
TO: GENERAL COMMITTEE

SUBJECT: 2018 TO 2022 COUNCIL COMPENSATION

WARD: ALL

**FROM: J. DOLAN, CHAIR, ON BEHALF OF THE COUNCIL COMPENSATION
REVIEW COMMITTEE**

RECOMMENDED MOTION

1. That the following recommendations with respect to the 2018 to 2022 Council compensation matters, be adopted:
 - a) That the base rate of compensation for the Mayor remain at the current rate of \$93,729.05 per annum (plus any applicable annual economic adjustments for 2018 and effective January 1, 2019);
 - b) That effective January 1, 2019 the base rate of compensation for Members of Council be increased to \$33,814 per annum (plus any applicable economic adjustments for 2018 and effective January 1, 2019);
 - c) That the annual economic adjustment effective January 1, 2019 be calculated based on the annual economic adjustment provided to non-union staff in accordance with motion 15-G-242;
 - d) That effective January 1, 2020, the formula utilized to calculate any economic adjustment to the base rate of compensation for the Mayor and Councillors be the sum of (i) and (ii) as follows:
 - (i) the annual economic adjustment provided to non-union staff;
 - (ii) an indicator of the economic health of the citizens of Barrie, based on the rise or fall of the unemployment rate in the Barrie area relative to Ontario in the preceding year, calculated using the following formula:

$$A_y = (B_{(y-2)} - O_{(y-2)}) - (B_{(y-1)} - O_{(y-1)})$$

Where:

A = "Level of employment" factor to be applied as a modifier to the annual economic adjustment (%);

y = Year where base compensation adjustment will be applied;

B = Unemployment rate for Barrie Census Metropolitan Area (CMA) in October (%).

O = Unemployment rate for Ontario in October (%).

Subject to lower and upper boundaries for the sum of (i) and (ii) of -0.75% and +2.25% respectively.

and as further illustrated in Appendix "A" to the Council Compensation Review Committee Report CCRC001-17;

- e) That notwithstanding the above, City Council may authorize a lesser increase for the annual economic adjustment applied to the compensation of the Mayor and members of City Council, subsequent to finalization of the non-union economic adjustment; and
- f) That upon the Federal government's elimination of the one-third tax free allowance on remuneration paid to the elected Members of Council and its local boards, the base rate of compensation be adjusted for members of Council to ensure that the same net compensation amount (take home compensation) is received and should the regulations permit, the adjustment be made over more than one year.

PURPOSE & BACKGROUND

Report Overview

- 2. The purpose of this report is to provide General Committee with a recommendation concerning the base rate of compensation for the 2018 to 2022 members of Council. The Committee has also recommended a new approach to the calculation of any annual economic adjustment in an attempt to reflect the economic health of the community.

Background

- 3. On January 16, 2017, City Council adopted motion 17-G-004 establishing the Terms of Reference for a Council Compensation Review Committee. In accordance with motion 17-G-004, the mandate of the Council Composition Review Committee is to undertake an examination of Council compensation related to Mayor and Councillor base honoraria only.
- 4. The Council Compensation Review Committee was required to report back to General Committee with a recommendation related to the base honoraria for the position of Mayor and Councillor for the 2018 to 2022 Term of Council, subject to the following parameters:
 - a) The Council Compensation Review Committee shall utilize a minimum of 10 communities for comparison purposes, including communities with populations no less than 100,000 and no more than 200,000 as well as a mix of single and lower tier municipalities;
 - b) Any average or median shall be calculated after adjusting for the one-third tax free allowance;
 - c) That the base rate of compensation associated with the honorarium for the Mayor and members of Council be increased annually by any economic adjustment provided to non-union staff;
 - d) That notwithstanding the above, City Council may authorize a lesser increase for the annual economic adjustment applied to the compensation of the Mayor and members of City Council, subsequent to finalization of the non-union economic adjustment; and
 - e) Additional honorarium or compensation shall not be paid to members of Council for their appointment to committees, boards and commissions or attendance at such meetings, with the following exceptions:
 - i) The Mayor shall be permitted to accept honoraria or compensation associated with his/her appointment to the Board of Directors of Alectra (formerly referred to as "MergeCo"); and
 - ii) A member of Council shall be eligible to receive reimbursement from a committee, board, or commission for reasonable expenses or per diems associated with meals, hotel accommodation, parking and/or travel expenses incurred in his/her role on the committee, board or commission.

