

**CITY OF EDMONTON MEMBERS OF COUNCIL  
REMUNERATION AND BENEFITS REVIEW**

**January 26, 2000**

## **BACKGROUND**

The last comprehensive review of compensation for the Mayor and Councillors for the City of Edmonton occurred eleven years ago, in 1989. Since that time, a number of changes have occurred within the Alberta and Canadian marketplaces that reinforce the need to review and update these compensation and benefits packages. Accordingly, a five-member Independent Citizens' Committee (The Committee) was established with a mandate to make recommendations with respect to:

- Remuneration for Members of Council, including base salary and other forms of compensation;
- Participation of Members of Council in benefit plans, including, but not limited to group insurance, health, dental, short and long-term disability, and the cost sharing of premiums under these plans;
- Participation by Members of Council in a pension plan of similar value to that provided to employees of the City of Edmonton;
- The payment of other allowances, including resettlement benefits and/or expenses directly relating to the duties of Council Members; and
- A compensation policy outlining the process for future market adjustments to the remuneration of Members of Council.

The Committee was supported by the City of Edmonton's Human Resources Department and an independent external consultant selected by The Committee. The City of Edmonton Human Resources staff conducted research and provided raw data to The Committee; and the independent external consultant reviewed the data from a quality control perspective, facilitated the meetings of The Committee and documented the results of the deliberations. All of the recommendations contained in this report were developed by The Independent Committee.

## **APPROACH**

The approach used to complete the work of The Committee included the following key steps:

- The Committee held initial meetings to:
  - Review the terms of reference for the project;
  - Review existing background information and data;
  - Select their independent external consultant;

- Determine the information and research required to support their work;
  - Review the compensation and benefits survey instrument;
  - Reach agreement on the benchmark organizations to be surveyed; and
  - Establish project timelines and deliverables.
- City of Edmonton Human Resources staff completed the remuneration and benefits survey of the benchmark municipalities, documented the results and had these validated by the independent consultant.
- The Committee held four additional meetings in November, December and January at which:
- The findings and conclusions from the compensation and benefits survey were reviewed and discussed; and
  - The Committee members reached agreement on recommendations relating to cash compensation, benefits, perquisites, retirement and transition allowances, and other compensation related policy recommendations.
- The Committee's recommendations have been documented in this report which will be submitted to Council for review. (Appendix 1 details the list of documents and reports that The Committee reviewed and discussed as background for their recommendations.)

## **THE CHALLENGE**

The Committee felt strongly that the need for strong visionary leadership from our elected officials is critical as we position the City of Edmonton as a "smart city", ready to embrace the challenges and opportunities that the next century will present. The global marketplace, rapid advances in communications and information technology, increased downloading of responsibilities to municipalities, and rising expectations for service combined with decreased government grants, sets part of the context for this dynamic and challenging role.

To be effective, our elected officials need to be creative, flexible and innovative problem solvers. They need to be continuously learning, ensuring the currency of their knowledge about leadership and governance, planned growth, economic development, fiscal management, services to people, and municipal infrastructure. They need to be accessible and accountable to the electorate, effectively representing the views of citizens on important policy issues that affect the quality of life for individuals and families in our community. They must make complex

decisions that appropriately balance fiscal, legislative and operational realities with human needs and wants.

Within this leadership context, the Mayor and Council for the City of Edmonton are responsible for providing strategic and policy direction to a large public sector corporation with a staff of more than 7,300\* and a combined operating and capital budget of one billion dollars. Specifically, they are accountable to the citizens for:

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\* There were 7304 permanent full-time equivalent employees as of the pay period ending 09/Oct/1999.

- Establishing the long-term vision, strategic directions and goals for the municipality; and ensuring that the desired goals/results are being achieved;
- Developing and approving bylaws in accordance with the requirements of the *Municipal Government Act*;
- Ensuring that available resources are used responsibly to the optimum benefit of residents;
- Ensuring that high quality municipal services and programs are provided in a cost-effective manner;
- Ensuring effective communication with the public; i.e., reflecting public views on important issues as well as providing timely, accurate reporting to the public about the municipality's operations;
- Establishing policies which define the goals to be achieved, the parameters within which the City Manager and staff are to operate, Council - Executive relations, and Council processes;
- Recruiting the City Manager and providing ongoing feedback, including formal evaluation of administrative performance;
- Acting as ambassadors for the City, marketing and promoting the City as a great place to live and work; and
- Balancing the diverse values, aspirations, priorities and competing interests of the community.

