

City of Yellowknife

Review of Council Remuneration

September 2018

Sainas Consult Inc.

CITY OF YELLOWKNIFE
REVIEW OF COUNCIL REMUNERATION

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TABLE OF CONTENTS

INTRODUCTION	1
SURVEY FINDINGS	4
MAYOR AND COUNCIL ANNUAL REMUNERATION	4
DEPUTY MAYOR/ACTING MAYOR PAY	5
SURVEY PARTICIPANTS' PLANS REGARDING THE TAX-FREE ALLOWANCE	6
APPROACHES FOR SETTING COUNCIL REMUNERATION	8
POLICIES AND PRACTICES FOR ANNUAL ADJUSTMENTS TO COUNCIL REMUNERATION	8
RECOMMENDATIONS	9
REMUNERATION	9
ANNUAL ADJUSTMENTS	10



INTRODUCTION

The City of Yellowknife requested independent consulting assistance to conduct a review of Council remuneration to address the following:

1. **Changes to tax legislation relating to the tax-free allowance.** The MOA is a portion of the remuneration for elected officials that is currently received as a tax-free allowance for income tax purposes. The allowance is meant to offset the expenses related to carrying out the duties of elected office, and relieves the elected official from having to maintain detailed records of business expenses which would then be deducted from income for tax purposes. This provision will change in the 2019 tax year, when the remuneration paid to elected officials will be fully taxable. Council wished to determine whether adjustments should be made to remuneration levels in light of the new tax legislation.
2. **Approaches for annual adjustments to Council remuneration.** The current Council remuneration policy stipulates that the remuneration is to be reviewed annually and adjusted based on the lesser of: a) the negotiated annual increment for City of Yellowknife PSAC Local X0345 or, b) the average of the Consumer Price Index (CPI) and the negotiated annual increment for City of Yellowknife Local X0345. Council wished to investigate alternatives that would avoid linking Council remuneration adjustments with inflation and/or PSAC negotiated increases.
3. **Competitiveness of Council remuneration.** As it would be inappropriate to develop recommendations for adjusting remuneration to offset the tax changes without looking at the actual levels of remuneration, we also reviewed the market for Mayor and Council remuneration amounts. The current remuneration for the Mayor and Councillors at the City of Yellowknife are \$116,883.94 and \$26,600.23 respectively, including both the salary and MOA (municipal officer's allowance). This review will identify whether the current level of remuneration for the Mayor and Councillors is appropriate, taking into consideration the requirements of the positions when compared with similar municipalities

This review is intended to recommend appropriate remuneration rates and practices which would come into effect for the next term of Council.

The project involved a survey of a number of comparison municipalities for the following information as it pertains to the Mayor and Councillor positions:

- Current annual remuneration;
- Approaches for determining annual adjustments to pay; and,
- How the municipality is addressing the elimination of the tax-free allowance; and,
- The anticipated 2019 fully taxable remuneration.

We also collected information on the incidence and cost-sharing of benefits premiums and whether pensions or retirement benefits are provided. Some municipalities choose to include analyses of travel and expense policies, other related compensation practices, and/or comparative workloads. The time line available for this project did not accommodate these additional tasks.

COMPARISON ORGANIZATIONS

Further to discussions with the City, the following considerations were identified as relevant to the selection of comparison organizations:

- Size of municipality in terms of population, geographic area, number of staff, and operating budget;
- Region (northern community); and/or,
- A province/territory capital city.

The review included a survey of the following municipal organizations:

Table 1 – Comparison Municipalities

Municipality	Approx. FTE Staff	Geographic Size (sq km)	2016 Census Population	2018 Operating Budget	Rationale for Selection as Comparator
City of Dawson Creek, BC	125	24.4	12,978	\$40,910,828	These are northern communities, they bracket Yellowknife in population, geographic size, and operating budget Whitehorse is the capital of Yukon
City of Fort St. John, BC	231	22.69	20,155	\$59,231,379	
City of Whitehorse, YT	377	416.5	25,085	\$77,188,809	
City of Grande Prairie, AB	651	132.7	63,166	\$207,841,117	Northern community in Alberta
Regional Municipality of Wood Buffalo, AB	n/a	61,777.6	71,589	\$774,600,000	Northern community in Alberta; The Regional Municipality of Wood Buffalo is located in the northeast corner of Alberta, Canada. It is the second- largest municipality in Canada. It includes the urban centre of Fort McMurray and nine rural communities
City of Prince George, BC	630	318.3	74,003	\$131,100,000	The largest municipality in Northern BC and is often referred to as “BC’s Northern capital”
City of Victoria, BC	800	19.47	84,289	\$233,300,000	The Capital of BC
Median (middle value)	504	133	63,166	\$131,100,000	
Average	469	8,959	50,181	\$217,738,876	
Yellowknife, NT	230	136.2	19,569	\$52,245,000	

