

**DATE:** July 6, 2018

**FILE:** 530-01

**TO:** Chair and Directors  
Committee of the Whole

**FROM:** Russell Dyson  
Chief Administrative Officer

Supported by Russell Dyson  
Chief Administrative Officer

*R. Dyson*

**RE: Directors' Remuneration Report with Comparatives**

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### **Purpose**

To recommend options for proceeding with adjustments to Directors' remuneration in light of a report presented by Julie Case, compensation consultant, which outlines comparatives with other regional districts. In addition, provision of a recommended course of action as a result of the Canada Revenue Agency (CRA) elimination of the one-third non-taxable portion of local government elected officials remuneration. And last, a brief summary of benefit options which provide particulars for Directors over the age of 70 years.

### **Recommendations from the Chief Administrative Officer:**

1. THAT Bylaw No. 236 being "Comox Valley Regional District Remuneration and Expenses Bylaw 2012" be amended to reflect the following as noted in the staff report dated July 6, 2018:
  - effective January 1, 2019, the elected officials' base rate remuneration be increased by seven per cent to partially compensate for the Canada Revenue Agency elimination of the one-third non-taxable allowance;
  - adjustment of the meeting remuneration from \$125 per meeting to \$160 per meeting; and
  - ongoing yearly remuneration adjustment to the base rate effective 2020 based on the annual change in the Consumer Price Index (British Columbia) for the preceding year.

### **Executive Summary**

This report provides a brief summary of a statistical report provided by the consultant which examines Directors' remuneration and expenses in light of a survey of nine other regional districts. Ms. Case completed the statistical review in June 2018 and in light of her findings staff are providing further information to support the recommendations. These findings include:

- An analysis of Directors' remuneration of nine regional districts which outlines median compensation and stipends to Directors and Electoral Officials within BC. This analysis outlines that the CVRD's current range of pay sits above the median range for the office.
- The one-third non-taxable allowance for elected officials in Canada is being eliminated effective January 1, 2019 and further examination of the challenges shows the benefits to increasing Directors' remuneration by seven per cent in an effort to make them "whole" for 2019. Advantages and disadvantages of three different options regarding the non-taxable allowance are provided in order to support the recommendation to move forward as proposed.

- The remuneration for the Directors was deemed to be above the median in some positions and within the median range with other positions except for the meeting and travel remuneration which is below the median. In order to remain in the median band, this report recommends slight increases in both areas of compensation for the Directors.
- In order to remain current in the elected official remuneration range, continued annual adjustments based on the change in the Consumer Price Index (CPI) for British Columbia for the previous year are proposed starting in 2020.
- Finally, the direction to staff to complete an update of Bylaw No 236 to support these changes and move forward with modifications to the bylaw to reflect the recommendations set out previously.
- The alternative to not proceeding with adjustments to reflect the impact of the elimination of the non-taxable allowance, the meeting and travel remuneration adjustment and CPI continuance would be lower than median ranges of remuneration which will ultimately impact the pool of candidates who recognize the increased workload that the positions require, and opt not to proceed to elections within local government.

Prepared by:

*J. Bradley*

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### **Background/Current Situation**

On September 11, 2017 a staff report was brought to the Board with options to amend the Bylaw No. 236 being, “Comox Valley Regional District Remuneration and Expenses Bylaw 2012” to reflect an independent review of remuneration beginning January 1, 2019 and continuing every six years thereafter. A preliminary review was completed and at the Board meeting on April 19, 2018 specific direction was given to staff to ensure Directors’ remuneration and expenses were in alignment with local government practice, provide input on the results of elimination by the CRA of the one-third non-taxable allowance of local government officials’ remuneration, and to secure the support of an independent consultant to complete that work prior to the election cycle beginning in October 2018.

Julie Case was retained as the regional district’s compensation consultant for this task. The work included a custom survey of nine comparative regional districts (expenses, population and elected officials) and the finished report is attached in Appendix A for reference. The data collection was completed in June 2018.

The consultant’s report summarizes the survey data from the comparative regional districts and notes the majority practice in each area.

