



Staff Memo

Report To: South Huron Council
From: **Rebekah Msuya-Collison, Chief Administrative Officer and Julia Warwick, Director of Financial Services/Treasurer**
Date: November 27, 2023
Subject: Proposed 2024 Budget Wages and Benefits Summary

Purpose:

To provide Council with further clarification on wages and benefit increases as requested at the October 23, 2023 Budget Meeting.

Background and Analysis:

Base wages (including vacation pay, standby, and overtime)

Briefing: Base wages are primarily composed of the base compensation for council, the police services board, staff, and volunteer firefighters. It also includes expenses related to vacation, standby, and overtime pay.

The 2023 budget was approved prior to the implementation of the approved salary grid from the staff compensation and pay equity review (approved on March 20, 2023). The 2023 budget for wages was based on the draft grid. The percentage of change in the 2024 base wages budget number from the 2023 base wages budget number includes the in-year increase from the draft grid to the actuals of the current grid for 2023. In addition, this percentage of change includes staff step movements on the approved grid in 2024.

Actuals for 2023 are expected to fall within the 2023 budget estimate for base wages.

The Municipality's base wage expenses for 2024 are increasing by 3%.

Cost of Living Adjustment (COLA)

Briefing: In accordance with Section 9 of the Pay Administration Policy, each year the entire compensation grid (impacting Council, staff, and volunteer firefighters) may move up by a specific percentage, subject to Council approval of the Annual Operating Budget. The percentage shall be based on market trends and represent a contribution to the cost of living. It assists in keeping salary gaps from further widening. The formula used to calculate this increase is the annual Statistics Canada Ontario Consumer Price Index (CPI) for September each year. This CPI represents changes in prices as experienced by Ontario consumers and is one of the most widely used measures of inflation.

The annual Statistics Canada Ontario Consumer Price Index (CPI) for September 2023 is 3.6%.

Benefits

Briefing: The municipality is facing increased costs from benefits suppliers. The reasons for this increase are inflation, more usage by plan members, annual increases to the Ontario Dental Association fee guide (including an +8.5% increase for 2023) and overall increase in costs of claims across the insurance industry, according to our benefits provider. Some benefits, for example long-term disability and life insurance are also tied to earnings.

The Municipality's cost of benefits for 2024 is increasing 16% over 2023.

Pension

Briefing: Pension expenses are tied to earnings and are dependent on the Yearly Maximum Pensionable Earnings as set by the CRA and contribution rates as determined by OMERS (the Municipality's pension provider). The overall expense is also impacted by the ability of all non-full-time employees to opt in to OMERS as of January 1, 2023.

The Municipality's pension expenses for 2024 are increasing by 5%.

Statutory Remittances

Briefing: This category includes employer expenses related to statutory remittances for CPP, EI, EHT, and WSIB. Changes to employee earnings impact these expenses. They are also impacted by changes to contribution rates and annual maximum pensionable/insurable earnings.

The Municipality's statutory remittance expenses for 2024 are increasing by 8%.

Financial Impact:

The chart below summarizes overall changes to wages and benefits from 2023 to 2024 by type.

Change Type	2023	2024	\$ Change Yr. over Yr.	% Change Yr. over Yr.
Base wages	5,110,094	5,277,369	167,275	3%
COLA	-	188,119	188,119	100%
Benefits	321,349	371,369	50,020	16%
Pension	420,547	440,633	20,086	5%
Statutory Remittances	516,851	559,761	42,910	8%
Total	6,368,841	6,837,251	468,410	