5. On January 30, 2017, Council adopted motion 17-G- 021 regarding the appointments to the Council Compensation Review Committee:

“17-G-021 APPOINTMENTS TO THE COUNCIL COMPENSATION REVIEW COMMITTEE

That Jay Dolan, Steve Kinsella, Brian Langman, Tom Roberts, and Angela Wiggins be appointed to the Council Compensation Review Committee for a term of office to expire upon Council consideration of the Committee’s final report.”

ANALYSIS

6. The Council Compensation Review Committee has met on six occasions to review compensation related matters.
7. The Committee supported the establishment of a compensation philosophy to use as a guiding principle in the development of the Committee’s recommendations. The philosophy supports compensating Members of Council using the median of the comparator municipalities. Median was utilized as it is less susceptible to outliers and extreme values.
8. The Committee believes that compensation should be appropriate to reflect the demanding nature and responsibilities that result from holding a public office. Compensation should be reasonable to both Council and the citizens of Barrie and to attract strong candidates to local government. Although this matter was not specifically included in the Committee’s mandate, it also believes that the economic conditions that the residents of the City of Barrie are facing should be reflected in any economic adjustment of compensation.

Comparator Municipalities:

9. In accordance with the direction provided by City Council, the following municipalities were determined to be potential comparators as their populations were in the range of 100,000 to 200,000:

- | | |
|-----------------|-------------------|
| • Ajax | • St. Catharines |
| • Cambridge | • Kingston |
| • Richmond Hill | • Guelph |
| • Chatham-Kent | • Milton |
| • Oakville | • Waterloo |
| • Oshawa | • Greater Sudbury |
| • Burlington | • Thunder Bay |
| • Whitby | |

10. A survey was completed of the above municipalities requesting information about their population, size of Council, whether members received 1/3 tax free and whether they were single tier or lower tier governments. It is important to note that Barrie’s review of its Council compensation for the 2018 to 2022 term of office is occurring prior to a number of the comparators.

11. To reduce the impact of outlier results, the two municipalities with the highest and lowest base rates of honoraria for the position of Mayor were removed from the comparator list. As a result, the Committee believes that the following municipalities are comparable to Barrie.

**Survey Municipalities
2016 population numbers**

Municipality	Population (2016 census)	1/3 Tax Free	Single Tier/Lower Tier
Ajax	119,677	Yes	Lower
Guelph	131,794	Yes	Single
Cambridge	129,920	Yes	Lower
Richmond Hill	195,022	No	Lower
St. Catharines	133,113	Yes	Lower
Oshawa	159,458	Yes	Lower
Burlington	183,314	No	Lower
Whitby	128,377	Yes	Lower
Kingston	123,798	Yes	Single
Thunder Bay	107,909	Yes	Single
Chatham-Kent	101,647	Yes	Single
Milton	110,128	Yes	Lower
Waterloo	104,986	Yes	Lower
Median Population	128,377	11 of 13 comparators provide 1/3 tax free allowance	4 of 13 comparators are single tier
Barrie	141,434	Yes	Single

12. The comparator group of municipalities have populations ranging from a low of 101,647 to a high of 195,022 (median population of 128,377). The majority of the municipalities are part of a two tier system with four single tier municipal comparators. This mix of single and lower tier municipalities is in accordance with the direction provided by City Council.
13. All but two of the comparator municipalities provide one-third tax free allowance. The honoraria for Richmond Hill, and Burlington have been adjusted to reflect the removal of the one-third tax free allowance to provide a true comparison to the honoraria of the municipalities that have maintained the one-third tax free allowance.
14. Compensation for the regional level appears to be allocated between the region and the lower tier in differing manners depending on the municipality. According to the survey responses, the cost of the regional level may be paid for exclusively by the local residents, shared between both local and regional level or by the regional level exclusively.
15. Due to the variety of methods used to allocate the costs of the regional level compensation, the Committee felt that the regional level compensation should be excluded for comparison purposes.