Alberta's capital, Edmonton, is not an appropriate comparator due to its population size. Iqaluit (population 7,740) was invited to participate in the review but did not respond to our requests.

Each of the municipalities was sent a questionnaire seeking the desired information. Where necessary, we followed up with the participants to ensure the data was current and complete. We then tabulated and analyzed the data and prepared this report.

The data collected in the survey is current as at September 2018.

SURVEY FINDINGS

This section contains the results of the survey.

MAYOR AND COUNCIL ANNUAL REMUNERATION

The current annual 2018 Mayor and Councillor remuneration amounts are shown in the table below. These amounts include the indemnity plus MOA, where applicable. All of the comparison Mayors are considered full time positions.

Table 2 – 2018 Remuneration (Indemnity plus MOA)

Municipality	Mayor - 2018	Councillor - 2018	
City of Grande Prairie, AB	\$103,108	\$56,375	<i>Fully taxable</i>
City of Victoria, BC	\$104,231	\$41,692	<i>Fully taxable</i>
City of Dawson Creek, BC	\$61,215	\$20,813	
City of Fort St. John, BC	\$81,000	\$30,375	
City of Prince George, BC	\$103,218	\$33,432	
City of Whitehorse, YT	\$87,942	\$20,496	
Regional Municipality of Wood Buffalo, AB	\$133,384	\$39,283	
Median	\$103,108	\$33,432	
Average	\$96,300	\$34,638	
City of Yellowknife, NT	\$116,884	\$26,600	

The median ratio of 2018 Councillor remuneration to Mayor amongst the survey participants is 34%. The City of Yellowknife ratio of Councillor to Mayor remuneration is about 23%.

DEPUTY MAYOR/ACTING MAYOR PAY

Four of the comparison municipalities do not provide additional pay to Councillors for acting in the Mayor's absence. Two offer per diems and one provides \$500 per month for acting. Typically, the role is shared amongst the Councillors on a rotating basis.

The City of Yellowknife has a Deputy Mayor that acts in the Mayor's absence. The additional remuneration for the position for 2018 approximately \$2,356 annually (2/3 is presently taxable).

BENEFITS AND PENSION

Four of the comparison organizations pay most of the premiums for all or most of the Mayor and Council benefits. A fifth pays the premiums for the Mayor's benefits only and the Councillors pay their own. The other two municipalities (in British Columbia) require Council members to pay the premiums if they opt into the benefits plans (except for accident insurance, which is typically paid by the municipality). A summary of the benefits provided is shown below:

Table 3 – Summary of Benefits Provided

Municipality	Benefits Summary
City of Fort St. John	Group life, AD&D, Extended health, MSP, Dental; premiums 100% paid by the City; also a \$500 annual health and wellness allowance.
City of Whitehorse	Council members are entitled to benefits including Extended Health Care, Dental Care, Short-term Disability (Weekly Accident Indemnity for Councillors), Long-term Disability (provided to Mayor only; Mayor pays 100% of the premiums for LTD), Group Life Insurance (provided to Mayor only), Accidental Death and Dismemberment, and the Employee Assistance Program; the City pays 90% or 100% of the premiums, depending on the benefit.
City of Grande Prairie	\$500 Health & Wellness, Group Life (0% paid by City), AD&D, Dependent Insurance and Extended Health (100% paid by City). Flexible Spending account is \$6,444.24 per year for the Mayor and \$3,523.44 per year for the Councillors (taxable benefit).
Regional Municipality of Wood Buffalo	May participate in employee benefit program, except short and long term disability and pension. Premiums are 100% paid by the municipality.
City of Prince George	The City of Prince George offers BC Medical and extended health, including dental, to the Mayor and Councillors. The Mayor's premiums are 100% paid by the City; the Councillors pay their own premiums.
City of Victoria	Dental Insurance and Extended Health Insurance; premiums paid by council members.
City of Dawson Creek	AD&D only, for which the City pays 100%.