## **FUNDAMENTAL PRINCIPLES**

The ability of the City to attract talented, community service oriented individuals to leadership roles as elected municipal officials profoundly affects what our community is now and what it will become in the future. In a democracy it is essential that every citizen should have the opportunity to seek public office. Therefore, when making decisions with respect to compensation policy it is important that compensation levels be adequate to allow a broad range of candidates to seek election. While a strong community service orientation is important, the City would not be served well if compensation levels limit access to public office to only those citizens who are sufficiently wealthy that they can afford to serve.

Accordingly, in arriving at the recommendations detailed in this report, The Committee attempted to ensure that the total compensation package for Members of Council would:

- Provide adequate compensation and benefits to enable a broad range of citizens from all walks of life to seek public office;
- Reflect the responsibilities, time commitments and accountability associated with the position;
- Consider the opportunity costs associated with interrupting one's career to serve in public office;
- Be comparable to equivalent positions in other jurisdictions across the country, while taking into account variations in the cost of living;
- Make appropriate provisions to support access by Members of Council to educational and professional development programs that facilitate increased effectiveness in fulfilling their leadership roles; and
- Enable compensation adjustments to be made on a prudent and regular basis.

It is also important to note that The Committee believes that being a Member of Council is a full time, demanding job that carries with it high expectations for performance and public accountability. The Committee's recommendations relating to compensation levels which follow, reflect the importance and high expectations associated with these critical leadership positions.

## RECOMMENDATIONS

### *Cash Compensation*

Recommendation: *That the City of Edmonton continue to pay cash compensation to their Members of Council entirely through an annual fixed salary.*

*Rationale:* Committee members favored a fixed annual salary with defined expectations for Members of Council, including expectations relating to committee roles and responsibilities. The Committee felt that fixed annual salaries were easier to administer and have less potential to be abused than the use of either per diems or a combination of fixed salary and per diems.

Recommendation: *That the City of Edmonton pay elected officials total annual cash compensation as detailed in Table 1 on the following page, with one third of this sum being tax exempt.*

Recommendation: *That no changes be made to the additional remuneration of \$300 paid councillors for each month of service in the capacity of Deputy Mayor.*

<b>TABLE 1: RECOMMENDED TOTAL 2000 CASH COMPENSATION</b>	
<i>Mayor's Cash Compensation</i>	<i>Councillors Cash Compensation</i>
<i>Annual Salary</i>	<i>Annual Salary</i>
<b>\$100,500</b>	<b>\$52,500</b>

*Rationale:* The considerations The Committee deemed most important in setting the cash compensation levels for Members of Council included:

- the last review of cash compensation for Members of Council occurred in 1989 and since that time economic conditions have changed considerably;

- the significant demands and responsibilities of the job;
- the importance of being able to attract a broad range of potential candidates for public office;
- the opportunity costs associated with serving as an elected official, i.e., disruptions to career, impact on retirement planning, potential reductions in income and impact on employee benefits; and
- comparisons with compensation levels paid by similar municipalities across Canada, including differences in the cost of living.

The Committee acknowledged the importance of the community service orientation that Members of Council must bring to the job. However, they felt that compensation levels must appropriately reflect the complexity, large commitment of time, loss of privacy, and the impact that the decisions made by Members of Council have on the quality of life for Edmonton's citizens.

In addition, The Committee noted that during the 10-year period from 1989 to 1998, Statistics Canada reports indicate that the Consumer Price Index for Edmonton rose by 24.2%; and the average weekly earnings in Alberta rose by 28.1%. (Data for 1999 was not available at the time that this report was prepared; however it will likely increase these percentages slightly.)

With respect to the tax exempt portion of the salary, one third of an elected official's salary (at all levels of government) has traditionally been tax exempt and the Committee decided not to recommend any changes to this practice.

### ***Benefits***

*Recommendation:* *That Members of Council 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).*

*Rationale:* The vast majority of both public and private sector employers provide comprehensive benefit packages for their employees that include all or some of the following benefits: life and accident insurance; long-term disability insurance; extended health; provincial health care; and dental care.