Base Honoraria

16. The Mayor Honoraria Comparison Survey summarizes the base honoraria information for the position of Mayor for the comparator municipalities (adjusted to reflect all as 1/3 tax free):

Mayor Honoraria Comparison Survey

Municipality	Base Honoraria (not including any regional compensation)	Regional compensation (if applicable)
Ajax	\$89,025.00	\$53,000
Guelph	\$109,004.00	Not applicable
Cambridge	\$73,163.00	\$41,754
Richmond Hill	\$69,750.00	\$54,563
St. Catharines	\$87,166.98	Amount not provided
Oshawa	\$94,588.00	\$53,925
Burlington	\$87,000.00	\$48,901
Whitby	\$88,392.00	\$54,289
Kingston	\$89,907.00	Not applicable
Thunder Bay	\$80,000.00	Not applicable
Chatham-Kent	\$83,056.00	Not applicable
Milton	\$81,948.00	\$46,308
Waterloo	\$78,830.00	\$41,754
Median	\$87,166.98	
Barrie	\$93,729.05	Not applicable

17. The survey results indicate that the median rate of compensation paid to the Mayors of the comparator municipalities is \$87,166.98. Based on the survey comparators, the base compensation for the Mayor of the City of Barrie is slightly higher than the median of the comparator municipalities. However, in the majority of the comparators, the Mayors are also receiving compensation for the regional level. The responsibilities of a Mayor in a single tier municipality have a broader scope than those in solely either an upper or lower tier level. The Committee feels that this additional scope should be reflected in the determination of the Mayor's base compensation.
18. The Committee therefore recommends that the rate of compensation for the Mayor remain at \$93,729.05, plus any applicable annual economic adjustments.

19. The Comparison Survey summarizes the base honoraria information for the position of Councillor for the comparator municipalities (adjusted to reflect all as 1/3 tax free), as follows:

Municipality	Base honoraria
Ajax	\$36,779.00
Guelph	\$34,398.02
Cambridge	\$29,675.00
Richmond Hill	\$53,250.00
St. Catharines	\$20,149.87
Oshawa	\$38,946.00
Burlington	\$42,100.00
Whitby	\$36,875.00
Kingston	\$29,260.00
Thunder Bay	\$28,000.00
Chatham-Kent	\$26,542.00
Milton	\$33,814.00
Waterloo	\$32,025.00
Median	\$33,814.00
Barrie	\$31,666.00

20. The survey results indicate that the median rate of compensation paid to Councillors of the comparator municipalities (lower tier only for two tier municipalities) is \$33,814.00. Based on the survey comparators, the honoraria level for Councillors of the City of Barrie is \$2,148 less (over 6% less) than the median of the comparator municipalities (not including any additional funds that some Councillors in two tier governments may be paid by the regional level).
21. The Committee further recommends that the base rate of compensation for Councillors be increased to \$33,814 (plus any applicable annual economic adjustments), an increase of 6.8% to the base rate to reflect the median of the comparator municipalities. While the percentage increase may appear relatively significant at over 5%, it is important to note that the previous Council Compensation Review Committee recommended increases to the base rate of compensation for Councillors in 2010 and Council did not adjust the rate of compensation.
22. The additional cost to the municipality would be \$85,920.00 over the four year term, excluding any economic adjustments.

Annual Economic Adjustments to Compensation

23. The current Council policy provides for the base rate of compensation associated with the honorarium for the Mayor and members of Council to be increased annually by any economic adjustment provided to non-union staff. City Council may authorize a lesser increase for the annual economic adjustment applied to the compensation of the Mayor and members of City Council, subsequent to finalization of the non-union economic adjustment.

