

2006 City of Edmonton Members of Council Compensation Review

Independent Council Compensation Committee
June 8, 2006

Background

In 1999, Edmonton City Council established the first ad hoc Independent Council Compensation Committee. One of that Committee's recommendations adopted by Council in January 2000 was that an Independent Compensation Committee be established every six years.

In keeping with this resolution, Council passed Bylaw 14180 on December 20, 2005 establishing the 2006 Independent Council Compensation Committee. The purpose of the Committee is to review and make recommendations on the remuneration provided to Members of Council, including base salary, other forms of compensation, benefits, pensions, other allowances and market adjustment policies. Members of Council are often reluctant to set their own compensation levels due to the sensitive political nature of the issue and the independent committee allows for an unbiased analysis of the total compensation package.

Members of the Committee consist of representatives from labour, the business community, post secondary institutions, the judiciary and citizens at large. Four of the representatives were nominated by specific organizations and the position of citizen at large by way of regular Council committee recruitment process.

The 2006 members are:

Phyllis Clark, University of Alberta
Hon. Alan T. Cooke, QC, Court of Queen's Bench, retired
Bill Faulkner, Edmonton Chamber of Commerce
Lance White, citizen-at-large, Vice Chair
Tom Olenuk, Edmonton & District Labour Council, Chair

Approach

The Committee held two initial meetings to:

- review the terms of reference for the project
- review existing background information
- determine the chair of the committee
- determine the information and research required to support decision making

- establish project timelines and deliverables
- review the fiscal responsibility of the Committee and commit to considering impacts on the City's fiscal and corporate objectives in all decision making

Extensive research was undertaken by City Administration at the direction of the Committee and a list of this research is found in Appendix B.

The Committee sought public input by placing information on the City website and running ads in the Edmonton Journal, Sun, and Examiner requesting submissions. Fifteen submissions were received discussing opinions on what is an adequate compensation to attract a full range of citizens from all walks of life to serve on City Council. Media articles, letters to the editor and comments made to the Citizen Action Centre were also monitored.

The Committee held four additional meetings for in-depth discussions of compensation and benefits, to review additional research and to produce final recommendations. The Committee's recommendations are submitted in this report and will be submitted to Council for approval.

Administrative support was provided to the Committee by David Edey, Cheryle Card, Tara West, and Lynn Long of the Office of the City Clerk; Sandra Shapitka of the Human Resources Branch; and Lori Yanish of the Communications Branch.

Guiding Principles

The Committee followed the guiding principles of Bylaw 14180 – Independent Council Compensation Committee. The guidelines are:

- Adequate compensation should be provided to attract a full range of citizens from all walks of life as candidates for public office;
- Remuneration should reflect the responsibilities, time commitments and accountability associated with being a member of Council;
- The City's fiscal and corporate objectives should be considered;
- Adjustments may need to be made on a prudent and regular basis;
- Remuneration should be comparable to that of equivalent positions in other legislative jurisdictions across the country and in the public sector of Alberta.

Recommendations

1. Salary:

1.1 Recommendation: That effective October 23, 2007, the City of Edmonton pay elected officials total annual compensation as detailed below, with the understanding that one third of this compensation is tax exempt as allowed by the Municipal Government Act and the federal Income Tax Act.

	Current Salary	Recommended Salary
Mayor	\$121,821	\$130,000
Per Councillor	\$63,638	\$72,000

Rationale:

As a review of compensation has not taken place in six years, the Committee felt it was important to bring the salary in line with demands and responsibilities of the job, changes in economic conditions, and opportunity costs associated with serving as an elected official.