The Committee feels strongly that individuals, who serve as elected officials should not be penalized by having their benefits interrupted. It was also noted that the majority of the municipalities surveyed have linked the benefits of elected officials directly to the benefits packages for management exempt staff. This establishes a straight-forward and cost-effective mechanism for determining contribution levels and annual adjustments, and ensures that benefits coverage is not interrupted when a citizen becomes an elected official.

**Note:** Employee Benefit Package is defined in this recommendation as including: Group Life Insurance, Dependant Life Insurance, Long-term Disability, Extended Health, Provincial Health Care and Dental Care.

### ***Perquisites***

Committee members were of the view that perquisites made available to Members of Council should be limited to those areas critical to fulfilling their role as an elected official. Two areas were identified as meeting this requirement: business-related transportation and office support and equipment.

*Recommendation:* *That the current City of Edmonton policy of providing the Mayor a choice between having access to a City vehicle or a vehicle allowance for the Mayor's use be maintained.*

*Rationale:* Given the high profile that the Mayor is expected to maintain at City events and functions, the provision of a city vehicle or a vehicle allowance of comparable annual value for the Mayor is a cost-effective way of dealing with business-related transportation expenses.

*Recommendation:* *That Councillors be provided with a \$400 a month transportation allowance to offset the transportation costs associated with fulfilling their duties within the City of Edmonton and the region.*



*Rationale:* Councillors are expected to represent the City at numerous City, regional and ward functions. Given the number of scheduled events and the demands of the job, it is not uncommon for elected officials to attend several functions per week both within the City and within the larger Capital Region.

It is standard practice for public and private sector organizations to either pay a per/kilometer expense allowance or a flat transportation allowance to offset the costs associated with the use of personal vehicles for business related activities. The majority of the municipalities surveyed do provide either a monthly car allowance or mileage reimbursement for use of personal vehicles while on city business. The Committee was of the view that a standard \$400 a month transportation allowance closely approximates what the actual per/kilometer charges would be, while having the advantage of reducing the complexities of administering the policy.

*Recommendation:* *That the City continue to provide elected officials with administrative support and office equipment required to fulfill their obligations and responsibilities as elected officials within established budget constraints.*

*Rationale:* Elected officials need ready access to adequate administrative and research support, as well as the computer and communications equipment necessary to do the job.

### ***Retirement Benefits***

*Recommendation:* *That the City of Edmonton contribute an amount equal to 6% of the elected officials total annual salary to support retirement.*

*Rationale:* Elected officials in Edmonton were substantially below the survey jurisdictions with respect to retirement benefits. The Committee felt strongly that citizens who run for public office should not be penalized by having their retirement planning interrupted. Given the range of ages and circumstances of individuals serving as Members of Council, it is very difficult to recommend a specific fixed benefit pension plan or provide for a contribution to an RRSP that will meet the needs or be fair to all Members of Council. The cost of the proposed recommendation to the City would be comparable to

providing Members of Council access to the mandatory fixed benefit pension plan in which City employees participate.

### ***Transition Allowances***

*Recommendation:* *That the City of Edmonton Members of Council be provided with a severance payment upon the conclusion of their service. This severance allowance is to be equal to 2 weeks salary for each year served to a maximum of six months salary. Members of Council will not begin to accumulate credits under this provision until after the 2001 election.*

*Rationale:* Severance allowances serve the purpose of assisting individuals to bridge the period between the time that they leave a position until they re-enter the workforce in another position. Most severance allowances are linked directly to length of service and include a maximum pay out. In addition, most employees have access to Employment Insurance benefits to help bridge the gap during a transition to another job.

Members of Council currently do not have access to any severance or transition benefits; nor are they eligible for Employment Insurance benefits. The Committee felt that Members of Council should have access to some severance/transition support; however, they felt strongly that the provisions *should not be retroactive*. Having the current Council establish the policy for future Councils was viewed as a more appropriate and prudent way to manage the transition to this new policy.

