

# Report to Council



**Date:** May 28, 2018

**File:** o600-10

**To:** Acting City Manager

**From:** Divisional Director, Financial Services

**Subject:** Elected Officials RTC 2018 05 22 Council Remuneration.docx

Prepared by: Financial Analyst, Payroll & Internal Controls Manager

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## **Recommendation:**

THAT Council receives the report from the Divisional Director, Financial Services dated May 28, 2018 with respect to amendments for removal of the one third allowance for incidental expenses and an increase in remuneration to the Council Remuneration and Expense Bylaw effective January 1, 2019;

AND THAT Bylaw No. 11624 being the Amendment No. 10 to the Council Remuneration and Expense Bylaw No. 7547 be in advanced for reading consideration;

## **Purpose:**

To amend the Mayor and Council's annual indemnity by removing the one third allowance for incidental expenses and increasing the annual indemnity to reflect the loss in net pay resulting from the Federal Government's changes in legislation effective January 1, 2019.

## **Background:**

Currently the Federal Government allows elected officials to receive a non-accountable expense allowance which permits elected officials to receive one-third of their salary as non-taxable. This Federal allowance was intended to allow officials to cover incidental expenses without submitting receipts. The 2017 Federal Budget removed the elected officials non-accountable expense allowance effective January 1, 2019.

Since the City of Kelowna's Mayor and Councillors currently receive one third of their remuneration as a non-accountable expense this change will result in the one third being subject to tax and source deductions. The outcome of this change will be a reduction in net pay for the Mayor and each Councillor and an increase in City of Kelowna employer paid source deductions.

In order to offset Councils decrease in net pay an approximate increase for the Mayor is \$11,830 and each Councillor is \$3,050. The City of Kelowna's increase to employer paid source deductions would be approximately \$5,430. The proposed increase in the indemnity would take effect January 1, 2019 in order to align with the Federal Governments elimination of the allowance. The ongoing adjustment to the Mayor and Councillors annual indemnity for inflation would be effective January 1, 2020.

The City of Kelowna participated in a consultant's review engaged by the City of Prince George that included 2017 data from ten comparative Municipalities. The results show that the 2018 City of Kelowna's Council remuneration of \$95,695 for the Mayor and \$33,493 for each Councillor are at the 25<sup>th</sup> percentile compared to the other participating municipalities.

### Participants council members 2017 Salary

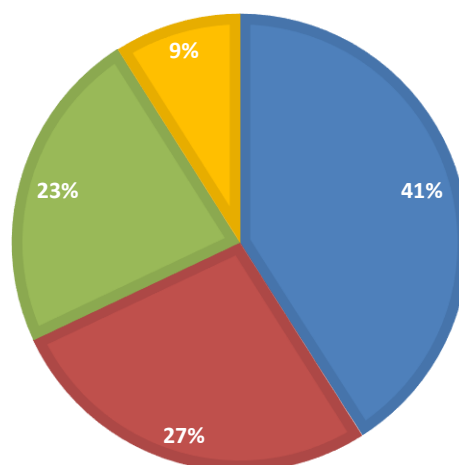
Statistics	Mayor	Councillor
Average	101,158	39,081
25th Percentile	95,330	35,538
Median	99,869	38,193
75th Percentile	101,392	40,554

Note that these salaries are 2017 and have not yet been adjusted to reflect the increases due to the elimination of the one third allowance.

Additional research was conducted on 22 municipalities to determine how they have or will be addressing the elimination of the non-accountable expense allowance. Approximately 68% of the municipalities have approved council remuneration increases directly or indirectly addressing the Federal Government's change or they plan to provide a recommendation of a remuneration increase.

### Increase Council Remuneration

■ Recommended ■ Approved ■ Undetermined ■ No Action



Of the Municipalities researched 27% have approved a percentage increase that is higher than what is currently being recommended. Staff recommend the Mayors current indemnity be increased by

\$11,830 and Councillors current indemnity be increased by \$3,050 effective January 1, 2019 and that increase for CPI inflation occur annually effective January 1, 2020 and thereafter. The 2019 provisional budget will include a provision to reflect these changes in funding.

**Internal Circulation:**

Human Resources, Divisional Director  
Financial Services, Divisional Director  
Financial Planning Manager  
Communication Advisor

**Financial/Budgetary Considerations:**

The 2019 provisional budget will include a request of \$41,660 to reflect these changes. The increase consists of the indemnity for the Mayor of \$11,830 and Councillors each of \$3,050, in addition to funding of \$5,430 for the City of Kelowna employer paid source deductions.

**Considerations not applicable to this report:**

**Internal Circulation:**

**Legal/Statutory Authority:**

**Legal/Statutory Procedural Requirements:**

**Existing Policy:**

**Personnel Implications:**

**External Agency/Public Comments:**

**Communications Comments:**

**Alternate Recommendation:**

Submitted by:

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