

Subject: Council Compensation Review

Recommendation:

BE IT RESOLVED THAT Council receive Report #2023-0144 Council Compensation Review, for information;

AND THAT Council adopt the recommended 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:

The issue of compensation for elected officials was twice considered by the previous Council during the 2018-2022 term.

Prior to January 1, 2019, one-third of a municipal elected official's salary was tax exempt to help cover the cost of work-related expenses. As a result of changes to the *Income Tax Act* by the federal government these salaries became 100% taxable after this date resulting in a reduction to Council's take home pay if salaries were not adjusted by approximately 25%.

In December of 2018 a report was presented to the previous Council giving them the option to correspondingly increase compensation to avoid this net reduction in pay. In light of the municipality's financial difficulties at the time, Council of the day decided to take the salary reduction. While understandable in the circumstances, this decision was not consistent with the Town's policies involving compensation. A key factor in the administration's endorsement of increasing compensation for elected officials is the importance of this to attract working age candidates to municipal office. Since that time, a municipal election was held which resulted in a Council consisting solely of retirement aged persons and Council has endorsed the principle of Pelham behaving as a "Living Wage Employer", which theoretically should also apply to Council.

The services of ML Consulting were retained in 2021 to complete a review of both staff and Council remuneration. At that time, it was the consultant's and staff's recommendation that Pelham increase the compensation for its elected officials to better align itself with its comparators across the Region. Although Council elected to implement a new compensation model for staff targeting the 55th percentile of the comparator group, Council deferred the decision on its own compensation until 2022 and then ultimately again declined to increase its own compensation. In all, the previous council addressed this issue three times, which had the net result of reducing their compensation, rather than increasing it or maintaining competitiveness with adjacent jurisdictions.

Currently the Mayor earns an annual salary of \$39,858 and Councillors are paid \$18,268. There is no honorarium or salary distinction between the Deputy Mayor and Councillor positions. These salaries are adjusted once annually based on the Consumer Price Index rate of inflation in accordance with By-law #4226(2020).

Analysis:

The People Services Department completed another market review this year, which shows the compensation for this group remains significantly lower than that of the other local area municipalities. The comparator statistics are included in Appendix A of this report. While there are no set hours for these positions, attending and preparing for regular Council and Committee meetings (including reading lengthy agendas), addressing resident questions and concerns and representing the Town at conferences and other functions is time consuming. 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 \$32,240 per year).

It should be noted that all other elements of remuneration, including extended health and dental benefits, life insurance and accidental death and dismemberment insurance are generally competitive with the exception of OMERS enrollment, which the Town currently does not offer.

Staff are endorsing the compensation recommendation that excludes the Region from the analysis so that only the 11 local municipalities are included in the comparator group. Targeting the 55th percentile is both reasonable and consistent with the compensation target for the rest of the non-union staff.

Financial Considerations:

Adjusting these salaries to the 55th percentile would require an increase of \$10,802 to the Mayor's annual salary and \$4,489 to each Councillor's salary, bringing the total cost for the group to \$40,019 (including benefits).

This report proposes two different paths towards the enhancement of elected official salaries: option 1 is to award the increases on the October 5, 2023 pay date, and option 2 is to wait until the first pay in 2024. Should Council endorse option 1, the impact to the 2023 operating budget would be \$10,774 including benefits, which will be absorbed by the present in-year operating surplus.

Alternatives Reviewed:

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 Appendix A wherein the Region is included amongst salary comparators.

Strategic Plan Relationship: Enhancing Capacity and Future Readiness

The extremely low levels of pay do not reflect the Town's values as the pay does not recognize the importance of the work and/or the challenges of governance. 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 working age 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.

Consultation:

This report was co-authored by the CAO and Manager of People Services.

Other Pertinent Reports/Attachments:

Appendix "A" – 2023 Pelham Elected Official Market Summary

Appendix "B" – 2021 Pelham Elected Official Market Summary

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