### ***Other Compensation Policy Related Issues***

#### Regular Adjustments

*Recommendations:* The mechanism that The Committee is proposing to deal with regular adjustments to compensation and benefits has two distinct but interrelated recommendations. These include:

- *That cash compensation for Members of Council be adjusted on January 1<sup>st</sup> of each year by the same percentage increase or decrease as the Average Weekly Earnings for Alberta as reported by the Statistics Canada*

*survey of employment payroll and hours for the immediately preceding year.*

- *That the City establish a Council Compensation Commission, or similar independent body, every six years (or two Council terms) to do a comprehensive review of compensation levels, issues and policies relating to elected officials. The Commission could include representatives from labor, the business community, post secondary institutions, the judiciary and citizens at large. The Independent Compensation Commission would be appointed toward the end of the second Council term with their recommendations not coming into effect until after the next election.*

*Rationale:* Because of the politically sensitive nature of the issue, Members of Council are often reluctant to deal with salary adjustments for themselves. This is evidenced by the fact that the last time compensation levels were reviewed for Members of Council in Edmonton was in 1989 – more than 11 years ago. This can result in the compensation packages becoming significantly out of alignment with the marketplace and the need to make significant adjustments to bring them back into an acceptable and fair range. Basing annual cash compensation adjustments on an external objective index removes the need for Members of Council to be reviewing and approving their own salary adjustments on an annual basis, while still providing for adjustments that reflect changing economic circumstances.

Establishing a Compensation Commission provides for a more comprehensive and through assessment of the total compensation and benefits package for Members of Council. This allows an independent body to conduct sound market research and have an open discussion of key policy issues related to compensation for Members of Council every six years. This timeframe is reasonable if combined with the annual adjustments proposed to cash compensation. In the event that automatic annual adjustments were not built into the process, the Compensation Commission would have to review salaries toward the end of each Council term of office.

## Continuing Education

Recommendation: *Develop a partnership with the University of Alberta for the purpose of creating a university level educational program for elected municipal officials.*

*Rationale:* The Committee feels strongly that Members of Council must have access to a high quality educational program that is tailored specifically to meet their needs. The program could be developed in distinct but interrelated modules that address a range of issues and skill sets that are germane to their roles. While the program content should be determined based upon consultation with elected officials, senior municipal administrators, educators and other recognized experts in the municipal government field, potential areas of focus could include: governance and leadership; global economics; interpreting financial and pro forma statements; ethics and conflict of interest; policy development; information technology; economic development; land use planning and media relations.

Specific modules could be designed as mandatory or optional for newly elected officials depending upon the content focus. Provision should also be made to address the continuing education/ professional development needs of experienced councillors. Costs associated with having Members of Council participate in the program should be paid for by the City.

**APPENDIX A**

**SUPPORTING DOCUMENTS**  
**December 13, 1999**

**DOCUMENTS PROVIDED TO THE INDEPENDENT COMMITTEE  
TO SUPPORT THE REVIEW THE REMUNERATION AND BENEFITS OF  
MEMBERS OF COUNCIL**

1. Bylaw 12090 - Independent Committee to Review the Remuneration and Benefits of Members of Council, July 6, 1999
2. Administration Report – A Bylaw to Establish an Independent Committee to Review the Remuneration and Benefits of Members of Council, June 3, 1999
3. Administration Report – Independent Committee to Review the Remuneration and Benefits of Members of Council – Committee Appointments, June 29, 1999
4. Administration Report – Remuneration and Benefits for Councillors (M. Phair), April 16, 1999
5. Administration Report – Pensions for Mayor/Councillors (M. Phair), April 2, 1997
6. City of Edmonton Benefit Plans for Council Members
7. History of Council Remuneration (Overview)
8. Summary of Pension Plan Provisions for City of Calgary Elected Officials
9. Local Authorities Pension Plan Members’ Handbook (Pension Plan covering Municipal Employees in Alberta)
10. City of Mississauga – 1998 Mayor and Councillors’ Remuneration Survey
11. Members of the Legislative Assembly – 1994 MLA Total Compensation Survey
12. City of Winnipeg – Survey of Canadian Cities – 1998 Remuneration of Mayors and Councillors
13. Strathcona County – Elected Officials Compensation Review, November 1997
14. Municipality of Wood Buffalo – Compensation and Expense Policy for Members of Council
15. Town of Caledon – Members of Council Remuneration and Expense Allowance Resolutions