24. Although this matter was not included in the mandate of the Committee, the Committee is recommending that a new formula be utilized to determine any annual economic adjustment to reflect the economic health of the community. The following is the formula that the Committee is recommending:

The sum of (i) and (ii) as follows:

- (i) the annual economic adjustment provided to non-union staff;
- (ii) an indicator of the economic health of the citizens of Barrie, based on the rise or fall of the unemployment rate in the Barrie area relative to Ontario in the preceding year, calculated using the following formula:

$$Ay = (B(y-2) - O(y-2)) - (B(y-1) - O(y-1))$$

Where:

A = "Level of employment" factor to be applied as a modifier to the annual economic adjustment (%);

y = Year where base compensation adjustment will be applied;

B = Unemployment rate for Barrie Census Metropolitan Area (CMA) in October (%).

O = Unemployment rate for Ontario in October (%).

Subject to lower and upper boundaries for the sum of (i) and (ii) of -0.75% and +2.25% respectively.

Note: Unemployment data to be obtained from Statistics Canada.

25. Appendix "A" to this report includes detailed examples of the application of the proposed formula.
26. The Committee appreciates that actions taken (or not taken) by the Mayor and Councillors may not have a causal effect on the rate of unemployment in Barrie. Unemployment rate is affected by many factors; many of which are beyond the control of the Mayor and Councillors. The proposed formula also uses unemployment statistics for the Barrie Census Metropolitan Area, which includes Springwater Township and the Town of Innisfil. The Committee acknowledges the inclusion of Springwater and Innisfil in the Census Metropolitan Area, however it felt that the approach still provides a reasonable approximation of the economic health of Barrie's citizens.
27. A maximum lower and upper boundary for the economic adjustment has been included as -0.75% and 2.25% respectively, reflecting 1.5 times the adjustment provided during each of the past three years.

Example utilizing the Mayoral position's compensation:

	Mayor
Base amount - 2019	93,729.05
Annual economic adjustment provided to non-union staff per Council policy	1.5%
"Level of employment" modifier reflecting the rise or fall of unemployment in Barrie relative to Ontario in the preceding year	-0.4%
Net economic adjustment to be applied to base	1.1%
New base rate	\$94,760.07

Federal Government Changes to One-Third Tax Free

28. The Federal Government has recently announced that it will be eliminating the one-third tax free allowance on remuneration paid to the elected Members of Council and its local boards deemed as expenses incidental to the discharge of their duties as Members of City Council or local board. To date, the information provided has only indicated that this adjustment will be made no later than 2019.
29. As such, the Committee is recommending that should the one-third tax free allowance be removed, the base rate of compensation for members of Council be adjusted to eliminate any net impact to the take home pay of members of Council. It is the Committee's opinion that spreading any elimination of the one-third tax free allowance over more than one year would be preferred, as it would reduce the impact on the tax base. However, that may not be available, depending on the implementation provisions in the legislation.

ENVIRONMENTAL MATTERS

30. There are no environmental matters related to the recommendation.

ALTERNATIVES

31. Acceptance of the recommendations brought forward by the Committee is at Council's discretion. The members of the Committee, who have a broad range of human resource, consulting and financial management experience, believe that the recommendations related to base compensation reflect commonly accepted compensation practices found in other Ontario municipalities and in other private and public sector organizations. Adjusting for the economic health of the community has been undertaken in other municipalities and the private sector.
32. The Committee recommends parity with other similar municipalities when establishing the compensation rates for Members of Council is in the long-term best interest of the municipality.
33. There are five alternatives available to General Committee in regard to this report:

Alternative #1

General Committee could recommend that the status quo remain with respect to Council members' compensation.

This alternative is not recommended as the Committee believes that the honoraria adjustments are necessary to remain consistent with the amounts paid to Members of Council in other comparable communities.

Barrie's review of its Council compensation for the 2018 to 2022 term of office is occurring prior to a number of the comparators.

The Committee feels that if the compensation level is not addressed by this Committee and remains the same in effect until the next Municipal Election in 4 years, the honoraria disparity compared to other similar municipalities would increase dramatically and could result in a large spike in compensation costs at that time.

Alternative #2

General Committee could recommend that the Mayor's base rate of compensation be adjusted to reflect the regional compensation provided in two-tier structures.

This alternative is not recommended as there isn't an empirically defensible manner to calculate the appropriate compensation for the regional level. The Mayor's current salary is currently slightly higher than comparators and the Committee felt that this difference provided a small measure of compensation for the regional level salary.

