

COUNCIL REPORT

M&C No.	2018-346
Report Date	November 27, 2018
Meeting Date	December 03, 2018
Service Area	Corporate Services

His Worship Mayor Don Darling and Members of Common Council

SUBJECT: Council Salary Adjustment and By-law update

OPEN OR CLOSED SESSION

This matter is to be discussed in open session of Common Council.

AUTHORIZATION

Primary Author	Commissioner/Dept. Head	City Manager
<i>Jonathan Taylor</i>	<i>Jonathan Taylor</i>	<i>Neil Jacobsen</i>

RECOMMENDATION

That Council give 1st and 2nd reading to the attached BY-LAW TO PROVIDE FOR THE SALARIES TO THE MEMBERS OF THE COMMON COUNCIL OF THE CITY OF SAINT JOHN

EXECUTIVE SUMMARY

At its meeting of November 5th, 2018 Council discussed the changes to Federal Income Tax rules for 2019 which will eliminate the 1/3 tax free allowance for elected officials. Staff was directed to calculate the adjustment needed to Council members' pre-tax compensation to maintain the projected after-tax income at the 2018 level.

According to staff calculations, salary adjustments totaling \$44,876.96 plus fringe benefits are required to the 2019 Mayor and Council operating budgets to offset the tax changes.

An updated Council salary By-law with salary adjustments and the removal of the reference to the 1/3 tax free allowance has been drafted and attached to this report for Council's consideration.

PREVIOUS RESOLUTION

Council resolution adopted on November 5th, 2018:

RESOLVED that as outlined in the submitted report *M&C 2018-310: Council Remuneration - Elimination of 1/3 Tax Free Allowance*, Council directs staff to adjust the pre-tax compensation for Council members effective on January 1st, 2019 to maintain the elected official's after tax income at the 2018 level.

REPORT

As of January 1st, 2019, changes to the *Income Tax Act* introduced by the Federal Government will eliminate the one-third tax-free allowance currently available to municipal elected officials.

At its meeting of November 5th, 2018 Council discussed these new tax changes and directed staff to calculate the required adjustment for elected official's pre-tax compensation to maintain the estimated after-tax income at the 2018 level.

Staff from the Finance Department calculated the required salary increases for Mayor and Council members using the following assumptions:

- Used the 2018 tax rates.
- Only adjusted for Federal and Provincial taxes.
- Did not take into effect the changes for CPP.
- This is there only source of income.
- No taxable benefit effects were contemplated in these changes, example personal use of City vehicle.
- Included a fringe benefit cost that is used for casual of 9%.
- Each Councillor would receive the same salary increase, however, Councillors net pay may vary based on what tax information the individual has provided.

The Salary adjustments required for elected officials are follows:

	Current annual salary	Proposed new salary	Salary adjustment
Mayor	\$74,454.00	\$88,000	\$12,546.00
Deputy Mayor	\$38,611.04	\$42,600	\$3988.96
Councillors (9)	\$29,562.00	\$32,600	\$3038.00 (x 9)

Total increase (salary adjustment) = **\$44,876.96**

Assuming Council is proceeding with the implementation of the required salary adjustment, the Mayor and Council operating budgets will require an annual increase of \$44,876.00 + fringe benefits. The current Council salary By-law must also be repealed and replaced with a new version to reflect the salary

adjustment and remove the reference to the tax-exempt portion of the salary from the By-law.

SERVICE AND FINANCIAL OUTCOMES

Budget increase required for Mayor and Council operating budgets

INPUT FROM OTHER SERVICE AREAS AND STAKEHOLDERS

Finance and Administrative Services provided the salary calculations

ATTACHMENTS

Attachment A – Assumptions for the salary increase for Mayor and Council for the change in tax exemption

Attachment B – New Draft by-law: A BY-LAW TO PROVIDE FOR SALARIES TO THE MEMBERS OF THE COMMON COUNCIL OF THE CITY OF SAINT JOHN