The Committee took into consideration compensation in other municipalities of equivalent size such as Calgary, Ottawa, Winnipeg, Vancouver, Toronto, and Hamilton. The average population per Councillor in Edmonton is larger than most of the comparable cities and the Committee found the increase in salary justified and in comparison fell within an acceptable and fair range. The recommended salary also reflects a comparable salary to industry wages and is comparable to government managers and officials. The recommended salary is comparable to the equivalent provincial position of an Alberta MLA. MLA's base salaries increased to \$71,244 April 1, 2006 following their annual salary adjustment. MLAs are also compensated for serving on boards and committees and in 2005 base salaries and monies earned for sitting on committees ranged from \$73,274-\$92,872. The Committee felt that Council workload and time spent serving on boards and committees should be reflected in salary alone and not on a per board basis.

The annual fixed income allows for transparency to the public without hidden per diems that differ from Councillor to Councillor depending on individual participation level.

Following the guiding principle, remuneration should reflect the responsibilities, time commitments and accountability associated with being a member of Council. Members of Council work more than 50 hours a week and at least two nights a week and two weekends a month attending official functions. Attending functions is a necessary duty for Councillors to support community initiatives and communicate with constituents. These duties take valuable time away from a member of Council's family and friends and should be adequately compensated.

The recommended salary also needs to adequately reflect the responsibilities of serving as Deputy Mayor. Currently Councillors receive \$300 per month served, which is well below the amount Calgary, Winnipeg, and Vancouver compensate their Councillors for serving as Deputy Mayor.

One third of the salary has traditionally been tax exempt across all levels of government. The Committee decided to continue with this practice as it is an efficient approach to compensation mindful of tax legislation. The current system is to the benefit of Edmonton taxpayers.

1.2 Recommendation: That compensation continue to be adjusted effective the first pay of each year by the same percentage increase or decrease as the Alberta Average Weekly Earnings from September to September as reported by Statistics Canada survey of employment payroll and hours for the immediately preceding year.

Rationale: Basing annual compensation adjustments on an external index eliminates the need to review salary adjustments on an annual basis, while providing an effective mechanism to reflect the changing economy and cost pressures. Alberta MLAs and all municipalities surveyed with the exception of Ottawa, utilize an external index for an annual cost of living increase in salary.

Research also shows that Council increases using the Alberta Average Weekly Earnings are relatively equivalent to the overall union increases within the City of Edmonton.

2. Deputy Mayor Allowance:

2.1 Recommendation: That effective October 23, 2007, the City of Edmonton eliminate the additional remuneration of \$300 per month served paid to Councillors for serving as Deputy Mayor.

Rationale: The Committee agreed that by eliminating the Deputy Mayor Allowance and reflecting the Deputy Mayor workload in a fixed salary provides citizens with a more transparent Council compensation package. Deputy Mayor duties are evenly shared by all Councillors and are outlined in the job responsibilities made available to potential candidates and therefore should be compensated the same as other duties.

3. Retirement Benefits:

3.1 Recommendation: That effective the first pay period ending in July 2006, the City of Edmonton contribute an amount equal to 11% of the elected official's total annual salary to support retirement.

Rationale: Preparing for retirement is important to average citizens and it is no different for Members of Council. Members of Council are not able to participate in the Local Authorities Pension Plan due to the non-employee nature of their role and the short term of their service. The average term for a Councillor is nine years and the Committee believes that retirement planning should not be interrupted by running for office. The 11% contribution closely mirrors the employer's contribution that would be required if the member was participating in the Local Authorities Pension Plan. It also mirrors the contributions made by the City of Calgary to its elected official's pension plan. The Committee also considered the fact that Alberta

MLAs receive 50% of the current RRSP limit which is a value of \$9,000. The 11% contribution by the City is a value of \$7,000 per Councillor.

4. Car Allowance:

4.1 Recommendation: That effective the first pay period ending in July 2006, the monthly car allowance to offset the transportation costs associated with fulfilling their duties be increased to:

- a) \$1,040 for the Mayor or the choice of a City owned vehicle;*
- b) \$520 for Councillors.*

4.2 Recommendation: That effective the first pay period ending in July 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.