16. City of Phoenix – City Council Salaries

17. News Articles

- ✓ Councillors warned to be wary, Edmonton Journal, May 7, 1999
- ✓ Purves and the pay raise: How to come out smelling like a rose, Saint John's Edmonton Report, March 6, 1978
- ✓ Alberta Legislature Conquers Thorny Members' Pay Issue, The Parliamentarian, July 1999

18. Administration Report – Senior Management Team Salary and Benefits, October 1, 1999

19. Administration Report – Responsibilities of Members of Council and Members of the Legislative Assembly of Alberta, October 1, 1999

20. Administration Report – Tax Exemption for Elected Municipal Officials, November 9, 1999

21. Administration Report – Research Road Map, November 8, 1999

- ✓ Includes: Demographic and Economic Indicators, Housing Market Information, 1998 Residential Property Tax and Utility Survey, Municipal/Regional Property Tax Comparison for an Average Single Family House in 1999, Opportunity Cost Matrix, City Council Work Profile, Elected Officials Remuneration and Benefits Survey

22. Summary of Compensation and Benefits Survey Findings, November 18, 1999 (Western Management Consultants)

23. Council Representation on Civic Agencies and Other Associations, Miscellaneous Ad Hoc Committees and Special Task Forces

24. Administration Report - Role of the Deputy Mayor in Winnipeg, November 26, 1999

25. Administration Report – Length of Service for Members of Edmonton's City Council, November 26, 1999

26. Average Weekly Earnings (including overtime), Public administration, Canada, the provinces and the territories

27. Average Total Income of Persons Reporting Income for Edmonton, Calgary and Alberta
28. Daily Living Price Index
29. Flexible Spending Account



## **APPENDIX B**

### **FINANCIAL IMPLICATIONS OF RECOMMENDATIONS**

Benefits		Cost-Sharing	City's Cost
Proposed	1999 Total Family Premium Payable	Proposed	Annual Cost (Family)
Alberta Health Care	\$68.00 monthly	50% City	\$408.00
Major Medical	\$19.90 bi-weekly	50% City	\$259.70
Dental Plan	\$48.50 bi-weekly	65% City	\$822.93
Basic Group Life	\$0.086 per \$1,000	50% City	\$148.25 Councillor \$282.92 Mayor
Dependent Life	\$0.070 bi-weekly	100% Official	None
Optional Life	Based on age and sex and smoker versus non-smoker	100% Official	None
Long Term Disability	\$0.80% bi-weekly	100% Official	None

	Annual Cost	
	Current	Proposed
Mayor	\$1,518.62	\$1,773.55
Per Councillor	\$1,465.05	\$1,638.88
<b>Total Annual Cost</b>	<b>\$19,099.22</b>	<b>\$21,440.11</b>

3. *That Councillors be provided with a \$400 a month car allowance to offset the transportation costs associated with fulfilling their duties within the City of Edmonton.*

- Annual Cost per Councillor: \$ 4,800
- Total Annual Cost (12 Councillors): **\$57,600**
- Total Annual Cost of leased vehicle provided to the Mayor: \$ 8,500

4. *That the City of Edmonton contribute an amount equal to 6% of the elected officials annual salary to support retirement.*

	<b>Proposed Salary</b>	<b>Annual Cost of Proposal</b>
Mayor	\$100,500	\$6,030
Per Councillor	\$52,500	\$3,150
<b>Total Annual Cost</b>	<b>\$730,500</b>	<b>\$43,830</b>

5. *That the City of Edmonton Members of Council be provided with a severance payment upon termination of their service. This severance allowance is to be equal to 2 weeks salary for each year served to a maximum of six months salary. Members of Council will not begin to accumulate credits under this provision until after the 2001 election.*

➤ Mayor:

Two weeks salary: \$4,850.57 (\$100,500/26.1)  
Maximum (13 years): **\$50,250**

➤ Per Councillor:

Two weeks salary: \$2,011.49 (\$52,500/26.1)  
Maximum (13 years) **\$26,250**

6. *Develop a partnership with the University of Alberta for the purpose of creating a university level educational program for elected municipal officials.*

➤ Cost will depend on program design, program content and negotiations with the University of Alberta.