

To: CAO for the Fraser Valley Regional District Board

Date: 2019-04-25

From: Mike Veenbaas, Director of Financial Services

File No: 1720-01

Subject: Board Remuneration – Municipal Officer's Expense Allowance Exemption Elimination

RECOMMENDATION

THAT the Fraser Valley Regional District Board consider selection of one of the following three options pertaining to Board remuneration:

Option 1

THAT the Board direct Staff to adjust remuneration levels for all Board Directors to achieve wage parity with remuneration levels prior to the elimination of the Municipal Officer's Expense Allowance Exemption.

Option 2

THAT the Board consider the recommendation from March EASC:

- a. **THAT** assuming no other changes to the base Board Director remuneration rate, that the remuneration rate for Electoral Director add-on be adjusted so that the total remuneration received by an Electoral Area Director is given wage parity as a result of the elimination of the Municipal Officer's Expense Allowance Exemption;
- b. **AND THAT** the proposed increase to the Electoral Area Director add-on be funded through Electoral Area Administration Budget 102.

Option 3

THAT the Board direct Staff to make no adjustment to remuneration levels as result of the elimination of the Municipal Officer's Expense Allowance Exemption.

STRATEGIC AREA(S) OF FOCUS

Provide Responsive & Effective Public Services

BACKGROUND

At the January EASC meeting Staff were directed to report back to February EASC regarding the impact on Director's remuneration as a result of changes in federal legislation eliminating the 1/3 "expense allowance exemption" for elected officials. At the January Board meeting Staff received direction to bring a report back to both EASC and RACS in February and an information report

providing further financial impact details was included on each meeting's agenda. Both committees held light discussion and noted that the matter would be discussed further at the February Board meeting. In February the Board resolved to refer the subject of EA Director's compensation, separate from the Municipal Director's compensation, to the March EASC meeting. At the March EASC meeting the committee moved support for a remuneration rate adjustment so that the total remuneration received by an Electoral Area Director is given wage parity to the period prior to the exemption being eliminated. Director's Adamson, Dickey and Dixon were opposed. The report from the March EASC agenda is included for reference.

DISCUSSION

Staff completed a high level analysis of the financial impact to elected officials resulting from the changes in federal income tax legislation. Not taking into account income earned outside of the role as a Board Director, the information supports that net remuneration levels are about 90% of that received prior to the change. To allow a Board Director's average 2019 net remuneration to be roughly equal with their 2018 net remuneration, remuneration levels would need to increase an estimated 13-14%. The estimated increase provides for the additional tax impact that would result in a remuneration increase.

At the February Board meeting the discussion seemed to signal limited support for an increase to the base Board Director remuneration level with some support for a review of the Elected Area Director add-on remuneration level. At the March EASC meeting a motion for a remuneration adjustment was moved and is now being brought to Board for consideration.

Additional information presented verbally at the March EASC meeting included how the legislation change was being managed by member municipalities. Findings included:

- Abbotsford – no remuneration increase as a direct result of the change in legislation. A planned remuneration increase for January 1, 2019 was already scheduled and provided for a remuneration level high enough to offset the tax impact.
- Chilliwack – remuneration levels were adjusted effective January 1, 2019 in response to the legislation change. The level for position of Mayor was increased 16% and the level for position of Councillor was increased 9.5%.
- Mission – remunerations levels were adjusted effective January 1, 2019 to compensate for the legislation change. The remuneration adjusted was based on a few factors with the portion attributed to the tax change being around 8-9%
- Kent – remuneration levels for Mayor and Council were adjusted 18% effective January 1, 2019, partially as a result of no increases occurring since 2015 and partially as a result of the legislation changes.

- Harrison & Hope – at last check-in, no change had been made to remuneration levels as a result of the legislation change.

COST

Board remuneration is expensed under two services areas, Regional Administration and Electoral Area Administration. The base Board Director rate is allocated 81% to Regional Administration and 19% to Electoral Administration in keeping with the average allocation of items considered at the Board meeting (Regional vs. Electoral Area specific). The Electoral Area Director add-on rate is 100% allocated to Electoral Area Administration.

This allocation model is important to consider when making decisions regarding remuneration level changes. If a decision is made to move forward with an increase for Electoral Area Director's only, the adjustment will need to be applied to the EA Director add-on to ensure it is fully funded by Electoral Areas and not 81% by Municipal Members.

Option 1 Financial Impact (14% Remuneration Increase for all Board Directors)

	2019 Budget	2019 Budget with 14% Increase	Requisition Increase	Impact per \$100,000 of Assessment
Regional Administration	\$259,800	\$296,200	\$36,400	\$0.04
Electoral Area Administration	\$214,170	\$244,170	\$30,000	\$0.62

Option 2 Financial Impact (14% Remuneration Increase for Electoral Area Directors)

Under Option 2 the full requisition increase is funded from Electoral Area Administration Budget 102.

	2019 Budget	2019 Budget with 14% Increase	Requisition Increase	Impact per \$100,000 of Assessment
Base Rate	\$96,000	\$109,440	\$13,440	\$0.28
Electoral Area Director Add-on	\$214,170	\$244,170	\$30,000	\$0.62

CONCLUSION

As requested by EASC, Staff have prepared information pertaining to the recent income tax changes eliminating the Municipal Officer's Expense Allowance Exemption. The Board has the option to consider changes to remuneration levels in response to the tax legislation change.

COMMENTS BY:

Paul Gipps, Chief Administrative Officer

Reviewed and supported.