

COUNCIL INDEMNITY ADVISORY COMMITTEE

*HIS WORSHIP, THE MAYOR
AND COUNCILLORS*

SUBJECT: REVIEW OF COUNCIL INDEMNITIES RE: ELIMINATION OF NON-ACCOUNTABLE ALLOWANCE

RECOMMENDATION:

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

REPORT

The Council Indemnity Advisory Committee, at its meeting held on 2019 April 18, received and adopted the attached report to review the Mayor and Council's remuneration for the income tax impact of the elimination of the one-third non-accountable allowance.

Respectfully submitted,

Ed Jaskula
Chair

Copied to: City Manager Director Finance

TO: MAYOR AND MEMBERS OF COUNCIL **DATE:** 2019 April 17

FROM: COUNCIL INDEMNITY ADVISORY COMMITTEE **FILE:** 7710-01

SUBJECT: **REVIEW OF COUNCIL INDEMNITIES RE: ELIMINATION OF NON-ACCOUNTABLE ALLOWANCE**

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

RECOMMENDATION:

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

REPORT

1.0 INTRODUCTION

The Federal Government has introduced changes to the 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.

At a Council meeting on 2019 February 25, a report from the Financial Management Committee was provided to Council recommending that Council approve an adjustment to the remuneration for the Mayor and Councillors effective 2019 January 01 to offset the additional income tax impact of the elimination of the one-third non-accountable allowance. Council amended the motion on the report to refer the recommendation of the adjustment on the remuneration for the Mayor and Councillors to a Council Indemnity Advisory Committee for an independent review.

Since 1991, Council has appointed an external Council Indemnity Advisory Committee comprised of citizen representatives from the local community to review Council indemnities and related benefits. The last review was conducted in 2011.

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Council, at its Open meeting held on 2019 March 11, appointed the following individuals to the 2019 Council Indemnity Advisory Committee:

Ms. Sandi de Domenico, Human Resources Specialist
Mr. David Switzer, 2011 Council Indemnity Advisory Committee Member
Mr. Ed Jaskula, 2011 Council Indemnity Advisory Committee Member

The Committee's mandate was to review and report on Council indemnity levels, specifically with regards to the Federal Budget decision to eliminate the current income tax exemption for the non-accountable expense allowance affecting elected officials remuneration starting in 2019. The Committee met on three occasions 2019 March 27, 2019 April 10 and 2019 April 18. The Committee considered the four options (full compensating salary increase, partial compensating salary increase, expanded expense policy, no action) outlined by the Federation of Canadian Municipalities (FCM) for addressing the elimination of the non-accountable expense allowance. In addition, the Committee reviewed the summary of decisions by other Lower Mainland cities on this topic. This report presents the findings of the Committee's review and makes a recommendation for Council's consideration.

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

The 2011 Council Indemnity Advisory Committee observed that the work of the Mayor and Councillors is demanding and important, and the required effort in their roles has increased with changes in legislation and the continued growth, both in population and development, that has occurred in Burnaby. Issues are becoming more complex as new regulations are developed to address environmental concerns, economic sustainability and social issues that cross municipal, provincial and federal jurisdictions. The hours of work are not regular and do include evening and weekend obligations throughout the year as well as the commitment of significant time to research issues and stay abreast of current affairs. The Mayor typically works more than forty hours per week and many of the Councillors work full time equivalent hours. As a result, Burnaby's Council should be appropriately compensated for the contribution that they make in serving their community.

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4.0 FEDERAL TAX CHANGES

The elimination of the non-accountable expense allowance effective 2019, January 1, has resulted in a significant reduction in the net income after tax for Mayor and Councillors from their 2018 levels. The 2019 Council Indemnity Advisory Committee considered the four options outlined by the Federation of Canadian Municipalities for addressing the elimination of the non-accountable expense allowance. The Committee considered the merits of the four options in addition to reviewing what other lower mainland municipalities have done in order to ensure that Burnaby Council indemnities remain competitive with the peer cities within the region.

Within the lower mainland, the following Cities have adjusted 2019 Council indemnities to maintain the level of net after tax income at the 2018 level: City of Richmond, City of Coquitlam, District of North Vancouver, City of Port Coquitlam, City of Port Moody, Township of Langley, City of Langley, City of Maple Ridge, District of Mission and Village of Lions Bay. The City of Surrey and the City of Delta have not adjusted their 2019 Council indemnities to date. The City of Vancouver did not have to adjust Council indemnities as their full remuneration was taxable in the past; they did not participate in one third non-accountable allowance tax benefit in the past.

Based on an evaluation of the four options outlined by FCM, the action taken by other Cities, and in order to maintain the integrity of the work and formula for Mayor and Council remuneration done by the 2011 Council Indemnity Advisory Committee, the Committee concluded that the remuneration of Mayor and Council should be restored to their 2018 levels. The Committee's finding is that the elimination of the non-accountable expense allowance results in a significant loss in net income for Mayor and Councillors from their 2018 level of remuneration.

The Committee recommends that an adjustment to the Mayor and Councillor indemnities effective 2019 January 01 to offset the additional income tax impact of the elimination of the one third non-accountable expense allowance is required to maintain Mayor and Councillor net after tax income at their 2018 level of remuneration. The adjustment is recognized as a direct offset to the increased taxation for 2019 and does not represent a net pay increase from 2018. The approximate increase to the 2019 budget for this adjustment is estimated to be \$110,000.

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5.0 RECOMMENDATION

Based on the 2019 Council Indemnity Advisory Committee's review of the elimination of the non-accountable expense allowance, the Committee recommends that Council approve an adjustment to the remuneration for the Mayor and Councillors effective 2019 January 01 to offset the additional income tax impact of the elimination of the one third non-accountable expense allowance.

In closing, the Committee wishes to acknowledge and express appreciation to City staff for their support and assistance in conducting this review.



Ed Jaskula
CHAIR, COUNCIL INDEMNITY ADVISORY COMMITTEE

BK:NK /ml

Copied to: City Manager
Director Finance
City Clerk