Rationale: Members of Council are required to use their personal vehicles to fulfill their duties within the City of Edmonton and the region. Further distances are required to be traveled due to growth in the City. Increased insurance, gas and vehicle purchase and maintenance costs have also occurred over the past six years, making it important to ensure that the allowance is consistent with current economic conditions.

In order for car allowance rates to be consistent for an extended period of time the Committee felt it was fair to use the same rate of increase or decrease as provided to City of Edmonton employees. A report provided by administration showed the per kilometer rate from 1999 to 2006 increased by 28.6%. The car allowance in 1999 was \$400 for Councillors and \$800 for the Mayor. If you inflate these amounts by 28.6% you get the rounded amounts of \$520 and \$1040, resulting in the Mayor's allowance being exactly double. The City of Edmonton

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

5. **Benefits:**

5.1 Recommendation: That 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.

Rationale: The Committee explored options of increasing elements of the existing City of Edmonton benefits package as well as creating a new package with Alberta Urban Municipalities Association. The Committee concluded that these were not valid alternatives due to the cost prohibitive nature of administering benefits for a small group of 13 members. By aligning benefits with the Management Exempt Group, it allows for cost effective administration of benefits as well as an effective mechanism for determining contribution and coverage levels.

5.2 Recommendation: That effective October 23, 2007, the City of Edmonton establish an annual flexible Health Spending Account for Members of Council in the amount of \$500.

Rationale: Industry trends in benefits coverage are leading towards flexible health spending accounts for employees. The spending account is flexible and attractive to all ages and stages of career. Members of Council could use the spending account funds to obtain reimbursement for eligible health care expenses not covered under the current benefit plans or for those members who aren't eligible for certain benefits due to age or health factors. A health spending account currently exists within the Edmonton Police Association; therefore, City administration has experience implementing and managing this type of benefit.

6. Transition Allowance:

6.1 Recommendation: That effective upon approval of this report, the City of Edmonton Members of Council be provided with a transition allowance upon the conclusion of their service equal to three weeks salary for each year served to a maximum of 36 weeks. That this transition allowance be retroactive to 2001 for current Members of Council.

Rationale: Members of Council are not always in control of when they leave office and the Committee recognizes it takes time for members to re-establish themselves back into the workforce. Employees in government and non-government agencies, when laid off or the position is phased out, would receive some transition allowance and are eligible to receive unemployment insurance benefits for this transition period. Members of Council are not eligible to receive these benefits. The Committee felt increasing the transition allowance by one week per year served allowed for fair remuneration comparable to other jurisdictions and Alberta MLAs, who receive three months salary for every year served.

7. Frequency of Independent Council Compensation Committee:

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

Rationale: As annual adjustments are in place, future Committees will only need to look at changes in the marketplace rather than cost of living increases. It was felt that frequency should be measured in Council terms of three years and that three years was too short a period for substantial marketplace changes to take place and nine years was too long and substantial changes could occur resulting in Council compensation being out of line with future economic standing.

Appendix A

Summary of Recommendations and Financial Implications

Summary of Recommendations

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Annual Financial Implications

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Recommendations	2006 Budget	2006 Increase	2007 Increase	2008 Increase	2008 Budget	Total Annual Cost Adjustment
1.1 Salary	885,477	-	20,790	87,733	994,000	108,523
2.1 Deputy Mayor	3,600	-	-	(3,600)	-	(3,600)
3.1 Retirement	53,128	22,901	23,661	9,650	109,340	56,212
4.1 Car Allowance	67,200	10,080	10,080	-	87,360	20,160
5.2 Health Spending	-	-	1,245	5,255	6,500	6,500
6.1 Transition	33,926	16,963	6,237	-	57,126	23,200
Total	1,043,331	49,943	62,012	99,039	1,254,325	210,994

One - Time Financial Implications

Year	2006	2007	2008	Total
6.1 Transition	73,844	26,859	-	100,703

Appendix B
Supporting Documents
Available at the Office of the City Clerk

Independent Council Compensation Committee

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