

**FINAL REPORT OF THE COUNCIL COMPENSATION REVIEW COMMITTEE**

---

**EXECUTIVE SUMMARY**

The Council Compensation Review Committee (“CCRC” or “the Committee”) was appointed in 2016 to review and make recommendations concerning the total compensation package provided to elected officials of The City of Calgary. Five citizen members with backgrounds in human resources, business and law were appointed by Council to complete this task no later than 2017 May. In order to complete the required task in accordance with Bylaw 25M2015, the Committee hired an external research firm, utilizing the normal procurement process through The City of Calgary, to conduct a total remuneration survey of six comparable Canadian cities. A survey was also sent to elected officials requesting their overall opinions and insight into their current remuneration structure. In addition to the above research, the CCRC met on a regular basis to discuss citizen opinions, current HR applicable practices, and solicit information from City staff on current procedures and compensation practices.

**COMMITTEE RECOMMENDATION(S)**

The Council Compensation Review Committee recommends that Council make the following changes; which would take effect immediately upon the day a new Council is sworn in:

1. Reduce the salary of the Mayoral position to \$200,747, a decrease of six per cent or approximately \$12,123 per annum, with future increases and decreases to continue to follow the Alberta Average Weekly Earnings (AWE) indicator;
2. The salary for the position of Councillor remain at the current level (\$113,416), with future adjustments to continue using the AWE indicator;
3. Council to vote every year as a collective body to accept or decline the increase/decrease calculated by the AWE indicator;
4. Eliminate the transition allowance for any elected official who leaves for any reason;
5. Align health and dental benefits of Council to match City of Calgary General Managers by offering choice of benefit coverage.

**PREVIOUS COUNCIL DIRECTION / POLICY**

Pursuant to Bylaw 25M2015, as amended, Council established the CCRC. Council directed that the Committee present its findings by 2017 May. (A copy of Bylaw 25M2015 as amended is attached as Attachment I.)

**BACKGROUND**

Five citizen volunteers were appointed to the CCRC by Council in 2016 October. One member resigned and was replaced by Council in 2017 February. The Committee met on the following dates:

2016 November 24	2017 March 10
2016 December 01	2017 March 24
2016 December 16	2017 April 07
2017 January 05	2017 April 20
2017 January 20	2017 May 05
2017 February 16	2017 May 18

## **FINAL REPORT OF THE COUNCIL COMPENSATION REVIEW COMMITTEE**

---

Also assigned to the CCRC were liaison and support personnel from the City Clerk's Office and Human Resources.

### **INVESTIGATION: ALTERNATIVES AND ANALYSIS**

The Committee reviewed the five guiding principles contained in Bylaw 25M2015 (4a-e). These principles were used as the guide posts for all research and decisions.

Additionally, the Committee took into account the current state and forecast of the economy in Calgary, Alberta and Canada in general. Since the last CCRC report, Calgary and Alberta have experienced an economic downturn. Virtually every economic indicator or economic outlook report speaks of the current recession. Below is an example from *Avison Young*:

- *Avison Young – Commercial Realty – 1 Quarter 2017 – Office Market Report* shows an overall vacancy rate of 22.5 per cent forecasted to the 4 quarter of 2018 to rise to 29 per cent. "No forecasts for a quick return to the high growth environment Calgary is known for."

When the Committee was formed in October 2016, unemployment rates were at their highest, in Calgary and Alberta since 1993, at 10.2 per cent and 9.3 per cent respectively. The provincial average weekly wage index used in the annual increases to The City of Calgary's elected officials hit a negative 2.49 per cent, reflecting on Council's pay for 2017. Below is an example from *CREB*:

- *CREB – Calgary Real Estate Board – Market Report 2017 Economic Outlook and Regional Housing Market Forecast (Page 8)* highlights "Since the end of 2014, more than 40,000 full time positions have been lost in Calgary; while unemployment rates have risen to more than 10%."

