



Staff Memo

Report To: South Huron Council
From: **Dan Best, Chief Administrative Officer/Deputy Clerk**
Date: February 4 2019
Report: CAO 04-2019
Subject: Council Remuneration

Recommendations:

THAT the memo of D. Best, Chief Administrative Officer dated Feb 4th, 2019 regarding the elimination of the One-Third Tax Free Allowance be received; and

THAT upon the elimination of the one-third tax free allowance by the Federal Government beginning January 1, 2019 taxation year, a salary adjustment per Member of Council be implemented equal to the value of the one-third tax free allowance; and

THAT Council authorize Staff to proceed with a review of Council Remuneration and present a subsequent report outlining a process and Terms of Reference for Council's consideration.

Purpose:

Approval

Background and Analysis:

In March 2017, the federal budget announced the government's intention to eliminate the one-third tax free exemption for municipal elected officials beginning in 2019.

This memo provides a recommendation on how the Town can equitably address the removal of the one-third (1/3) tax free allowance for Members of Council as a result of changes to the 2017 Federal Budget, Bill C44.

Previous Councils received one-third of their remuneration tax-free in lieu of claiming expenses related to their duties. Effective January 1, 2019, as a result of changes to the 2017 Federal Budget, the existing one-third (1/3) tax free allowance for Councillors will be eliminated.

Council compensation is a difficult matter for the public and Council to consider. However, competitive, fair compensation is a means to attract and retain highly qualified elected officials who are committed to the extensive commitment required.

For many Council Members the job is 24/7 but they are compensated as part-time. Members of Council take on these roles because they have the desire to serve the community. In so doing they often incur expenses that are difficult to quantify and track, hence the previous consideration by CRA. The changes of (1/3) tax free allowance on their salary resulting in a higher net income. The removal of the one-third tax free allowance will result in a lower net income for members of Council.

The Town of Gravenhurst conducted a study that provided the following background information From the group of respondents, 38% will be increasing gross pay resulting in approximately the same net pay. The remainder are undecided (38%), have no plan to address (20%) or do not claim the one-third tax free exemption currently (4%).

The impact to each individual SH Councillor will be dependent on their total taxable income which may include income from other sources, extra tax taken off, some have completed tax exemption because of their other income. As a result, each situation will be different.

In addition, there could be a CPP contribution impact, again this is individualized based on age, and whether they may reach their max from other sources of income.

Financial Impact:

The following analysis does not take these anomalies into account and should be considered for illustration purposes only and is based on 2018 wage amount and 2018 tax tables;

COUNCIL	PRE – 2019 COMPENSATION	JANUARY 1, 2019 COMPENSATION	DIFFERENCE
MAYOR	\$31,349	\$29,041	\$2308
DEPUTY- MAYOR	\$25,079	\$22939	\$2140
COUNCIL (5)	\$19,584	\$18504	\$1350

South Huron We have always budgeted without the 1/3 exemption, because of the potential anomalies that each Councillor may have for tax deductions so this will not have an impact on our wages budget, however there will likely be an impact on the benefits due to increased EHT and CPP contributions (again this is dependent on the individuals circumstances)

For illustration purposes the impact based on the above analysis would be \$11,198 (without taking into account previously described anomalies).

Legal Impact:

There are no legal implications as a result of the actions outlined in this report

Staffing Impact:

There are no staffing implications as a result of the actions outlined in this report

Related Documents:

None

Respectfully submitted,

Dan Best, Chief Administrative Officer/Deputy Clerk