### **Non-Taxable Allowance for Elected Officials**

The 2017 federal budget proposed a change to the current protocol surrounding elected officials remuneration. The current one-third of remuneration being non-taxable will end effective January 1, 2019. The full amount of elected official’s remuneration will be subject to income tax at the personal tax rate for that official.

Local government finance officers throughout BC have been considering options to mitigate the impact of this change in federal legislation. Three options are as follows:

1. Increase remuneration to elected officials to “make them whole”. While it is not possible to consider the impact to each elected official based on their individual tax situation, the approximate dollar impact of this change could be offset by a seven per cent increase to Directors’ base rate remuneration. Based on the 2017 Statement of Financial Information, a seven per cent increase would be approximately \$15,000 plus the increase in mandatory employer related costs.
2. Direct reimbursement of expenses to elected officials. This would require considerably more administrative time for both the elected official and the local government in terms of expense reporting, approval, records management and claim submission and verification. This option would require additional staff resources.
3. Deduction of expenses personally through filing of a T2200 “Declaration of Conditions of Employment” by the local government provides the elected official authorization to personally deduct “unreimbursed expenses that are clearly related to local government business on their personal tax return”. [BDO Canada LLP Report “The End of the Tax Free Allowance”]. This will require record keeping on behalf of the elected official in line with requirements of the CRA to ensure eligible expenses are tracked for deductions.

Given the record keeping requirements, impact on local government accounting staff and desire to ensure that elected officials are kept “whole”, the option of best transparency is to increase Director remuneration base rates by seven per cent effective January 1, 2019.

#### **Remuneration for Meetings and Travel Allowance for Elected Officials**

Ms. Case has highlighted two areas of remuneration where the CVRD is below the median of the nine regional districts surveyed: meeting and travel remuneration. Through data gathered in the report, Ms. Case recommended an increase in the meeting remuneration from \$125 per meeting to \$160 per meeting. The impact of this recommendation based on an estimate of the 2017 meeting remuneration would be \$28,000.

Travel remuneration remains a challenging area for consideration. Bylaw No. 236 provides for travel remuneration of \$20 per hour for meetings which are convened 60 kilometers distance or one hour travel time, one way, from the director’s home. In addition, kilometrage to meetings is reimbursed at the CRA rate (currently \$0.55 cents per km). Data gathered clearly indicates there is no “normal” practice for travel remuneration. After consideration of the data provided as well as the input received from other elected officials, the recommendation is to maintain the existing travel remuneration and reimbursement as stated in Bylaw No. 236.

#### **Benefits Options beyond “age of 70”**

In response to requests for benefits coverage for elected officials above the age of 70 years, staff pursued quotations for this higher age parameter with the CVRD’s new benefits provider, Pacific Blue Cross.

Appendix B summarizes the Benefit Plan for elected officials which includes extended health, dental, vision and life insurance options. Cost differentials are best summarized as follows:

Currently Directors eligibility for benefits is built on a “to age 70” criteria. Costs for the entire package range from a Director’s contribution rate of approximately \$1425 per year for family coverage and approximately \$700 per year for single coverage. Pacific Blue Cross was approached to

provide a quotation using a “to age 80 or retirement” criteria. The key to this is there is an end date that limits the risk for the benefits carrier.

Of importance is the realization that once the CVRD opts into “age 80 or retirement” criteria, the costs of the program increase based on the age range. An individual could be age 62 but because the range of the plan is “age 80 or retirement” the risks are covered to age 80 rates. If the CVRD opted to provide coverage to the higher age range, the benefit plan would increase to the high end of \$1700 per Director for family coverage per year. That is the 50 per cent rate the Director would pay, the CVRD would pay an additional \$1700 for the employer’s portion. Single coverage would be in the \$900 per year range depending on age and noting escalating life insurance payments. Total financial impact for the CVRD would depend on the number of Directors who participated in the program, their age, their family status and what benefits they would opt into. Based on half of the Directors opting in at the higher rate, the increase financially to the CVRD would be approximately \$20,000 in 2019, assuming 2017 dollar quotations remain constant. Each year after that would likely increase the benefits costs based on actuary tables and market adjustments.