Alternative #3

General Committee could recommend that the difference in the Councillor base compensation rate of \$2,148 be phased in over the 2018 to 2022 term of Council (eg. annual economic adjustment + an additional \$537/year over 4 years).

As compensation for Barrie Councillors is already below that of comparator municipalities, phasing in the honoraria difference could increase the disparity.

Alternative #4

General Committee could recommend that the annual economic adjustment not be further adjusted to reflect the economic health of Barrie citizens and rely on the existing Council policy.

The Committee would suggest that if the recommendation for a new formula for calculating any annual economic adjustment is not accepted, General Committee consider unemployment rate levels in the community when determining if a lesser increase than provided to non-union staff should be applied.

It is noted that as with Alternative #1, should General Committee decide on this alternative, because other municipalities' adjustments generally do not modify adjustments based on unemployment rate, it is possible that the end result of this over time may create disparity between the City of Barrie base rate and the median of other municipalities, either lower (in the case of a trend of higher unemployment rates than Ontario) or higher (in the case of lower unemployment rates than Ontario).

Alternative #5

General Committee could recommend that when the Federal Government implements the elimination of the one-third tax free allowance, no adjustment be made to base compensation.

The Committee adjusted for the one-third tax increase in determining the median and recommended base compensation. Therefore if the one-third tax free allowance is eliminated, and increases to Council base compensation are made to offset the tax impact, it is expected that the revised base compensation would still be comparable. As such, the Committee does not recommend this alternative as it is highly unlikely that this approach will be used by comparator municipalities. Barrie City Council members shouldn't be penalized as a result of a Federal Government decision.

FINANCIAL

34. The following chart summarizes the current versus projected costs based on the recommendations:

	Mayor	Councillor
Current	\$93,729.05	\$31,666.40 or \$316,664 for all Councillors
Total amount for the 2018 to 2022 term of Council with status quo compensation (without any applicable economic adjustment)	\$374,916.20	\$1,266,656.00
January 1, 2019	\$93,729.05 + any applicable economic adjustments	\$33,814 + any applicable economic adjustments (or \$338,140 for all Councillors)
Total amount for the 2018-2022 term of Council as per the Committee's recommendation (without any applicable economic adjustments)	\$374,916.20	\$1,352,560.00
Difference between status quo and recommended change to compensation for the four year term (without any applicable economic adjustments)	\$0.00	\$85,904.00

LINKAGE TO 2014-2018 STRATEGIC PLAN

35. The recommendation(s) included in this Staff Report are not specifically related to the goals identified in the 2014-2018 Strategic Plan.

The Committee gratefully acknowledges the support provided by staff during its mandate.

Respectfully submitted by the Council Compensation Review Committee:

Jay Dolan, Chairman

Steve Kinsella

Brian Langman

Tom Roberts

Angela Wiggins

APPENDIX "A"

PROPOSED ECONOMIC ADJUSTMENT FORMULA FOR BARRIE CITY COUNCIL (2018 – 2022 TERM) - BASED ON YEAR-OVER-YEAR DIFFERENCE IN UNEMPLOYMENT RATE BETWEEN BARRIE AND ONTARIO

PROPOSED FORMULA:

The sum of (i) and (ii) as follows:

- (i) the annual economic adjustment provided to non-union staff;
- (ii) an indicator of the economic health of the citizens of Barrie, based on the rise or fall of the unemployment rate in the Barrie area relative to Ontario in the preceding year, calculated using the following formula:

$$A_y = (B_{(y-2)} - O_{(y-2)}) - (B_{(y-1)} - O_{(y-1)})$$

Where : **A** = "Level of employment" factor to be applied as a modifier to the annual economic adjustment (%);
 y = Year where base compensation adjustment will be applied;
 B = Unemployment rate for Barrie Census Metropolitan Area (CMA) in October (%).
 O = Unemployment rate for Ontario in October (%).

Subject to lower and upper boundaries for the sum of (i) and (ii) of -0.75% and +2.25% respectively.

