Council Remuneration Calculation

EXECUTIVE SUMMARY
Since 2002, Council, through Bylaw, has established a citizen-volunteer committee who, with the advice of consultants the committee engages, reviews and makes recommendations on Council member remuneration, pension, benefits and other forms of compensation.

Over the years, the citizen committee has made recommendations relating to the calculation of annual adjustments to base pay that Council has approved and that have been adopted by Human Resources and the Office of the Councillors.

The Council Policy that governs Council remuneration (CC035 Members of Council Remuneration Policy) outlines a method of calculating annual adjustments to Council member base salaries that could be interpreted by some as being different from the 2012 recorded Council-approved methodology for calculating Council members' annual base salary adjustments.

This discrepancy came to light during the 2018 December 17 Regular Council meeting, during debate on Notice of Motion Councillor Base Salary Adjustments 2019 – C2018-1383.

ADMINISTRATION RECOMMENDATION:

1. That Council direct the City Auditor’s Office, as an addition to the approved 2019 Audit Plan, to independently verify Administration’s method of calculation of members of Council remuneration for 2019 with a written report to the 2019 February 28 Audit Committee.

2. That Council direct Administration to continue to defer any adjustment to 2019 annual base compensation pending their review of Audit findings and pursuant to further Council direction, with any Council-approved adjustment to be made retroactive to the first pay period of 2019.

PREVIOUS COUNCIL DIRECTION / POLICY
See the account of Council direction and Policy under “Background” (below).

BACKGROUND

On 2003 March 24, Council approved a CCRC recommendation that base salary “should be adjusted effective the first pay period of each calendar year between task force reviews by the same percentage increase or decrease as the Average Weekly Earnings for Alberta as reported by the Statistics Canada Survey of Employment Payroll and Hours for the immediate preceding year, based on that year’s September to September report information.”

Approval(s): Male, Carla concurs with this report. Author: Everett, Cindy L.
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On 2006 July 17 Council approved CCRC recommendations that called for the continuation of adjustments “on an annual basis by the yearly percentage increase or decrease in the Average Weekly Earnings Index for Alberta”.

On 2012 January 23 Council approved a CCRC recommendation to revise the method used to calculate Council’s annual salary adjustment. The previous method employed took the difference between the average weekly earnings reported for the month of September for the current and for the previous year. The revised method approved by Council was to track the difference for each month of the year and the 12-month average calculated every September as the basis for Council’s annual increase.

The Council Policy CC035 (Members of Council Remuneration Policy, effective 2002 September 23, updated in 2014 and 2015) states that its purpose is to: “establish the amount of remuneration, pension, benefits and other forms of compensation provided to Members of Council for the provision of duties in office”. The Policy outlines a calculation method that is open to interpretation and that could be interpreted as being in conflict with the revised method that Council approved on 2012 January 23.

INVESTIGATION: ALTERNATIVES AND ANALYSIS

Human Resources and the Office of the Councillors have been monitoring, tracking, reporting and administering adjustments according to Council direction since Council approved the first CCRC recommendations for making annual adjustments in 2003 March 24.

Human Resources and the Office of the Councillors adopted the revised methodology approved by Council in 2012 for all adjustments subsequent to that date, unless otherwise directed by Council (for example, if Council directed a freeze to their salaries).

There is significant difference between the two methodologies. The methodology used before 2013 was a one-point in time calculation of the percentage increase or decrease of the Average Weekly Earnings for Alberta from September to September of the previous year. The methodology beginning in 2013 was a 12-month average based on each month of the year of the annual difference in earnings of the Average Weekly Earnings for Alberta from October to September.

The current methodology for calculating adjustments using Average Weekly Earnings for Alberta recommended by CCRC and approved by Council is not precisely reflected by the wording in existing Council Policy. It is important that there be clear direction from Council to Administration. It is also imperative that relevant documentation informing Administration and the Office of the Councillors on Council compensation matters be accurate, consistent, current and compliant.

Administration is recommending that the City Auditor’s Office undertake an assurance review to validate the calculation methodology supporting Council members’ annual base salary adjustment for 2019.

Administration is also seeking Council’s agreement to continue to defer any 2019 adjustment to Councillor base annual salaries pending the outcome from Audit’s review and associated Council deliberation, decision and direction to Administration.
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Stakeholder Engagement, Research and Communication
The Chief Financial Officer reviewed current documentation highlighting inconsistencies in direction with Administration members who support this process, and consulted with the Chair of the Audit Committee and the City Auditor on the advisability of The City Auditor’s office undertaking an assurance review.

In accordance with Audit Committee Bylaw 48M2012, the Audit Committee or Council may not remove items from the City Auditor’s work plan but may direct items be added to the plan. When the City Auditor receives such direction, as a matter of good practice, a verbal discussion is held at the next Audit Committee to disclose the nature of the audit activity and the impact to audit activities currently underway as approved in the 2019 Audit Plan. The next Audit Committee is scheduled 2019 January 31.

Strategic Alignment
This recommendation aligns with the Council Priority of a Well-run City.

Social, Environmental, Economic (External)
N/A

Financial Capacity

Current and Future Operating Budget:
This report in and of itself does not impact operating budget. The outcomes of this work will inform Council of the annual adjustment in their base compensation. This work may displace other work that the City Auditor’s Office was planning to undertake that may have minor budget implications.

Current and Future Capital Budget:
There are no Capital Budget impacts.

Risk Assessment
There are financial, reputational and legal risks in not providing accurate remuneration calculations. In addition, inaccurate pay or a lack of confidence in how pay adjustments are being calculated can impact the attraction of candidates to public office, as well as the morale of existing members.

REASON(S) FOR RECOMMENDATION(S):
It is critical that there be clarity, accuracy, compliance and confidence in the method used in the calculation of annual base pay adjustments for members of Council. Available, current documentation on proper methodology has created a state of confusion that must be addressed.

ATTACHMENT(S): none