

To: CAO for the Regional and Corporate Services Committee

Date: 2019-02-12

From: Mike Veenbaas, Director of Financial Services

File No: 1720-01

**Subject: Board Remuneration – Impact of Municipal Officer’s Expense Allowance Exemption**

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## **INTENT**

This report is intended to advise the Regional and Corporate Services Committee of information pertaining to the estimated impact of the elimination of the Municipal Officer’s Expense Allowance Exemption. Staff is not looking for a recommendation and has forwarded this information should members want more clarification to discuss the item further.

## **BACKGROUND**

As part of the 2017 Federal Budget, the Federal Government announced that tax exemptions that apply for the non-accountable expense allowances paid to members of provincial and territorial legislative assemblies and to certain municipal office-holders would be eliminated. This change was effective January 1, 2019 and impacted the net remuneration received by FVRD Board and Alternate Directors. Information regarding this change was discussed as part of the Board remuneration review completed in mid-2017.

## **DISCUSSION**

At the January 2019 EASC meeting a motion was passed asking Staff to report back on the impact of the elimination of the Municipal Officer’s Expense Allowance Exemption (up to 1/3 tax exemption). While the impact can be estimated based on net remuneration received from FVRD, the actual impact

per Director will vary depending on the Director's total overall income level from all sources and any applicable income tax deductions/exemptions.

In order to understand the impact from the exemption elimination, Staff reviewed the net remuneration level by Director from the last pay period of 2018 to the first pay period of 2019. On average the net remuneration in 2019 is 93.2% of 2018 levels which also includes a 2.6% CPI adjustment for 2019. If no CPI adjustment had been applied, the net remuneration levels for 2019 would be 90.8% of what was received in 2018. The decrease is fully the result of the exemption elimination. The table bellows summarizes the impact on a bi-weekly basis for an average Electoral Area Director and Municipal Director:

	2018 Bi-weekly Net Pay	2019 Bi-weekly Net Pay	2019 over 2018	2019 over 2018 (excluding 2019 CPI adjustment)
Average Municipal Director	\$418	\$392	93.8%	91.4%
Average Electoral Area Director	\$1,101	\$1,019	92.5%	90.2%

When annualized, the reduction in average net remuneration would be \$680 for a Municipal Director and \$2,140 for an Electoral Area Director. The amount of impact varies for Board members that hold additional positions such as Committee or Board Chair/Vice-Chair.

To allow a Board Director's average 2019 net remuneration to be roughly equal with their 2018 net remuneration plus the 2.6% CPI adjustment, remuneration levels would need to increase an estimated 13-14%. The estimated increase also provides for the additional tax impact that would result in a remuneration increase.

## COST

Board Director stipends are budgeted in the Regional Administration and Electoral Area Administration service areas. The table below can help the Committee understand the financial impact of a remuneration adjustment:

	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

## **CONCLUSION**

As a result of changes made by the Federal Government to the Income Tax Act, the Municipal Officer's Expense Allowance Exemption was eliminated January 1, 2019. This had the result of removing a tax free allowance for up to 1/3 of a Board Director's stipend and effectively decreased the 2019 average net remuneration level to 90.8% of what was being received in 2018.

## **COMMENT BY:**

**Paul Gipps, Chief Administrative Officer**

Reviewed and supported