

TO: CHAIR AND MEMBERS
FINANCIAL MANAGEMENT COMMITTEE

DATE: 2019 February 12

FROM: DIRECTOR FINANCE

FILE: 2410-20

SUBJECT: ELIMINATION OF NON-ACCOUNTABLE ALLOWANCE

PURPOSE: To amend the Mayor and Council's remuneration for the income tax impact of the elimination of the one-third non-accountable allowance.

RECOMMENDATION:

1. **THAT** Financial Management Committee recommend Council approve an adjustment to the remuneration for the Mayor and Councillors effective 2019 January 01 to offset the additional income tax impact on the elimination of the one-third non-accountable allowance.

REPORT

1.0 INTRODUCTION

The Federal Government has introduced changes to income tax legislation resulting in the elimination of the non-accountable allowance for elected officials in 2019. The impact of this elimination results in a reduction in net pay for the Mayor and each Councillor as well as an increase in the City's employer paid source deductions.

2.0 POLICY SECTION

Goal

- A Thriving Organization
 - Organizational culture –
Ensure that our core values are reflected in our policies, programs and service delivery

3.0 BACKGROUND

On 2017 March 22, the Federal Government, as part of the 2017 Federal Budget, proposed to eliminate the current income tax exemption for the non-accountable expense allowances which will affect elected officials remuneration starting in 2019. Prior to 2019 January 01, elected officials were allowed to receive one-third of their remuneration as a non-accountable expense allowance, which was excluded from taxable income and was not subject to source deductions. The non-accountable allowance was intended to allow elected officials to cover expenses incurred in the course of fulfilling their duties without the submission of receipts. The elimination of the allowance in 2019 will result in a decrease in the net pay received by the Mayor and Councillors as income tax and source deductions will apply to the full remuneration.

The majority of municipalities across the country have approved adjustments to their 2019 Mayor and Council remuneration to maintain the level of net income at the 2018 level. Many neighboring municipalities including Richmond, Coquitlam, District of North Vancouver, Port Coquitlam, Port Moody, Langley Township, Langley City, Maple Ridge and Mission have adjusted their Council remuneration for the elimination of the non-accountable expense allowance.

4.0 IMPACT

Increasing the annual remuneration levels effective 2019 January 01 for all of Council (\$37,075 for the Mayor and \$8,900 for each Councillor), would compensate for the additional income tax payable due to the elimination of the one-third non-accountable allowance. The increase would result in approximately the same net pay for all members of Council as though the tax exemption for the non-accountable allowance was still applicable. The increase was calculated using 2018 income tax rates and Canada Pension Plan contribution rates assuming that members of Council had no other sources of income.

The approximate increase to the 2019 budget is estimated to be \$110,000 which takes into account the increases to Council remuneration and employer Canada Pension Plan contributions.

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5.0 RECOMMENDATION

It is recommended that Financial Management Committee recommend Council approve an adjustment to the remuneration for the Mayor and Councillors' effective 2019 January 01 to offset the additional income tax impact resulting from the elimination of the one-third non-accountable allowance.



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DIRECTOR FINANCE

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Copied to: City Manager
Director Human Resources