In order to ensure that the current remuneration structure is fair and consistent with other comparable municipalities in Canada, the Committee contracted Case Dillon & Associates (the Consultant) to undertake a remuneration review of six cities that the Committee identified as similar to Calgary (based on population, annual budgets, etc.). The six selected cities were:

- Edmonton
- Mississauga
- Ottawa
- Toronto
- Vancouver
- Winnipeg

The Consultant created a 2017 Elected Officials Total Compensation Survey for the Committee and solicited the above listed cities for their data. The data showed several points the Committee would like to highlight:

- The City of Calgary Mayor is the second highest paid Mayor among the six cities (when Edmonton's base salary is adjusted to calculate the tax-free portion\*).
- The City of Calgary Councillors are the second highest paid among the six cities (when Edmonton's base salary is adjusted to calculate the tax-free portion\*).

**FINAL REPORT OF THE COUNCIL COMPENSATION REVIEW COMMITTEE**

- The City of Calgary Mayor's salary as a percent of The City of Calgary Councillor's salary is the second highest at 188 per cent (Vancouver is the highest at 202 per cent).
- The median salary result for the Mayor's position is \$173,188 (\$175,689 with Edmonton adjustment) and Councillors' position is \$95,682 (\$96,343 with Edmonton adjustment).
- The P75 (third quartile) salary result for the Mayor's position is \$177,021 (\$185,976 with Edmonton adjustment) and Councillors' position is \$99,354 (\$108,888 with Edmonton adjustment). P75 means that 75 per cent of the observations are at this level or below.

\*The City of Edmonton still applies a "tax free portion" of 33 per cent of the Mayor's and Councillors' base salary. The Mayor's salary in Edmonton would be a fully taxable equivalent of \$218,200 versus the Mayor's salary in Calgary at \$212,870. The Councillors' salary in Edmonton would be \$116,729 versus \$113,416 for City of Calgary Councillors.

From this data, the Committee discussed the differences between the six cities (population, ward sizes, annual budgets, required duties, etc.) in order to determine if the positions of Mayor and Councillor warrant a base salary higher than median.

Also discussed was whether elected officials' pay be "desirable to attract the full range of citizens from all walks of life as candidates for Council positions" (Bylaw 25M2015, 4a). The Committee agreed that in order to encourage citizens to seek office, a base salary higher than median was required. It was also agreed in keeping with the development and management of a world class city like Calgary, municipal elected officials should be fairly compensated for their work. These determinations made it possible for the Committee to conclude that all elected officials for The City of Calgary should be paid higher than median. Calgary is considered one of the major municipalities in Canada and the Committee agrees it is important to attract qualified people to Council. However, the Committee also established that the spread between the Mayor's base salary and Councillors' base salary should be reduced to align with the overall median (177 per cent).

The Consultant's report also included data related to each city's Compensation Philosophy, Compensation Adjustments, Retirement Plans, Benefits, Transition allowance/Departure Benefits, and Perquisites. The Committee found that The City of Calgary elected officials, when compared against their peers, were similar too or exceeded the majority of the comparison cities. There was also an alignment with the benefit plans of the City's General Managers.

Additionally, the Committee solicited feedback from all Council members. A confidential, online survey was sent to all elected officials via email on 2017 February 2. The survey was anonymous and voluntary. It included opportunities for both quantitative and qualitative data to be provided, and offered an opening for any member of Council to meet with a representative from the CCRC. Nine surveys were completed and returned to the Committee and one Council member met with a Committee representative. The Committee used the information received when determining its recommendations to Council. The consensus is that there is satisfaction with the current compensation offered. No major concerns were brought forward.