Note that premiums for the benefits listed are cost shared at a level of 50 per cent paid by the Director and 50 per cent paid by the CVRD. Staff propose this cost split remain the same for the next election cycle. Costs quoted are based on 2017 dollars and are likely to increase given inflation in the benefits industry throughout BC.

### **Policy Analysis**

The Directors’ remuneration and expenses bylaw has a provision an independent review of director remuneration, allowances and benefits to be conducted every six years beginning in 2018.

An independent consultant was engaged to review the bylaw in contrast to nine other regional districts.

### **Options**

This report is designed to provide information supporting the recommendations as set out by the Chief Administrative Officer. No further analysis or additional statistical data is required from staff in order to make decisions around these recommendations.

### **Financial Factors**

An estimate of the financial impacts of the recommended increases are as follows:

- |   |          |
|---|----------|
| 1. Seven per cent increase to base rate remuneration    | \$15,000 |
| 2. Increase in meeting remuneration from \$125 to \$160 | 28,000   |
| 3. Benefits eligibility to “age 80 or retirement”       | 20,000   |

Any approved increases to Directors’ remuneration would need to be addressed in the various financial plans effective January 1, 2019. The functions affected are Member Municipality Administration (100), Electoral Area Administration (130), Black Creek Oyster Bay Fire (230), Black Creek Oyster Bay Water (313), Comox Valley Sewage Service (335), Comox Valley Recreation Complexes (645), Comox Strathcona Solid Waste (391).

### **Legal Factors**

The main risk identified with the increase in remuneration and expenses are financial as outlined in the Financial Factors above.

**Intergovernmental Factors**

Although not directly related to local government partners, methodology for achieving median remuneration rates and the outcome may impact other local government remuneration rates from 2019 and beyond. Similarly, the CVRD approach to the elimination of the one-third non-taxable allowance may impact other local governments given the decision and its transparency to the taxpayer.

**Interdepartmental Involvement**

This report and its financial implications has been created with support from Human Resources, Finance and expertise from Julie Case & Associates.

Attachments: Appendix A – Elected Officials Compensation Review  
Appendix B – Benefits Overview for Elected Officials - CVRD

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## Directors Remuneration Review Comox Valley Regional District

July 4, 2018

For questions about this report, please contact:

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## TABLE OF CONTENTS

TABLE OF CONTENTS.....	2
INTRODUCTION .....	3
BACKGROUND & METHODOLOGY .....	3
TABLE 1 – DATA SUMMARY OF COMPARATOR BC REGIONAL DISTRICTS .....	4
TABLE 2 – OTHER COMPENSATION PRACTICES .....	6
MOVING FORWARD .....	7
SUMMARY .....	8
ATTACHMENT 1 – DATA DEFINITIONS.....	9
ATTACHMENT 2 – CONSULTANT PROFILE.....	10

## INTRODUCTION

We are pleased to present our findings from the remuneration review for directors (elected officials) at the Comox Valley Regional District (the “District”). We look forward to discussing this report once you have had the opportunity to review it.

## BACKGROUND & METHODOLOGY

The Comox Valley Regional District asked for assistance in conducting a review of annual remuneration for its director positions (chair, municipal director, electoral area director). The District wishes to review its current remuneration and compare it to other BC regional districts.

Based on the direction provided by the District, we conducted a custom survey of select BC regional districts based on size (i.e., population and annual expenses). The survey captured data on base remuneration, meeting stipends, mileage rates, travel costs, and whether any changes to elected officials compensation are anticipated in 2019 due to the CRA ending the one-third tax free allowance.

We contacted the identified regional districts by email and asked for their participation in this review. We reviewed all submitted data and followed up where necessary.

Data from the BC regional districts listed below are included in this report.

