

Subject: Council Compensation Review**Recommendation:**

BE IT RESOLVED THAT Council receive Report #2021-0161 – Council Compensation Review for information; and

FURTHER BE IT RESOLVED THAT Council approve the proposed salary increases for elected officials; and

FURTHER BE IT RESOLVED THAT Council direct the proposed salary increases to occur in the manner endorsed by Option #_____(1 or 2) contained in the Finance Section of this report.

Background:

In 2019, all municipal councils in Canada were faced with an identical dilemma because of a change to the *Income Tax Act* by the federal government. This change resulted in the end of differential tax treatment on a portion of an elected official's salary. Effectively, each municipal council had to choose whether or not to adjust salaries upwards by 25% so as to achieve the same take-home pay for elected officials. Taking no action would otherwise result in an effective loss of pay for any elected official. Many councils made their decision, one way or the other, prior to the last election. A few, such as in Pelham, left the decision for the next Council after the election. In Pelham's unique circumstance a 100% new council effectively had no choice but to accept the salary reduction as its first order of business could not realistically be to vote itself a raise. While staff respect that decision, the purpose of this report is to encourage Council to reverse its position in light of the new information received from ML Consulting, contained within this report.

This report endorses an increase in compensation to Pelham's elected officials. The extremely low levels of pay do not reflect the municipal corporation's values as the pay does not recognize the importance of the work and/or the challenges of governance in this difficult operating environment. Additionally, it is a commonly held belief that low levels of pay for elected officials results in a heavier skew towards only retired persons and the independently wealthy running for office, as

younger people who need to earn income cannot afford to devote the hours necessary to govern well absent reasonable compensation. Accordingly, this proposed change is expected to encourage more diversity amongst future candidates for office. Council can choose to enact the proposed salary changes immediately, in a staggered fashion, or simply prior to the next term of office.

Analysis:

The process for comparisons of compensation of elected officials is slightly different than the more complex model for staff. One of the differences is that union-management and pay equity considerations are essentially absent from decisions on how to compensate elected officials. The technical aspects of the assessment were conducted by ML Consulting and are attached to this report as an appendix. The Principal of ML Consulting, Marianne Love, will also be present during the council session to provide a brief report/summation of the work. As a synopsis, Council compensation was compared to Niagara area municipalities. Overall, compensation was found to be lower than reasonably expected. Staff endorse the compensation recommendations that exclude the Region of Niagara from the analysis so that only local municipalities are included in the comparator group.

The current compensation for elected officials is unacceptably low. While the motivations for the job are highly altruistic, it is also a practical reality that to discharge the duties, large amounts of time are required to read bi-weekly agendas that frequently run 300 pages, to address resident concerns and to attend both Council and committee meetings. While there are no set hours for the position, anyone who puts in a reasonable number of hours is essentially working for less than minimum wage (keeping in mind that in Ontario a full-time employee paid minimum wage earns approximately \$29,640 per year). At present, Town of Pelham Councillors are paid an annual salary of \$16,306. This report recommends that the salary for a Councillor be adjusted by approximately \$4,700 for a Councillor and by approximately \$13,000 for the Mayor. These adjustments would take compensation to the 55th percentile of the comparator group, which is consistent with the recommendations for staff compensation. Because the total cost is modest, it could be fully implemented as early as October 4, 2021.

The act of increasing compensation for elected officials is one of the most difficult, and most open to criticism, of any decision ever made by a Council. Political paralysis is common on this topic. Because it has been five years (at least) since this type of analysis has been completed, and because salaries were not adjusted by 25% in 2019 to address the changes in taxation, the results of the analysis were not surprising.

This report identifies and presents options with respect to how an increase could be affected. While it is important for Council to make the adjustment, Council has considerable control over how and when that occurs. Council and the public are reminded that this is a proposed course of action taken relatively late during this term of office and as such will not primarily benefit current members of Council. The increase in elected official compensation is needed to make serving the community a viable option for those in their prime earning years who can bring different perspectives to the governing body. Further, paying people less than minimum wage for critical work is incongruent with both the values of the community and of the municipal corporation.

Finally, while all members of Council should be appropriately compensated, for those who have strong ideological opposition to the recommendations of this report, it is possible to support the recommendations and then simply donate any increase received to a worthy local charity.

Financial Considerations:

This report proposes two different paths towards the enhancement of elected official salaries: a stepped approach whereby 50% of the increase is to be awarded effective October 4, 2021, and 50% to be awarded in January, 2022 or whereby 100% of the increase is to occur for the first pay period after the next election. The costing for the two models is slightly different, as indicated below:

The annual cost is an increase of \$44,000. If 50% of the increase is implemented on October 4, 2021, then the cost to the 2021 operating budget is \$5,500; and the other 50% on January 1, 2022. This will be a \$44,000 increase to the 2022 operating budget since this amount would be an increase from the 2021 operating budget. If 100% of the increase is awarded to the new term of Council after the 2022 election, this would be effective for the first pay in December 2022 which will be \$3,400 for the 2022 operating budget. In the 2023 operating budget it will be \$44,000, which is 0.3% of an operating budget tax levy increase.

Alternatives Reviewed:

Council could award 100% of the proposed increase immediately, Council could choose not to award itself any increase, or Council could propose a different timeline for the increases other than what staff have identified. As a further option, Council could approve the higher level of increase included in the Appendix wherein the Region is included amongst salary comparators. [Click here to enter text.](#)

Strategic Plan Relationship: Strong Organization

Council provides strategic leadership to the community. While few people enter municipal politics for the financial compensation, which is modest, it is nevertheless important to recognize and value the work provided

Consultation:

This report was written with contributions from the Human Resources Co-ordinator, ML Consulting, the Treasurer and the Staff Accountant and Payroll Clerk.

Other Pertinent Reports/Attachments:

ML Consulting Documentation.

Prepared and Submitted by:

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