**FINAL REPORT OF THE COUNCIL COMPENSATION REVIEW COMMITTEE**

The Committee explored several alternatives to the recommendations The Committee considered, but decided against them for the reasons outlined below:

<b>Alternatives Related to Salary</b>	<b>Reasons for not recommending</b>
Further reduce Mayor’s salary and Councillors’ salary to align with the Consultant’s P75 (third quartile) figures	<p>While a reduction in the Mayor’s salary is recommended, the Committee was wary of recommending a reduction beyond what would be considered acceptable in the public sector. The position of Mayor and Councillor would be reflected at an executive position in the public sector. Thus, pay must align as per Bylaw 25M2015, 4b.</p> <p>Additionally, the Committee agreed that the current salary of Councillors is fair and did not need to be reduced. The Committee was more concerned with the spread between the Mayor’s salary and Councillors’ salary.</p>
Freeze all Elected Officials’ salaries for four years at current levels	<p>With Calgary’s current economic climate being unstable, it is difficult to forecast what will happen over the next four years. Thus, it seemed inconceivable to impose freezes today that would be in place until 2021.</p>
Use Consumer Price Index (CPI) to calculate future salary increases or decreases instead of Average Weekly Earnings (AWE)	<p>The CPI measures the “cost of living” by tracking the prices of a given “basket of goods”. The CPI is used as an indicator of inflation. For this reason, it was felt that this indicator, relative to compensation, does not take into account the “job value” required of a Member of Council’s position, competencies, skills, responsibilities etc. versus that of any other position.</p> <p>The Committee felt, as on 2012 January 23 (the last Committee’s report to Council on this issue), that the best indicator continues to be the changes in the Province of Alberta’s AWE. The AWE captures the true changes in the labour force’s wages in Alberta. i.e. Council’s January 2017 adoption of the 2.49 per cent reduction in salary due to a downswing in the Alberta economy. Comparative CPI in January 2017 was an increase year over year of 2.5 per cent in the Province of Alberta and 1.3 per cent in Calgary.</p> <p>The forecast for the provincial AWE as quoted from the Alberta – Fiscal Plan – Economic Outlook – Budget 2017 Paper states: “After falling for the second consecutive year, average weekly earnings (AWE) will grow 1.4 per cent in 2017 before gradually accelerating to 3 .0 per cent by 2020”.</p>
Increase current elected official salaries	<p>The Committee reviewing the position of Calgary’s elected officials in line with the other comparable cities were believed to be well positioned in relation to its population size, budget and number of elected officials in comparison to the comparator cities.</p>

**FINAL REPORT OF THE COUNCIL COMPENSATION REVIEW COMMITTEE**

	Additionally, the Committee agrees that the AWE is the best indicator for future increases and decreases to the elected officials' salaries.
Maintain Status Quo	The Committee felt that based on the information received from the Consultant, a status quo recommendation would not be in line with other similar municipalities.

<b>Alternatives Related to Transition Allowance Recommendation</b>	<b>Reasons for not recommending</b>
Keep All or Portion of transition allowance	While other municipalities have retained the Transition allowance for elected officials, The Committee felt that a step change was required to accurately reflect the fixed employment tenure of Elected Officials' time in office

<b>Alternatives Related to Benefits Recommendation</b>	<b>Reasons for not recommending</b>
Maintain Current Plan – No Changes	Upon review of the benefits package for Elected Officials, the Committee noticed that the benefits were not aligned with that of the City General Managers (despite all other items being aligned). City of Calgary HR confirmed there would be no additional cost. Hence, an alignment of benefit plans for Elected Officials is being recommended.

**Stakeholder Engagement, Research and Communication**

As previously noted, the Committee extended an opportunity to all Council Members to participate in the compensation review process. A survey was sent to all Council Members and nine members chose to participate. The Committee wishes to thank each participant for their time.

The Committee expressed interest in engaging the public but was unable to arrive at a method that City of Calgary Administration would implement. During the last Compensation Review Committee (2011-2012), focus groups were utilized to engage with the Calgary public. However upon reviewing the approach and the results from this process, the Committee decided that these focus groups were costly and not effective in soliciting the public input that would affect the decision on any of the end decisions required on Compensation and Total Rewards.