1. Cariboo
2. Central Kootenay
3. Cowichan Valley
4. East Kootenay
5. Fraser-Fort George
6. North Okanagan
7. Okanagan-Similkameen
8. Peace River
9. Sunshine Coast

We also invited Columbia Shuswap Regional District to participate; however, at the time of this report, we had not heard back from them.

All the findings are summarized and presented in tables. Specific definitions to assist with understanding the data are found in Attachment 1.

A summary of the data collected is presented in Table 1.



TABLE 1 – DATA SUMMARY OF COMPARATOR BC REGIONAL DISTRICTS

Regional District	2016 Annual Expenses (\$ millions)	2016 Census Population (thousands)	Chair – Current Annual Remuneration (\$)	Director Municipal – Current Annual Remuneration (\$)	Director Electoral Area – Current Annual Remuneration (\$)	Chair – Current Meeting Stipend (\$)	Director Municipal – Current Meeting Stipend (\$)	Director Electoral Area – Current Meeting Stipend (\$)
Comox Valley	38.8	66.5	31,109	12,686	32,709	125	125	125
Fraser-Fort George	36.5	94.5	16,774	12,147	18,750	None	None	None
North Okanagan	42.3	84.4	17,780	8,058	9,882	190	174	174
Cowichan Valley	50.3	83.7	26,973	17,552	30,685	None	None	None
Okanagan-Similkameen	33.3	83.0	32,265	6,220	21,515	232	232	232
Peace River	38.2	62.9	24,600	-	18,000	157	157	157
Cariboo	29.5	62.0	15,743	10,495	10,495	185	185	185
East Kootenay	26.9	60.4	18,000	11,680	23,359	185	185	185
Central Kootenay	41.3	59.5	32,400	13,212	34,056	128	128	128
Sunshine Coast	35.1	30.0	37,257	9,326	10,661	125	125	125
<b>Summary – Not including Comox Valley Regional District</b>								
<b>P25</b>	33.3	60.4	17,780	9,009	10,661	143	143	143
<b>Median (P50)</b>	36.5	62.9	24,600	11,088	18,750	185	174	174
<b>P75</b>	41.3	83.7	32,265	12,413	23,359	187	185	185
<b>Average</b>	37.1	68.9	24,644	11,086	19,711	172	169	169

**Findings / Observations from Data in Table 1**

The population measures and annual expenses were collected from the BC government website ([www.cscd.gov.bc.ca/lgd/infra/statistics](http://www.cscd.gov.bc.ca/lgd/infra/statistics)). The most recent data available is from 2016.

For the chair position, the annual remuneration shown is the annual remuneration for taking on responsibility for being chair. The chair will also receive the annual remuneration for being a municipal director or electoral area director.

At the Peace River regional district, the municipal directors are only paid for meeting attendance. There is no annual remuneration.

Neither Fraser Fort George nor Cowichan Valley regional districts pay additional compensation for board and committee meeting attendance for the three positions.

Peace River regional district pays for meetings depending on the length of time of the meeting: \$112 for a meeting up to four hours in length; \$157 for a meeting up to six hours; \$234 for a meeting up to eight hours; and, \$290 for meetings over eight hours.

TABLE 2 – OTHER COMPENSATION PRACTICES

Compensation Practice	Comox Valley Regional District Practice	Market Practices
What is the reimbursement rate for mileage?	<ul style="list-style-type: none"> <li>• \$0.54 per kilometre</li> </ul>	<ul style="list-style-type: none"> <li>• The range of mileage reimbursement is \$0.48 to \$0.57 per kilometre.</li> <li>• The median and average rate is \$0.54 per kilometre.</li> </ul>
Do you pay travel time to and from meetings? If yes, what is the rate?	<ul style="list-style-type: none"> <li>• Yes, \$20 per hour</li> </ul>	<ul style="list-style-type: none"> <li>• Four regional districts indicated they do not pay travel time to elected officials.</li> <li>• Two regional districts indicated they pay a lump sum to electoral area directors only to cover time spent travelling to and from meetings: either \$5,500 or \$3,200 per year.</li> <li>• Two regional districts pay \$20 per hour for travel time (one only pays when travel time exceeds half an hour).</li> </ul>
Do you plan to make any changes to elected officials compensation as a result of the CRA eliminating the one-third tax free allowance? If yes, please explain.	To be determined.	<ul style="list-style-type: none"> <li>• Four regional districts indicated they are considering increasing the compensation of elected officials to offset the elimination of the one third allowance.</li> <li>• Three regional districts indicated they have no plans to make any adjustments at this time.</li> <li>• One regional district took this under consideration when conducting its last compensation review and made adjustments accordingly.</li> </ul>

