

Halifax Regional Council
16 December 2003

TO: Mayor Kelly and Members of Halifax Regional Council

SUBMITTED BY:


George McLellan, Chief Administrative Officer

DATE: 12 December 2003

SUBJECT: Compensation - Mayor and Council

ORIGIN

Previous discussions with Council regarding a policy on compensation for the Mayor and Councillors. Human Resources was asked to report back with a recommendation.

RECOMMENDATION

- That the outgoing Council appoint a Citizens' Commission, prior to the end of their elected term, to review, develop and establish a Policy on Council Remuneration for the next elected Council and for successive elected Councils. The Committee will also specifically outline a remuneration structure for the next elected Council and for each year of that term.

BACKGROUND

HR has researched this issue and contacted 12 municipalities for information on the following:

Population, Geographic size, Number of Councillors, Council Office size (FTEs), Councillor's rate, Mayor's rate, Expenses, Allowances, Benefits

All participants were asked:

- a) If there had been any salary increase for elected officials within the last year.
- b) What was the % increase.
- c) Was there a policy as to how and when councillors get an increase in salary.
- d) If there was a policy on salary increases, did the councillors have an option to take the increase or not.

On the strength of the research, the following information is provided for Council's consideration.

Methods of Compensation:

The research showed that there was no consistent method of establishing rates or annual adjustments across the country. Using municipalities as a comparator was difficult for this reason. There was a range of methodologies including indexing, use of a professional compensation consultant, and third parties like a transition board to establish compensation. Most Councils appeared to have a preference for a Citizens' Committee.

Comparator Model:

Using municipalities for comparative compensation data proved to be difficult because there were varying degrees of compensation related to council support, size of municipality, size of Councils, the range in cost of living from area to area. In one jurisdiction it was proposed that the salaries be pegged to 50 - 65th percentile of the comparator group. This option does not provide for community input.

Professional Consultant:

One municipality (St. John's Newfoundland) retained a consultant. The consultant undertook the research and based the increases on factors such as inflation rate, and other comparative data. The last increase was 1990.

Indexing:

There were several indexing methodologies. The following are some of the ways that some municipalities indexed:

- Against average wage increases offered to employees
- Tied to the lowest wage rate offered
- Tied to the average increases from employment for residents across all industries in the local economy¹ (Edmonton and Vancouver)

¹ Remuneration & Office Expenses for Elected Officials...City of Hamilton

- Tying it to CPI
- Tied to CPI + Average wage increases of pre-identified job classes(Halton)¹

Citizens' Committee:

The majority of those surveyed preferred to have a committee at arm's length determine the compensation for elected members of Council. A Citizens' Committee was supported for this purpose. These included a variation of models including Community Trustee Panel and Consultants working with a committee. In a similar survey conducted by the City of Hamilton in 2002, of nine municipalities that responded to the survey, the majority preferred a Citizens' Committee.

Benefits as part of compensation:

It was also noted that benefits were seen to be a part of overall compensation because the majority of both public and private sector employees provide benefit packages and it is recognized that individuals who serve as elected officials should be cognizant of the benefit coverages offered by HRM. The survey indicated that there were a number of practices from NO benefits to FULL entitlement. Therefore, it is important to note benefits and entitlements as part of the complete compensation package

DISCUSSION

A mechanism was not put in place in the Municipal Government Act (MGA) or at amalgamation during the transitional government phase for addressing compensation for successive Councils.

Many compensation methods chosen by some municipalities are done without public input and there are disadvantages because of public perception that Council can vote itself a raise. Staff favour a Citizens' Commission to establish a Compensation Strategy for Council so that successive Councils are never put in the position of determining a reasonable compensation or increase for itself.

The Citizens' Commission can establish a policy for Council remuneration and establish methods and rates of pay increases before an election. This way the elected persons would know well ahead of time their rate of compensation for the full term they are serving.

The Commission could be supported by Human Resources and/or the services of an external Consultant in order to obtain meaningful and accurate market data on which to formulate its recommendation for salary and annual indexing. The other costs incurred would be staff time spent assisting the Committee in the documentation and preparation of a *Compensation Strategy* for the next Council and for a *Policy on Council Remuneration* for future newly elected Councils.