The Committee wanted to involve the Calgary public with an online survey through engage.calgary.ca or a calgary.ca email address and PR campaign. At the time City of Calgary Administration advised that a private non-City email account should be used in order for the Committee to be and to be seen as being arm's length from The City; however others cautioned the Committee against this approach. Based on the short timeline, and an inability to find a satisfactory method of engaging the public, it was determined the Committee's five public volunteer members would stand as the public's voice.

**Strategic Alignment**

As per Bylaw 25M2015, 4b, compensation for Members of Council should reflect the responsibilities, time commitments and accountability of the position expected by the general public.

## **FINAL REPORT OF THE COUNCIL COMPENSATION REVIEW COMMITTEE**

---

### **Social, Environmental, Economic (External)**

As per Bylaw 25M2015, 4a, it is desirable to attract the full range of citizens from all walks of life as candidates for Council positions.

### **Financial Capacity**

#### **Current and Future Operating Budget:**

The recommendations made by the Committee on base salary for Members of Council this will have an impact on the 2018 Operating Budget and all future budgets. The initial reduction in the Mayor's base salary will create a small change to the 2018 Operating Budget. Future Councils will then be able to determine each year if they will accept or decline the increase/decrease based on the AWE indicator. Subsequently, it is not possible to determine how much of an effect these recommendations will have on future budgets.

By offering a choice of health and dental coverage for the Mayor and Council, may have a small impact to the operating budget. There are two options for health and three options for dental. Option level 1 for both health and dental is a health spending account. It is estimated that there could be a decrease in The City's operating budget of approximately \$10,000 per annum if all elected officials selected this option over the next level of coverage. Level 2 is the current coverage available for elected officials. There is no additional premium cost to The City if the elected officials select option dental level 3 as the elected officials are responsible for the additional premiums.

The elimination of the transition allowance would add varying degrees of savings depending on each situation. At current salaries and based on a four-year term, a Council member serving one term receives eight weeks or approximately \$17,000 and a Mayor serving one term receives approximately \$33,000. The maximum transition allowance would equate to one year of salary.

#### **Current and Future Capital Budget:**

N/A

### **Risk Assessment**

The Committee does not see any imminent risks to accepting the CCRC recommendations.

#### **REASONS FOR RECOMMENDATIONS**

1. The Mayor as the local political leader and the face of a major urban municipality should command a higher salary than Councillors. However, based on the data received from the Consultant, the Committee felt that the spread between the Mayor and Councillors in Calgary was too large. The recommendation to reduce the Mayor's salary by \$12,123 to \$200,747 (a six per cent reduction) would reduce the overall difference from 188 per cent to 177 per cent as compared to the six municipalities as noted in the Consultant's survey.

A further reduction was considered and disregarded as the Committee believes that in order to comply with Bylaw 25M2015, compensation should be reflective of a number of criteria, including comparisons to equivalent elected and legislative positions elsewhere in Canada.

## FINAL REPORT OF THE COUNCIL COMPENSATION REVIEW COMMITTEE

2. The Committee's recommendation to maintain the current Councillors' base salary and continue with the AWE indicator is based primarily on the stated ranking of The City of Calgary Councillors being the second highest paid based on the comparison cities. However, the third highest paid municipal Councillor (Toronto) is very close to the same pay as the Calgary Councillors. The Committee decided that an adjustment did not need to be made at this time. In order to attract candidates from all walks of life in Calgary the current salary is acceptable.
3. The third recommendation for Council allows for a yearly review of council salaries. It is general practice within the private business sector for all salaries to be reviewed on a regular basis to ensure that they are consistent with the market, organizational objectives and budget. While the Committee recognizes that a yearly review board is not possible (or cost effective), a method of review each year would allow for Council to make decisions regarding pay in a timely and prudent manner. The benefits of this recommendation include the ability for Council to react quickly to the economic environment in Calgary and to follow the will of their electorate instead of basing decisions simply on a statistical calculation. The following should be noted:
  - a. The AWE would be calculated by taking the 12-month average from October to September. This is the current process. Statistics Canada does not release the AWE for September until late December. This would mean Council would be unable to vote on the adjustment until the first Council meeting in January. This means that up to four pay periods may have passed and a slight retroactive adjustment to January 1 would need to be applied early in a new year.
  - b. If Council accepts the recommended increase or decrease amount, either the overpayment or increased amount for those pay periods would be reflected on the first pay period after the vote.
4. The Committee recommends the elimination of the existing transition allowance for City of Calgary elected officials. Currently, the transition allowance accumulates at the rate of 2 weeks of pay for each completed year in office to a maximum of 26 years of service (and one full year of pay). The existing transition allowance is paid upon leaving elected office for any reason and is subject to income tax.