The Mayor of the City of Yellowknife is provided with benefits, which include extended health and dental as well as personal life insurance. The premiums are 50% paid by the City, except for the dental plan which is 100% paid by the City.

The City has a global insurance policy that provides for life insurance for elected officials which is paid by the City. In addition, City Councillors can opt in to have WSCC coverage, which is paid by the City.

One of the survey participants provides a matching RRSP for Council members. The others report that they do not provide pension or retirement benefits.

The City of Yellowknife Mayor is eligible to be enrolled in the NEBS Pension Plan. An optional RRSP is available for Members of Yellowknife City Council, at the contribution rate of 7% of the taxable portion of remuneration.

SURVEY PARTICIPANTS' PLANS REGARDING THE TAX-FREE ALLOWANCE

As noted earlier, the tax free allowance will be eliminated in the 2019 tax year, when all remuneration paid to elected officials will be subject to personal income tax. To address this tax change, most local governments across Canada have adjusted or are planning to adjust Council remuneration to maintain net pay.

At the time of writing this report, the comparison municipalities are addressing the impending tax changes as follows:

- Two previously eliminated the tax-free portion. All of the remuneration is taxable.
- Three have approved adjustments that will take effect on January 1, 2019.
- One made significant increases to bring remuneration in line with market in 2017 and have not decided if they will be making further adjustments to address the tax changes.
- One is reviewing options for adjusting remuneration and has not yet approved any changes.

Due to the mix of current scenarios – 2018 salaries that are already fully taxed, approved new salaries that will come into effect in 2019, and salaries that will not be adjusted for the tax changes – we compare the fully taxable market salaries that will be in place in 2019. The following table presents the anticipated 2019 Mayor and Council salaries based on our research.

Table 4 – Approved and Anticipated 2019 Salaries

Municipality	Mayor - 2019	Councillor - 2019	Comments
City of Grande Prairie, AB	\$106,201	\$58,066	<i>Already fully taxable; regular adjustment applied; no other changes</i>
City of Victoria, BC	\$106,316	\$42,526	<i>Already fully taxable; regular adjustment applied; no other changes</i>
City of Dawson Creek, BC	\$70,397	\$23,935	<i>New rates, adjusted for tax changes</i>
City of Prince George, BC	\$127,889	\$37,466	<i>New rates, adjusted for tax changes and market</i>
City of Whitehorse, Yukon	\$100,100	\$36,036	<i>New rates, adjusted for tax changes and market (Councillors)</i>
City of Fort St. John, BC	\$83,430	\$31,286	<i>There was an adjustment to market in 2017; regular adjustment applied for 2019; other changes unknown at this time</i>
Regional Municipality of Wood Buffalo, AB*	\$160,000	\$43,000	<i>Salary adjustments are under review; these numbers are estimates if RMWB were to adjust salaries to maintain net pay</i>
Median	\$106,201	\$37,466	
Average	\$107,762	\$38,902	
City of Yellowknife - 2018	\$116,884	\$26,600	

**RMWB indicated they will likely increase remuneration but have not yet presented a recommendation to their Council. The 2019 salaries shown in the table are the rough estimated gross salaries required to achieve the same net pay.*

The City of Yellowknife 2018 Mayor remuneration is higher than the median of the comparison group's projected 2019 salaries by about 10%. The Councillor remuneration is almost 30% below the median 2019 salary for the group.

APPROACHES FOR SETTING COUNCIL REMUNERATION

Three of the comparison municipalities have a policy to review Council remuneration before the end of the current term for the next term of Council. Others typically conduct reviews on an as-needed basis.

When undertaking reviews of Mayor and Council remuneration, most of the comparison municipalities – and many others – compare with similar-size municipalities. Other approaches used by some municipalities include:

- Setting the Mayor salary as a percentage of the average full-time salary in the community, and the Councillor’s salary as a percentage of the Mayor’s;
- Setting the Mayor salary as a percentage of the salary for a provincial/territorial Cabinet Minister or a combination of senior public officials, and the Councillor’s salary as a percentage of the Mayor’s.