The Citizens' Commission can be constituted by:

- Advertising in the local papers for citizens-at-large; by Expression of Interest
- approaching the business community through the Chamber of Commerce, local labour organizations and academia; or
- appointing community members well known for their community work.

Each of these models has been used with varying degrees of success in other jurisdictions.

In addition to the above, a *Terms of Reference* for a Citizens' Committee could include the following:

- Interview all members of the out going Council
- Review the matter of compensation
- Review of Council benefits, allowable expenses, CPI or other indexing, etc
- Development of a policy for future market adjustments and enable compensation adjustments on a prudent and regular basis.

The Citizens' Commission would address Council's remuneration on a go-forward basis.

BUDGET IMPLICATIONS

Staff time (Legal, Financial and Human Resources) associated with supporting the Citizens' Committee and the costs associated with the retention of a consultant (if retained) to conduct a survey and provide data analysis. This can be accomplished as part of the broad Compensation Strategy for HRM. Staff time would not be considered an additional cost. The salary adjustments for the upcoming fiscal years could then be budgeted for at rates prescribed by the Citizens' Commission.

FINANCIAL MANAGEMENT POLICIES / BUSINESS PLAN

This report complies with the Municipality's Multi-Year Financial Strategy, the approved Operating, Capital and Reserve budgets, policies and procedures regarding withdrawals from the utilization of Capital and Operating reserves, as well as any relevant legislation.

ALTERNATIVES TO A CITIZENS' COMMITTEE (FOR LONG-TERM SOLUTION)

Option 1

Indexing against wage increases. This may leave Council open to criticism or conflict of interest.

Option 2

Indexing against lowest wage offered. Again, leaves Council open to conflict.

Option 3

Indexing against average wages from employment for residents across all industries in the local area. No conflict as in Options 1 and 2. We could use Department of Labour stats.

Option 4

Retain a compensation consultant to do an independent review and research for Council's rate of pay.

These four options are not recommended as it does not allow for a formula for future evaluation and adjustments and is not done with any public input.

ATTACHMENTS

Draft - Terms of Reference for Citizens' Commission

Additional copies of this report, and information on its status, can be obtained by contacting the Office of the Municipal Clerk at 490-4210, or Fax 490-4208

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HALIFAX REGIONAL MUNICIPALITY REVIEW OF COUNCILLORS' REMUNERATION AND OFFICE EXPENSES

TERMS OF REFERENCE

PURPOSE:

To appoint a Citizens' Commission to review and establish Elected Officials remuneration and develop a policy for future market adjustments.

ACCOUNTABILITIES:

Supported by an External Consultant and Human Resources and Financial staff, the Commission will provide recommendations on base compensation for Elected Officials, and develop a policy for future market adjustments for Council's consideration. In developing its recommendations, the Commission will recognize that benefits currently provided to HRM employees constitute an integral part of the overall compensation package.

In reviewing the Councillor's total compensation, the Commission will have regard to and give consideration to the following issues:

- Population of electoral districts;
- Geographic size;
- Other demographic and district issues, as appropriate.

FUNCTIONS:

- Interview all members of Council.
- Review the matter of compensation as it relates to public office.
- Enable compensation adjustments to be made on a prudent and regular basis.
- Ensure that allowances and related policies are adequate for Councillors to carry out their duties and communicate effectively with constituents on business.
- Review data and proposals submitted by External Consultant.
- Oversee preparation and presentation of a final report and recommendations to Council for its approval.

MEMBERSHIP:

The Commission will consist of three (3) members selected from the community, based on expressions of interest solicited by placing an advertisement in local newspaper(s). The Chair of the Commission will be chosen by the members at its first meeting.

Members of the Commission will undertake to attend each meeting as required and the Commission will remain in force until Council is presented with recommendations on these matters, or such time as the Commission is formally disbanded.

-2-

In the event a member is unable or unwilling to continue to serve, a replacement will be appointed by the Municipal Clerk from the expressions of interest previously received. The members of the Commission, including the Chair, shall serve in a volunteer capacity and will be reimbursed for reasonable expenses incurred by attending meetings.

TIME FRAME:

The Committee will be established by 15 January 2004, and will make its recommendations in respect of the base compensation, annual adjustments and allowances for elected officials by 31 March 2004.