## MOVING FORWARD

In terms of annual remuneration, the District is more than competitive when comparing to the median (or middle) of its defined market of similar sized BC regional districts for the three positions (i.e., chair, municipal director, electoral area director).

Position	Annual Remuneration Median Market Result (\$)	Annual Remuneration Comox Valley RD (\$)	Comox Valley RD as % of Median Market
Chair	24,600	31,109	126%
Municipal Director	11,088	12,686	114%
Electoral Area Director	18,750	32,709	174%

Most organizations target the median level of their defined market. They do not wish to be the top of the market, nor the bottom of the market, but want to be in the middle. The key to being competitive when using the median level of the market is to define the most relevant market. In addition, the median, **not** the average, is the preferred approach when using compensation data since the median, unlike the average, is not overly affected by extremely low or high data points in the sample.

In terms of meeting stipend, the District's stipend of \$125 per meeting is somewhat less than competitive.

Most regional districts do not conduct compensation reviews on a regular basis. Although most regional districts do make annual adjustments to compensation based on either the annual consumer price index (CPI) or the adjustments received by staff.

With respect to the expected 2019 CRA changes where the salaries of elected officials will no longer be one-third tax free, a few BC municipalities have made decisions on possible (if any) adjustments. Historically, the one-third tax free was in place to recognize the expenses elected officials incur while carrying out their duties. Moving forward, there appears to be three approaches for consideration: do nothing, increase the base remuneration to off-set the increased taxes, or permit expenses to be deducted.

The finance department of the District would be able to calculate the costs of increasing base remuneration to offset the increased taxes as well as the new proposed base salaries if the District wishes to explore this option.

## SUMMARY

Our research would suggest compensation practices at regional districts have evolved to suit the culture and needs and expectations of their community. As such, there is very little consistency when comparing compensation for elected official positions amongst regional districts. Regional districts in BC approach their compensation very differently. There is no single right way. This can make comparisons between regional districts challenging.

In our experience, organizations that take the time to define an overall compensation philosophy which details their approach to compensation and outlines the process used to determine compensation find it easier to make decisions and reach consensus around compensation (this would apply to employees and to elected officials). Certainly there is no neutrality when discussing public sector pay: the levels are deemed to be too high or too low depending on the audience. We seldom here compensation is just right.

Therefore, defining and regularly reviewing a compensation philosophy greatly assists in bringing clarity to compensation discussions: it becomes both a guide for decision making and a communication tool to aid in determining fair and equitable compensation while balancing the needs for fiscal prudence and quality services to citizens.

It's important for local governments to ensure their elected official positions are compensated fairly and equitably to attract and encourage a variety of citizens from different economic and demographic backgrounds to want to run for office and represent their communities around our province.

## ATTACHMENT 1 – DATA DEFINITIONS

The data in this report have been rounded, aggregated, and summarized using tables. Some definitions to assist with understanding the data follow:

- An average (mean) is the sum of all data divided by the number of observations included.
- A median value (50<sup>th</sup> percentile or P50) is the number that falls within the middle of a series of observations (e.g., if there are seven data observations and they are ranked in order of highest to lowest, the number or observation that is in the fourth position is the middle value and represents the median value). It is the most common percentile statistic included in survey data. It is the point at which half of the data fall below and half of the data fall above.
- The 25<sup>th</sup> and 75<sup>th</sup> percentiles (P25 and P75), also referred to as the first and third quartiles, offer an indication as to the “spread” or range of the data. At the 75<sup>th</sup> percentile, 75 percent of the observations are at this level or below. Similarly, at the 25<sup>th</sup> percentile, 25 percent of the observations are at this level or below.
- It is important to note that a minimum number of observations is required to report data and still maintain confidentiality. A minimum of three observations is required to report the average, four to report the median, and five to report the quartiles (i.e., P25 and P75) and P60.
- The number of observations (# obs) indicates the number of organizations that provided data.