POLICIES AND PRACTICES FOR ANNUAL ADJUSTMENTS TO COUNCIL REMUNERATION

The comparison municipalities adjust remuneration on an annual basis between formal reviews as follows:

Table 5 – Practices for Adjusting Remuneration

Consumer Price Index (CPI) for their province or region plus 1%	City of Dawson Creek City of Fort St. John
Consumer Price Index (CPI) for their province or region	City of Whitehorse City of Grande Prairie City of Victoria
The lesser of the percentage change in average weekly wages for the province for the preceding year, or the percentage increase for exempt staff	Regional Municipality of Wood Buffalo
The lesser of the average of the wage adjustment for the previous four quarters for the public administration industry , or the annual percent wage increase for exempt staff	City of Prince George

The City of Yellowknife bases annual adjustments to Council remuneration on either the negotiated annual PSAC settlements, or the average of the CPI and negotiated PSAC settlements, whichever is lower.

RECOMMENDATIONS

This section contains our recommendations for Council remuneration.

REMUNERATION

As noted earlier, five of the seven municipalities surveyed for this review have confirmed their salaries for 2019 and another has indicated that since they made significant adjustments in 2017, it is unknown as to whether further changes will be made for January 2019. The seventh is still investigating options for consideration by their Council. Our recommendations are based on the anticipated market salaries for 2019.

Mayor Salary

The City requested advice on whether to adjust remuneration in light of the tax changes. As noted earlier, most Canadian municipalities have either made the adjustments or are preparing recommendations for increases to take to their Councils for approval.

The market data presented in Table 4 indicates that the City of Yellowknife Mayor's 2018 remuneration level is competitive with the fully taxable anticipated 2019 salaries for the comparison municipalities. Assuming the City of Yellowknife wishes to pay its Mayor at a level that is close to the middle of the market, then we would recommend not adjusting the remuneration upward to take into account that the full amount would be taxable.

Councillor Salary

The Councillor 2018 remuneration is low relative to the current market, and will be lower still once the other municipalities' 2019 salaries come into effect. The ratio of Councillor to Mayor remuneration is also low compared with the market.

We recommend the Councillor salary be increased to \$39,000, effective 2019, to bring it in line with the market, both on a dollar basis, and relative to the Mayor's salary.

Deputy/Acting Mayor

The City may wish to consider having Councillors share the responsibility to act in the Mayor's absence on a rotating or scheduled basis. If the City wished to follow suit with the majority of the comparison municipalities, the responsibilities would be considered part of the Councillor role and not merit additional compensation.

Alternatively, the Deputy Mayor could exclusively retain the role and be paid a stipend when acting only.

Benefits

The City of Yellowknife is in line with the market regarding benefits and pension and we do not recommend any changes.

ANNUAL ADJUSTMENTS

As noted earlier, amongst the comparison municipalities the two most common general approaches to making annual adjustments to Council remuneration are based on:

1. The Consumer Price Index (CPI) for the region, which assesses price changes associated with the cost of living; and,
2. Industry/regional wage settlements. These are reported by Statistics Canada and include major wage settlements covering 500 or more employees, by jurisdiction (federal, provincial/territorial) and by industry, including the public sector.

These are also the most common approaches found at other municipalities beyond the comparison group. Some municipalities choose to provide Council members with the management salary adjustment (which may in turn be tied to the union settlement) and still others conduct annual reviews of other relevant comparison municipalities.

The City of Yellowknife indicated a preference to disconnect Council increases from union settlements and inflation. Both of the two general approaches noted above do not directly base increases on the City's PSAC wage settlements. However, using Approach #2 for the region or the public sector would include negotiated wage settlements for the City, and would not include increases that are provided to employees that do not belong to a union.

Table 5 indicates that five of the comparison municipalities use CPI, and two of these (the two with the lowest Council salaries) use CPI + 1%. We recommend that, to avoid a link with PSAC settlements and be consistent with a large proportion of the local government sector, the City adopt Approach #1 by basing Council adjustments on the CPI for Yellowknife. The September CPI from the previous year would provide the most up-to-date figures for the City's budget, which is adopted in December.