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## REPORT TO THE FINANCE COMMITTEE MEETING OF WEDNESDAY, MAY 2, 2018

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**SUBJECT**     Capital Regional District Board of Directors Remuneration

**ISSUE**

To provide an update on the review of Capital Regional District Board of Directors remuneration.

**BACKGROUND**

Effective January 1, 2016, the CRD Board approved a remuneration policy for CRD Board Directors and Alternates. The policy is derived from a remuneration philosophy that recognizes the significant commitment and expectations of a CRD Director, and gross remuneration which is comparable with other organizations, as follows. The current remuneration philosophy is in Appendix A and the remuneration policy with 2018 schedules is in Appendix B.

As part of the 2017 Federal Budget, the Federal Government announced that tax exemptions that apply for non-accountable expense allowances paid to members of provincial and territorial legislative assemblies and to certain municipal office-holders would be eliminated. This change is to be effective January 1, 2019, and will directly impact the CRD Board, Alternates, and Commission members who receive remuneration. This change was discussed at the CRD Finance Committee meetings of May 3 and June 7, 2017. Recommendations were put to and approved by the CRD Board as follows:

1. *That [the June 7, 2017 "2017 Federal Budget Impact on Tax Exemption"] report be received for information;*
2. *That the current CRD Board Remuneration policy continue to apply; and*
3. *That the CRD undertake a comprehensive Board remuneration review in 2018, with implementation in 2019, as scheduled.*
4. *That a resolution be sent to the UBCM regarding the Federal Budget Impact on Tax Exemptions.*

CRD staff are currently undertaking a review of the comparator organizations to determine 2019 remuneration levels. At this time, while some within the comparator group will be making remuneration adjustments, preliminary findings are that there has been no universal decision made amongst the comparator group with respect to adjusting remuneration in view of the tax exemption; a few have indicated that this is being reviewed.

In addition, at their meeting of April 2018, the Electoral Area Services Committee (EASC) moved:

*That staff come back with a report to adjust Electoral Area Director portion of remuneration to make net pay the same in consideration of the loss of tax exemption status.*

This information will be provided to the EASC at their May 2018 meeting.

## **ALTERNATIVES**

### **Alternative 1**

That staff continue to undertake the comprehensive review of Board remuneration, for implementation effective January 1, 2019, and to implement 2019 adjustments when the comparator information is fully determined.

### **Alternative 2**

That staff be directed to make a one-time exception to offset the elimination of tax exemptions that apply for non-accountable expense allowances paid to members of provincial and territorial legislative assemblies and to certain municipal office-holders, effective January 1, 2019.

## **IMPLICATIONS**

### **GOVERNANCE IMPLICATIONS**

#### **Alternative 1**

The current CRD Board Policy on Board remuneration accounts for remuneration provided by comparator organizations. Most comparator organizations have not yet determined 2019 remuneration rates. Once these have been determined, these will inform 2019 remuneration for the CRD Board.

The EASC has directed staff to adjust the Electoral Area Direction portion of remuneration to make the net pay the same in consideration of the loss of tax exemption status. The financial implications will be reported to the EASC at their May meeting; however, the recommendation to adjust the remuneration is included in a separate report to the Finance Committee on this agenda as the EASC would like to move this forward to the Board for consideration prior to local government elections in October. As some comparator organizations have deferred consideration of adjustments to remuneration until after local government elections, should this recommendation be approved, the Board will not know if comparator organizations have adjusted for the changes in federal taxation until after the election.

#### **Alternative 2**

When the CRD Board Policy on Board remuneration was developed, it was understood that remuneration levels included a defined expense provision which was tax exempt. In January 2019, the Federal Government will be eliminating this provision. The impact is that net remuneration levels for Board and Commission members who receive remuneration will be reduced.

This alternative would adjust remuneration to offset the change in Federal taxation; however, this may put gross remuneration amounts out of line with comparator organizations, should those comparators not also make remuneration adjustments in light of the loss of tax exemption.

## **FINANCIAL IMPLICATIONS**

### **Alternative 1**

Consistent with Board policy, effective January 1, 2018, the Board remuneration was adjusted by the Victoria CPI cost of living factor increase of 1.93%. 2019 remuneration figures will be based on those of the comparator organizations, following the comparator review, and once all 2019 remuneration rates of the comparator organizations have been determined. Any adjustment will be included in the 2019 CRD budget and form part of the requisition.

### **Alternative 2**

In an effort to retain consistent remuneration levels, it is foreseen that CRD Board remuneration would require an increase of up to approximately \$84,000, or fourteen percent (14%), effective January 1, 2019, excluding any CPI adjustment. This increase would offset the loss of the tax exemption and address the change in net remuneration. This adjustment would be included in the 2019 CRD budget and form part of the requisition.

## **CONCLUSION**

The CRD Board has established a remuneration policy which compares remuneration payments provided to other organizations. CRD staff are currently undertaking a review of the comparator organizations to ensure 2019 remuneration is appropriately aligned. Effective January 1, 2019, the Federal Government has announced that the tax exemptions that apply for non-accountable expense allowances paid to members of provincial and territorial legislative assemblies and to certain municipal office-holders will be eliminated. While some within the comparator group will be making remuneration adjustments in light of this, preliminary findings are that there has been no universal decision made amongst the comparator group with respect to adjusting remuneration in view of the tax exemption at this time.

## **RECOMMENDATION**

That the Finance Committee recommend to the CRD Board:

That staff continue to undertake the comprehensive review of Board remuneration, for implementation effective January 1, 2019, and to implement 2019 adjustments when the comparator information is fully determined.

Submitted by:	Chris Neilson, MBA, CHRP, Senior Manager Human Resources
Concurrence:	Nelson Chan, MBA, CMA, CPA, Chief Financial Officer
Concurrence:	Robert Lapham, MCIP, RPP, Chief Administrative Officer

CN: cn:ngm

Attachments (2)

## Appendix A

### **CRD BOARD REMUNERATION PHILOSOPHY**

- a base Director annual stipend as the average paid to CRD member councillors, which recognizes attendance at all Board meetings and Committee of the Whole meetings plus two Standing Committee commitments; and
- an additional annual stipend to Electoral Area Directors which recognizes all additional Electoral Area work including Electoral Area Commission commitments; and
- an additional annual stipend to the CRD Board Chair consistent with payments made by other Regional Districts, which recognizes all Board Chair responsibilities including all ex-officio responsibilities on Standing Committees; and
- additional annual stipends to recognize the additional commitments of the: CRD Board Vice-Chair; Capital Region Hospital District Chair; Standing Committee Chairs; and CRD Directors who are involved on more than two Standing Committees; and
- per meeting payments to CRD Directors appointed to local and sub-regional Commissions and external boards (except where remuneration is already paid and/or not eligible); and
- per meeting payments to Alternate Directors consistent with payments made by other Regional Districts; and
- that the annual cost of living adjustment based on the Victoria Consumer Price Index continue to be applied, and that a regular review be undertaken every three (3) to five (5) years to ensure remuneration remains comparable.