

The Corporation of the City of Kawartha Lakes

Council Report

Report Number CAO2018-004

Date: April 24, 2018

Time: 2:00 p.m.

Place: Council Chambers

Ward Community Identifier: All

Title: Council Remuneration Update – Tax Exempt Status

Author and Title: Ron Taylor, Chief Administrative Officer

Recommendation(s):

That Report CAO2018-004, Council Remuneration Update, be received;

That the first pay of the next term of Council be fully taxed;

That Council salaries be adjusted to gap the loss in total remuneration from the elimination of the tax exempt status as outlined in Report CAO2018-004 and effective the next term of Council (2018-2022); and

That the necessary by-law be forwarded to Council for adoption.

Department Head:_____

Financial/Legal/HR/Other:_____

Chief Administrative Officer:_____

Background:

At the Council meeting of November 28, 2017 Council adopted the following resolution:

CR2017-016

RESOLVED THAT Council salaries be established as outlined in Option 3 in Report CAO2017-008 effective the next term of Council (2018-2022);

and

CR2017-017

RESOLVED THAT in the event that the tax exempt status of Council salaries is changed under Canada Revenue Agency guidelines, the matter of Council remuneration be brought back to Council for review and potential adjustment.

Rationale:

Effective 2019 and later tax years, non-accountable allowances paid to elected officers will be included in their income. This change was stated in the 2017 federal budget, which received royal assent on June 22, 2017 (Bill C 44).

Option 3 of Report CAO-2017-008 established the following salaries for Council effective the next term of Council (2018-2022):

Remuneration	2022	2021	2020	2019*
Mayor salary	\$86,336	\$85,144	\$83,968	\$82,809
Deputy Mayor salary	\$45,420	\$44,793	\$44,175	\$43,565
Councillor salary	\$42,814	\$42,223	\$41,640	\$41,065
Total Salary & Benefits (20%) per annum	\$517,745	\$510,598	\$503,548	\$496,597
Cost per resident	\$6.79	\$6.76	\$6.74	\$6.71

* Salary effective new term of Council, December 3, 2018

The elimination of one third tax free status is not legislated until the first pay of 2019. The next term of Council will receive three weeks of pay in 2018. For consistency, it is recommended that effective the start of the new term of Council that remuneration be fully taxed.

The federal government decision to eliminate the tax free status of one third of Council salary will result in a reduced net salary, or “take home” pay. The 2019 deduction rates for income tax, CPP, and OMERS are not known at this time. For illustrative purposes, the 2018 rates have been used to calculate the annual impact of the elimination of the one third tax exemption.

To mitigate that impact of being fully taxed, the table below outlines the salary that would be required to ensure Council members have a similar net “take home” pay.

Remuneration	2022	2021	2020	2019*
Mayor salary	\$115,177	\$114,037	\$112,908	\$111,790
Deputy Mayor salary	\$52,515	\$51,995	\$51,480	\$50,970
Councillor salary	\$49,506	\$49,016	\$48,531	\$48,050
Total Salary & Benefits (20%) per annum	\$617,081	\$610,973	\$604,926	\$598,933
Additional Budget Impact	\$99,336	\$100,375	\$101,378	\$102,337
Cost per resident	\$8.09	\$8.09	\$8.10	\$8.09

This option will still result in an approximate net neutral position over the 2018 level of the overall Mayor and Councillor’s salary and benefits budget.

A review of total Mayor and Councillor salaries in surrounding and similar-sized municipalities (and considering the City of Kawartha Lakes is a single-tier municipality) would suggest that the recommended remuneration adjustment is appropriate and comparable.

Other Alternatives Considered:

Council could decide to leave the salaries unchanged from what was approved on November 28, 2017. The impact of the elimination of the one-third tax exemption would result in the Mayor’s net salary being approximately \$12,500 less in 2019, while the Deputy Mayor and Councillor salary will be approximately \$4,500 less.

The change in tax free status will have an impact on the overall benefits budget, as OMERS and CPP will be calculated on full earnings, rather than two thirds. This option will cost approximately \$80,000 less than the recommended option.

Council could also opt to increase salaries to partially offset the impact of the elimination of the tax free status. This option would bridge the gap in net pay by approximately half. The salaries under this scenario would be as follows:

Remuneration	2022	2021	2020	2019*
Mayor salary	\$97,879	\$96,910	\$95,950	\$95,000
Deputy Mayor salary	\$48,424	\$47,945	\$47,470	\$47,000
Councillor salary	\$45,848	\$45,394	\$44,945	\$44,500
Total Salary & Benefits (20%) per annum	\$560,687	\$555,136	\$549,642	\$544,200

This option would cost approximately \$55,000 per year less than the proposed option.

Financial/Operation Impacts:

The following is a summary of the approximate savings, relative to the 2018 budget.

Savings in 2019 over 2018 (Salary and Benefits)	2019 Cost per Resident (1 Mayor and 8 Councillors)	2018 CKL Cost per Resident (1 Mayor and 16 Councillors)	Average Municipal Cost per Resident 2017
\$6,866	\$8.09	\$8.19	\$9.04

Relationship of Recommendation(s) to the 2016-2019 Strategic Plan:

Tax policy recommendations do not directly impact or align with a specific Strategic Priority.

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Department Head: Ron Taylor