



TOWN OF MINTO

DATE: June 25, 2018
REPORT TO: Mayor and Council
FROM: Annilene McRobb, Deputy Clerk, Gordon Duff, Treasurer, Bill White C.A.O. Clerk
SUBJECT: Remuneration 2018-22 Council Term; One-third tax exemption

STRATEGIC PLAN:

Guiding Principles

- Transparent with public, media, customers
- High level customer service; response commitment to email or phone inquiries
- Diversified, accommodating, versatile, well trained workforce

Governance

Manage Town finances in a transparent and fiscally responsible manner using a wide variety of accepted methods such as maintaining healthy reserves, investing conservatively, sensible user fees, property tax control, and responsible borrowing.

12.2 Continue to be a leader among small rural municipalities in local strategic initiatives that benefit the economy, protect the environment, effectively allocate resources, encourage innovation, streamline procedures, and create opportunity for individuals and business.

BACKGROUND

Current Remuneration

The current Council traditionally sets remuneration for the next term. Current remuneration for the Mayor, Deputy Mayor and Councillors for this term is summarized below:

Position	Base Pay	Council Meeting Pay	Per Diem <4 hours	Per Diem >4 hours	Budget training & conferences
Mayor	\$16,411	\$50/meeting	\$85	\$150	\$5,800
Deputy Mayor	\$13,235	\$50/meeting	\$85	\$150	\$5,600
Council Member	\$10,693	\$50/meeting	\$85	\$150	\$3,500

In 2013 Council increased base pay for the next term, applied a cost of living clause, but decreased per diem costs by reducing types of meetings that could be claimed. Per diem rates continued at \$85 for a four hour meeting and \$150 for a meeting longer than four hours. A number of incidental amounts for chairing a meeting, and telephone use were removed along with restrictions on conference and training session attendance so long as they were within budget. The daily meal allowance increased from \$75 to \$80.

These changes resulted in the Council expense budget dropping from over \$169,200 in 2013 to \$160,200 in 2018. Overall actual expenses for Council were generally below

budget over the term. Total budgeted wages for Council (base pay and per diems) was \$125,000 in 2013 and \$112,000 in 2018. Budgeted training increased from \$28,000 to \$33,900 in that same period. Overall, the cost of the current Council decreased as a result of the remuneration plan set by the previous Council.

Other Expenses

An increase to the daily meal allowance from \$80 to \$90 per day is recommended due to the typical costs for meals in Toronto, Ottawa, and other places where larger events are hosted. Receipts are required to cover at least the daily amount, but where meals are included the daily amount is reduced (\$40 for supper; \$30 for lunch \$20 for breakfast).

The One-third exemption

The decision on remuneration for the next term of Council is impacted by the March 2017 announcement by the federal government to eliminate the one-third tax free exemption for municipal elected officials starting in 2019. Despite opposition from AMO and FCM there is no indication the government will change this initiative. While these organizations continue to work on the issue they recommend municipalities either deal with the potential loss of the exemption or flag it for consideration of the next Council. This report outlines options for Council remuneration that would apply with, or without, the exemption.

AMO surveyed 144 municipal treasurers and determined the following facts regarding the exemption:

- Over 90% of municipalities use the exemption.
- The cost increase for a central Ontario municipality with a council of nine and a population of 30,000 will be at least \$28,000.
- The cost increase for an eastern Ontario county council of seventeen and a population of 77,000 will be at least \$74,000.
- The cost increase for a southwestern Ontario municipality with a council of seven and a population of 24,000 will be at least \$14,000.
- For almost half of Ontario's municipal governments, a one per cent property tax increase raises only \$50,000.

The Municipal Act has long provided the option that “one-third of the remuneration paid to the elected members of the council and its local boards is deemed as expenses incident to the discharge of their duties as members of the council or local board”. The Act requires municipalities review the option to exempt one-third of the salary once during each four-year term. The Town opted to maintain the exemption for the current Council in August 2014.