Note: Unemployment data to be obtained from Statistics Canada:
<http://www5.statcan.gc.ca/cansim/a26?id=2820135>

EXPRESSION OF PROPOSED RISE OR FALL OF UNEMPLOYMENT RATE FORMULA FOR YEAR 2020:

$$A_y = (B_{(y-2)} - O_{(y-2)}) - (B_{(y-1)} - O_{(y-1)})$$
$$A_{2020} = (B_{2018} - O_{2018}) - (B_{2019} - O_{2019})$$

EXPRESSION OF PROPOSED RISE OR FALL OF UNEMPLOYMENT RATE FORMULA FOR YEAR 2021:

$$A_{2021} = (B_{2019} - O_{2019}) - (B_{2020} - O_{2020})$$

EXPRESSION OF PROPOSED RISE OR FALL OF UNEMPLOYMENT RATE FORMULA FOR YEAR 2022:

$$A_{2022} = (B_{2020} - O_{2020}) - (B_{2021} - O_{2021})$$

EXAMPLE CALCULATION FOR YEAR 2020 – BARRIE UNEMPLOYMENT RISES RELATIVE TO ONTARIO:

Example Data: $B_{2018} = 5.6\%$, $O_{2018} = 5.5\%$, $B_{2019} = 6.2\%$, $O_{2019} = 5.7\%$.

$$\begin{aligned}A_{2020} &= (B_{2018} - O_{2018}) - (B_{2019} - O_{2019}) \\A_{2020} &= (5.6\% - 5.5\%) - (6.2\% - 5.7\%) \\A_{2020} &= 0.1\% - 0.5\% \\A_{2020} &= - 0.4\%\end{aligned}$$

In this case, the “Level of Employment” modifier is – 0.4% reflecting the greater year over year increase in unemployment in the Barrie CMA relative to Ontario. This modifier is placed in the table on Paragraph 24 of the draft Staff Report, resulting in a net economic adjustment of + 1.1% (1.5% adjustment per Council policy – 0.4% “Level of Employment” modifier).

EXAMPLE CALCULATION FOR YEAR 2020 – BARRIE UNEMPLOYMENT RISES LESS THAN THAT IN ONTARIO:

Example Data: $B_{2018} = 5.6\%$, $O_{2018} = 5.5\%$, $B_{2019} = 5.7\%$, $O_{2019} = 6.2\%$.

$$\begin{aligned}A_{2020} &= (B_{2018} - O_{2018}) - (B_{2019} - O_{2019}) \\A_{2020} &= (5.6\% - 5.5\%) - (5.7\% - 6.2\%) \\A_{2020} &= 0.1\% - (-0.5\%) \\A_{2020} &= + 0.6\%\end{aligned}$$

In this case, the “Level of Employment” modifier is + 0.6% reflecting the lesser year over year increase in unemployment in the Barrie CMA relative to Ontario. This modifier is placed in the table on Paragraph 24 of the draft Staff Report, resulting in a net economic adjustment of + 2.1% (1.5% adjustment per Council policy + 0.6% “Level of Employment” modifier).

EXAMPLE CALCULATION FOR YEAR 2020 – NO NET CHANGE IN UNEMPLOYMENT RATE BETWEEN BARRIE AND ONTARIO:

Example Data: $B_{2018} = 5.6\%$, $O_{2018} = 5.5\%$, $B_{2019} = 5.7\%$, $O_{2019} = 5.6\%$.

$$\begin{aligned}A_{2020} &= (B_{2018} - O_{2018}) - (B_{2019} - O_{2019}) \\A_{2020} &= (5.6\% - 5.5\%) - (5.7\% - 5.6\%) \\A_{2020} &= 0.1\% - 0.1\% \\A_{2020} &= 0.0\%\end{aligned}$$

In this case, the “Level of Employment” modifier is 0.0% reflecting no net change in year over year unemployment in the Barrie CMA relative to Ontario. This modifier is placed in the table on Paragraph 24 of the draft Staff Report, resulting in a net economic adjustment of + 1.5% (1.5% adjustment per Council policy + 0.0% “Level of Employment” modifier).