## ATTACHMENT 2 – CONSULTANT PROFILE

Julie Case has over 17 years in the compensation field. During her career, Julie has worked with a variety of private and public sector clients to develop compensation structures, implement job evaluation plans, conduct custom compensation market surveys, advise on general salary administration, conduct market pricing, and develop compensation philosophies.

Julie's work involves developing and implementing compensation strategies for a broad, cross section of employee groups including: executive, management and professional, technical, and unionized staff.

Over the course of her career, Julie has gained considerable compensation expertise in the public and private sectors. She specializes in defining strategic compensation philosophies that align to the business goals of the organization. Julie handles compensation projects from the strategic planning stage through to the collection and analysis of compensation data and finally to the recommendations and implementation stages. Julie has designed job evaluation plans for use in exempt and union environments. She has facilitated many job evaluation committees in their goal of creating and recommending new or revised job worth hierarchies.

Julie has considerable experience working with municipalities in British Columbia. She has worked with the largest cities in the province. Once upon a time, Julie worked for a municipal government: she spent four years working in the chief administrative officer's office at the city of Maple Ridge, B.C. This role included facilitating business planning sessions, defining corporate performance measures, and leading performance improvement reviews.

Julie holds a Bachelor of Arts degree from Simon Fraser University with a major in economics and a minor in biology. She also holds a Master of Arts degree in leadership and training from Royal Roads University. She is currently a member of WorldatWork and a certified compensation professional (CCP).

Julie worked for Watson Wyatt Worldwide in Vancouver as a compensation consultant where she was hired by senior consultant Tim Dillon. Tim open his own firm in 2006 and Julie worked as an associate of Case Dillon & Associates (formerly Tim Dillon & Associates) from 2006 until the end of 2017. Tim Dillon passed away at the end of 2017 and Julie continues to work with all the same associates but now independently while Case Dillon & Associates is in testate.



## Benefits Summary for Elected Officials

### Medical Services Plan (MSP)

Until the current MSP model expires in BC (Jan 1, 2019) premiums for MSP are cost shared 50 per cent by the Director and 50 per cent by the Comox Valley Regional District. Coverage will commence the first of the month following receipt of the application by the payroll department. The employer's portion of the MSP premium is a taxable benefit to the Director.

### Pacific Blue Cross

Effective July 1, 2018 our benefits provider is Pacific Blue Cross. The Elected Officials are offered extended health, dental, vision, orthodontics and life insurance options. Premiums for the benefits are cost shared between the Director and the CVRD at a 50/50 division. The levels of benefits are summarized below with the corresponding cost effective July 1, 2018.

Benefit	Level of Coverage	Cost for Director (approx.)
<b>Extended Health</b>	As per descriptor in booklet. Prescription drugs reimbursed at 100% after \$25 annual deductible is reached	Premium: 50/50 per month Family 98.03 Single 28.56
<b>Dental</b>	100% Basic, 50% Major As per fees in BC Dental Association Fee Guide	Premium: 50/50 per month Family 130.93 Single 46.66
<b>Vision</b>	\$250 every 24 months for employees and dependents including one eye exam every 24 months	Premium : 50/50 per month Family 17.05 Single 7.79
<b>Life Insurance</b>	Basic Life \$50,000 <i>Up to Age 80 (option)</i>	Premium : 50/50 monthly 0.285 per \$1,000 gross pay (to age 70)
<b>Optional Life Insurance</b>	In addition to basic life. If for spouse, payment is 100% paid by the Director	
<b>Personal Accident Insurance</b>	Cost borne by CVRD – insurance of \$125,000 for each Director while doing work of a Regional Director	