rather than formal compensation, a preference for flexible benefit plans, interest in more wellness options, and consideration of retirement and transition planning needs.

Regarding workloads, 73 per cent normally worked 60 to 69 hours a week and 27 per cent worked 70 or more hours in performing their duties.

RECOMMENDATIONS

To anchor its research and discussions, the committee considered four possible scenarios for Council's remuneration ranging from a rollback in wages to an increase with expanded benefits.

	1 - Reduction	2 - Low	3 - Medium	4 - High
Base Salary	Decrease	No Changes	No Changes	Increase
Benefits	No Changes	Expanded	Expanded +	Expanded ++

Table 3: Scenarios

After taking into consideration all of the committee's findings, the committee settled on a version of scenario 2, as described in its more detailed recommendations outlined below.

SALARIES

1.0 Base Salary

Recommendation	Rationale
The committee does not recommend a change to base salary.	<p>The current fully-taxable annual salaries for Members of Council are \$206,511.29 for the Mayor and \$116,672.11 for Councillors.</p> <p>As per Bylaw 19212, the Independent Council Compensation Committee must take into consideration current economic circumstances and the City's financial constraints in determining its compensation recommendations. Given the current economic climate and the significant impacts of the COVID-19 pandemic on the city, the committee recommends no increase to Council's salary.</p> <p>Key considerations for the committee in determining its recommendation for base salary was the scope of responsibilities and the time commitment of Members of Council, the committee's mandate to recommend an appropriate level of compensation to attract a diverse range of candidates, and compensation levels in comparable jurisdictions and positions.</p>

2.0 Adjustments

Recommendation	Rationale
<p>2.1 That there be no annual adjustments to salaries for January 2021 and January 2022.</p> <p>2.2 That in January 2023 and subsequent years City of Edmonton Members of Council's base salary be adjusted annually, effective the first pay of each year, by the year-over-year percentage change in the average monthly value for Alberta Average Weekly Earnings as reported by Statistics Canada from the period October to September in the year preceding the year in which the adjustments will come into effect. The annual adjustment will incorporate the latest data available from Statistics Canada's CANSIM Table 14-10-0223-01, using the industrial aggregate, including overtime and adjusted for seasonal factors. When an annual adjustment is being calculated, the calculation will incorporate the latest data available as of December each year. However, once an adjustment is applied, the data used for that year's adjustment will be considered final.</p>	<p>Annual adjustments ensure that salary levels for Members of Council remain current and competitive between compensation reviews. A set procedure and the automatic nature of the adjustment ensures that the process is impartial and transparent. Linking wage adjustments to an indicator such as average weekly earnings is a neutral and standard practice for annual increases to ensure that wages do not lag behind other wages in the economy.</p> <p>The committee reviewed the historical Alberta Average Weekly Earnings percentage changes and agreed that the formula and process functioned appropriately.</p>

Impact of COVID-19 on Average Weekly Earnings

According to the current Alberta Average Weekly Earnings data, 2020 has been a year marked with extreme swings in employment numbers caused by the COVID-19 world health pandemic.

Structural changes in the composition of Alberta employment since the start of the pandemic are distorting the Average Weekly Earnings data in the short-term. Loss of a disproportionate number of jobs in lower wage sectors in Alberta's economy has increased weighting of jobs in higher wage sectors on the Average Weekly Earnings indicator. The resulting increases in the reported Average Weekly Earnings are therefore due to structural changes in the composition of the labour force, not to actual wage increases in those sectors.

Therefore, the committee believes the Average Weekly Earnings may not be a reliable indicator in the short-term and recommends a pause in using this indicator for wage adjustments in 2021 and 2022 given the current economic state and the widespread impact of the world health pandemic. The annual adjustments would resume beginning January 1, 2023.

The committee acknowledges that the annual adjustment scheduled for January 2021 is outside of the committee's mandate. However, the committee felt that it was important to include for Council's consideration given the current economic conditions. Preliminary forecasts of Average Weekly Earnings data pointed to the possibility of an annual increase in January 2021 in the range of 2.9 per cent to slightly above 5 per cent.

Benefits

3.0 Health Benefits

Recommendation	Rationale
<p>The committee does not recommend a change to medical, dental, disability or insurance benefits.</p>	<p>Members of Council currently receive a comprehensive benefits package. The benefits package and the contribution rates are the same as the City of Edmonton’s Management Exempt Group, non-union management employees.</p> <p>Members of Council are also eligible for all of the same mental health and wellness options that all City employees are eligible for including the Employee and Family Assistance Program.</p>

Group Plan

Item	Cost Sharing Distribution
Supplementary Health Care Plan	City of Edmonton 70% - Member 30%
Dental Plan	City of Edmonton 65% - Member 35%
Short Term Disability	City of Edmonton 100%
Long Term Disability	City of Edmonton 0% - Member 100%
Group Life Insurance	City of Edmonton 50% - Member 50%
Optional Life Insurance Plans (Spousal, Dependent)	City of Edmonton 0% - Member 100%
Out-of-Country Insurance (City business travel)	City of Edmonton 100%