City of Calgary elected officials voluntarily choose to interrupt their careers to embark upon what they clearly know and accept is a fixed four year term of work (if elected) which they may continue to re-commit to, and compete for, in successive four year intervals. Elected office for limited terms is not analogous to an indefinite worker being suddenly laid off in the employment context. In that case, the law provides for working notice or pay in lieu to provide a cushion that recognizes the layoff is wholly unexpected and outside of one's control. By contrast, from the moment they are declared elected, politicians all have four years notice of expiry of their term of service.

The existing transition allowance for the City of Calgary elected officials has no equivalent in the world of employment where one voluntarily leaves one's position or is not deemed sufficiently effective to maintain the position. The Committee recommends the elimination of them in the City of Calgary as was done in 2012 for members of the Alberta legislative assembly.

## **FINAL REPORT OF THE COUNCIL COMPENSATION REVIEW COMMITTEE**

The Committee acknowledges that elected officials may encounter some financial and other challenges to reintegration into the workforce after an interlude of political service. However, this is not expected to be any greater than any other private citizen who freely chooses to take a temporary opportunity elsewhere (and indeed may be less precisely because of the public nature of elected office). Moreover, the Committee is satisfied that these elected officials are fairly compensated throughout their elected years of service. For example, the City of Calgary makes a substantial bi-weekly contribution of 18.64% (more than double matching) to the pension plan of its elected officials. Other select benefits may be continued after the elected official ceases to hold office.

With regards to process, the Committee recommends the elimination of the existing transition allowance for elected officials to take effect after the October 2017 election. Any and all transition allowance to that date which has accrued to the credit of any current elected officials who are re-elected should be preserved and paid out within 30 days after the date of swearing in of the next Council. No new transition allowance would accrue for any official elected in the October 2017 election. By way of example, if a Councillor has served one term of four years, and is re-elected in October 2017, that Councillor would be entitled to receive the accrued transition allowance (4 years x 2 weeks / year = 8 weeks of their salary) but would earn no more transition allowance after the October 2017 election.

5. To date, the Council Members' benefit program has aligned as much as possible with The City of Calgary's General Managers. The recommendation of offering flexibility of choice for health and dental coverage, simply realigns the elected officials to the General Managers in the health and dental portion of benefits.

## **ACKNOWLEDGEMENTS**

The CCRC would like to thank the following people for their help and dedication to this Committee:

- Ms. Christine Bilous, The City of Calgary, Human Resources – HR Consultant to the Committee
- Mr. Julien Lord Charest, The City of Calgary, City Clerk's Office – Legislative Assistant to the Committee
- Mrs. Shawneen Muscoby, The City of Calgary, City Clerk's Office – Legislative Coordinator to the Committee
- Mr. Tim Dillon and Ms. Julie Case, Case Dillon & Associates – Compensation Consultants to the Committee

The Committee also gratefully acknowledges the assistance and contributions of City of Calgary staff in the following areas:

- City Clerk's Office
- Customer Service & Communications
- Supply Management

## **ATTACHMENT(S)**

Attachment I: Bylaw 25M2015

Attachment II: Case Dillon & Associates Elected Officials Total Compensation Review