COMMENTS:

Members of the Minto's Council are part-time and as a result, the one third tax exemption benefit has been historically provided. This is not always the case, particularly in larger

municipalities where positions on Council are full time. Another consideration is that members of Council in many municipalities, including some smaller rural locations, receive additional benefits besides pay such as health and dental, OMERS or life insurance. Minto Councillors do not receive additional benefits beyond salary or conferences and training.

The following chart shows changes to base pay during the period the tax exemption applied since By-law #2014-61 was passed August 5, 2014:

Position	2015 Regular Earnings	2016 Regular Earnings	2017 Regular Earnings	2018 Regular Earnings
Mayor	\$15,786.15	\$16,089.72	\$16,411.46	\$16,411.46
Deputy Mayor	\$12,730.77	\$12,975.51	\$13,235.15	\$13,235.15
Councillor	\$10,693.84	\$10,899.48	\$11,117.37	\$11,117.37

If the one third exemption is removed without adjustment, the Mayor’s office would realize a decrease in net pay of \$2,105.64, Deputy Mayor’s office \$1,499.13 and the office of a Councillor a decrease of \$1,233.39. The following chart shows the net impact.

Position	2019 Approx Wage	Per Diems Approx	Total	Extra Tax	Extra CPP	Total Extra Cost
Mayor	17,012.73	9,000.00	26,012.73	1,734.18	371.46	2,105.64
Deputy Mayor	13,719.95	5,000.00	18,719.95	1,248.00	251.13	1,499.13
Council	11,524.76	4,000.00	15,524.76	1,034.98	198.41	1,233.39

The above estimate shows that the net increase in cost to the Town would be about 8% if the tax free allowance option is eliminated.

For the 2018-22 term of Council it is recommended that the current pay structure remain in place with the following changes:

1. Increase the meeting rate for less than four hours from \$85 to \$90; if the one-third tax exemption is removed by the Federal Government the rate would be \$98.
2. Increase the meeting rate for over four hours from \$150 to \$160; if the one-third tax exemption is removed the rate would be \$173.
3. Increase the Council attendance rate from \$50 per meeting to \$55 per meeting; if the one-third tax exemption is removed the rate would be \$60 per meeting.

4. Increase the daily meal allowance to \$90 per day with receipts required totalling no less than the daily amount, and with the daily amount reduced where meals are provided at a rate of \$40 for supper, \$30 for dinner and \$20 for breakfast.
5. Continue with the base rate salaries for the Mayor, Deputy Mayor and Members of Council as follows:

Position	2018 rate	2019 rate (+-3.6% cola)	2019 rate without exemption
Mayor	\$16,411	\$17,012	\$18,373
Deputy Mayor	\$13,235	\$13,719	\$14,816
Councillor	\$11,117	\$11,524	\$12,446

The Municipal Act, 2001 section 283(7) requires that Council review their remuneration by-law at a public meeting at least once during the four-year term of office. Notice was given that Council would consider this matter. Due to the Federal government’s current position to remove the 1/3 tax exemption, It is recommended Council consider a remuneration by-law that addresses the impact of this change.

FINANCIAL

To maintain wages for all members of Council the same as 2018 without the tax free exemption, the annual cost to the municipality is estimated at about \$10,000 per year. The actual cost will depend on cost of living increase, meeting per diems claimed and changes to Canada Pension, Employment Insurance and other benefits. The calculations in this report are based on the lowest combined marginal tax rate. A particular individual member of Council could have a different net change in take-home pay depending upon their own personal tax situation.

Changes to remuneration structure made last term resulted in Council pay being slightly less overall depending on the individual member. Since the remuneration structure remains essentially the same as last term it is recommended new amounts are adopted for the 2018-22 term. The intent is to ensure base pay, per diems and other expenses are reasonable and reflect current procedures for standing committees and Council meetings. The added cost will be part of 2019 budget deliberations. If the new Council wants to revisit this matter it can always seek further public consultation and amend the bylaw.

RECOMMENDATION

THAT Council receives the Deputy Clerk, Treasurer and C.A.O. Clerk’s report ‘Remuneration 2018-22 Council Term; One-third tax exemption, that Council considers the Remuneration by-law term as well as the one-third tax-free allowance bylaws in open session.

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