Table 5: Group Benefits

4.0 Health Spending Account

Recommendation	Rationale
<p>4.1 That, effective immediately after the 2021 general election, City of Edmonton Members of Council are provided with a Flexible Spending Account in the amount of \$3,600 per year replacing the current Health Spending Account plan.</p>	<p>Since 2013 Members of Council have been provided \$500 annually in a Health Spending Account. The City of Edmonton has a plan in place called a Flexible Spending Account (FSA) where individuals choose to allocate their Flexible Spending Account credits between a taxable payment and a tax-free reimbursement of health care expenses through a Health Care Spending Account (HCSA) each year. Health Care Spending Accounts are used to cover medical expenses that may not be covered under provincial health care plans or private medical and dental plans.</p> <p>The committee's mandate was to examine all aspects of a complete compensation package. The committee found that while the current medical, dental, and insurance benefits provided appropriate coverage, the Health Care Spending Account plan had lagged behind the local market and comparable jurisdictions and positions. The recommended changes to the plan would bring the plan up to market levels and help to attract a diverse range of candidates to Council. Although there is a financial implication to this recommendation, the committee felt that this was an area of the compensation package that was lacking.</p> <p>The financial impact of recommendation 4.1 is an ongoing annual budget increase of \$40,300.</p>

5.0 Retirement Options

Recommendation	Rationale
<p>5.1 That, effective immediately after the 2021 general election, City of Edmonton Members of Council are provided with the option to contribute to a Tax Free Savings Account in addition to the existing retirement options in place for Members of Council.</p>	<p>Members of Council's current retirement benefits provide a range of options and flexibility for each member to plan for their retirement based on their own needs and personal circumstances.</p> <p>Members may participate in the Alberta Communities Pension Plan (ACPP) administered by the Alberta Urban Municipalities Association. Twelve per cent of the Member of Council's annual salary is contributed by the City of Edmonton if the member decides to participate in the plan. Participation is voluntary and optional.</p> <p>Defined Contribution Pension Plans provide greater flexibility and choice over Defined Benefit Pension Plans. These plans are well suited for temporary or shorter term positions. As elected officials, Members of Council serve for a relatively short time – each Council term is four years.</p> <p>Members of Council who do not participate in the Alberta Communities Pension Plan opt to receive an eleven per cent contribution by the City of Edmonton of their total annual salary to support retirement.</p> <p>The addition of a Tax Free Savings Account (TFSA) through Alberta Urban Municipalities Association (AUMA) provides an opportunity to maximize savings for the future. Enrolment in the program would be voluntary and not replace the other retirement and savings options. Contributions would be by payroll deduction on after tax earnings. Through economies of scale, the Tax Free Savings Account offered through the Alberta Urban Municipalities Association offers low investment fund management fees and no account administration fees.</p>

Allowances

6.0 Transition Allowance

Recommendation	Rationale
<p>6.1 That City of Edmonton Members of Council continue to be provided with a transition allowance upon the conclusion of their service.</p> <p>6.2 That, beginning with Councillors and Mayor elected at the 2021 general election, the transition allowance cap be increased from 36 weeks to a maximum of 39 weeks so that the transition allowance is equal to three weeks of salary for each year served, to a maximum of 39 weeks.</p>	<p>Transition allowances help elected officials who leave office return to the workforce or careers they may have put on hold to pursue a role in government. The cap increase from 36 weeks to 39 weeks will benefit long serving Members of Council who have dedicated over twelve years of their career to serving in municipal government.</p> <p>The committee reviewed transition allowances in other jurisdictions and Edmonton's is within range. Payout formulas in other jurisdictions range from one week to four weeks per year of service with caps ranging from 36 weeks to 52 weeks.</p> <p>The committee recommends that the next Independent Council Compensation Committee formed examines the possibility of setting up a fund for outplacement to support elected officials as they transition back into their careers. The committee felt that serving in elected municipal government positions is not intended to be a permanent career.</p> <p>While Recommendation 6.2 does not have a budgetary impact, in future years there will be an increase to the actual payout of the allowance if a Member of Council leaving office has served over twelve years.</p>

7.0 Vehicle Allowance

Recommendation	Rationale
<p>7.1 That City of Edmonton Members of Council continue to be provided with a vehicle allowance of \$601.35 per month for Councillors and \$1,204.78 per month for the Mayor or choice of City-owned vehicle for the Mayor to offset transportation costs associated with fulfilling their duties.</p> <p>7.2 That, beginning with Councillors and Mayor elected at the 2021 general election, the vehicle allowance is a flat rate and not indexed annually.</p>	<p>The committee is recommending no changes to the current vehicle allowance amounts.</p> <p>Rather than an indexed rate that was adjusted annually, the committee recommends a flat rate for the vehicle allowance. The costs of operating a vehicle has not changed and is not expected to change materially. Holding the vehicle allowance steady during the next Council term, provides appropriate incentives for Members of Council to economize on transportation use.</p>

Timing and Frequency

8.0 Council Compensation Reviews

Recommendation	Rationale
<p>8.1 That a review of Council compensation is conducted in 2024 by an independent committee to provide recommendations on total compensation for Councillors and Mayor elected at the 2025 general election and that the review include the frequency and timing of future reviews.</p>	<p>With the current levels of economic volatility creating uncertainty in the medium and long term, it is recommended to have another compensation review sooner than the usual eight year period.</p> <p>The next independent review will be better positioned to make any necessary changes based on the level of recovery experienced in the next few years. Any attempt at a long range prediction or a forecast at the time of writing this report is a high risk endeavor. If for example, oil prices rebound quicker than anticipated and the Edmonton economy recovers from the global health pandemic, then compensation may need to be adjusted as appropriate.</p>