

FINAL

A Report to Fredericton City Council

Remuneration Levels and Practices in Seven Maritime Municipalities

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A. Executive Summary

In April 2019, Fredericton City Council asked the City's CAO to arrange for an "independent review and comparative analysis" of Council's remuneration. Council also specifically directed that the review include consideration of the recent loss of the federal tax free allowance that resulted in a significant reduction in after-tax income for the Mayor, Deputy Mayor and Council.

The work for this review was carried out in the May-August period. Key work components required researching municipal compensation issues, gathering and analyzing compensation-related data from seven Maritime municipalities (including Fredericton), receiving input from this city's Mayor and individual counsellors, and seeking input from a cross-section of Fredericton residents who were briefed on the research and analysis done for this study.

In preparing this report, it became apparent that increasing the compensation of elected public officials across Canada attracts considerable media and public skepticism. Fredericton City Council is aware of this skepticism.

There are differing views on Fredericton City Council about the appropriate level of compensation for Mayor and councillors. This arises in part from differing views about the scope and performance of a councillor's job.

Taking this environment into account along with the information that was gathered and analyzed, the challenge became one of posing and, to the extent possible, answering three questions. First, what is the case for *and* against an increase in compensation for Fredericton City Council? If the case for an increase is better than the case against, then a second question should be posed, namely, can the City afford the increase? If the case for an increase is strong and the City can afford the increase, then the third question is whether or not there is a persuasive public case to be made in defense of an increase?

Readers of this study will discover that I answered the first two questions in the affirmative: that the objective case for an increase is stronger than the case against, and the City can afford an increase in council compensation. While I think that the public case is persuasive for those who carefully consider the evidence, in the final analysis, only Council can decide if the case set out in this study is sufficiently persuasive for Council to proceed.

Finally, as a result of looking at best practices in other municipalities, the study concludes with recommendations that independent compensation studies should become the norm for the City of Fredericton, that these reviews be directed by a citizens committee, and that the independent reviews of council compensation be easily accessible on the City's website.

B. Introduction

On April 15, 2019, Fredericton City Council directed its Chief Administrative Officer (CAO) to arrange for an “independent review and comparative analysis” of the current remuneration provided to the Mayor, Deputy Mayor and Council. This direction was subsequently clarified as including a requirement for specific advice relating to a January 1, 2019 change eliminating a 65 year old provision in the federal tax code that exempted one-third of a councillor’s salary from income tax. This change to the tax code has had the effect of reducing the after tax remuneration of the Mayor, Deputy Mayor and councillors.¹

The CAO contacted me in the latter part of April and requested a proposal to conduct such a review. A proposal designed to satisfy the direction of city council was accepted by the CAO in early May.

The work plan for the review included the following elements:

- 1) research into issues associated with municipal council remuneration;
- 2) gathering of data on appropriate comparator cities for Fredericton;
- 3) determination of how other municipalities approach remuneration reviews;
- 4) determination of how Fredericton compares to remuneration in other municipalities;
- 5) receipt of input from individual members of Fredericton City Council;
- 6) receipt of input from a panel of Fredericton citizens;
- 7) submission of a report with recommendations on potential remuneration changes;
- 8) submission of advice on the conduct of future remuneration reviews.

In the course of my work I received documentary support from the Office of the Clerk for the City of Fredericton in relation to the history of remuneration for Fredericton City Council. Similarly, I received support from the Acting City Treasurer and her staff with respect to the features of the current compensation scheme for Fredericton City Council as well as in relation to the financial impact arising from the elimination of the federal tax free allowance on the Mayor, the Deputy Mayor and individual councillors.²

¹ The 2019 after tax losses for the Mayor, Deputy Mayor and individual councillors are, respectively, \$9683, \$4036, and \$3229.

² Readers of this report are advised that the terms “remuneration” and “compensation” are used interchangeably.

C. Remuneration Issues for Municipal Councils

Before reporting on the approach to remuneration taken by other municipal councils, there is merit in setting out the factors and considerations that influence what municipal councils decide on this subject.

1. When municipal councils are faced by the need to review and possibly change their remuneration, they may feel conflicted. In the words of a report on remunerating elected officials, the Association of Francophone Municipalities of New Brunswick (AFMNB) says: “municipal officials have ... been given the thankless and uncomfortable task of determining their own salaries with no guide or criteria they can use to arrive at their decisions.”³

2. These elected officials also know that the general public will not always understand the impact that council service has on the personal and vocational lives of councillors. Again in the words of the AFMNB: “a commitment to municipal politics has major repercussions on their family and personal lives, requiring substantial adjustments by them personally, by those close to them and even by their employer.”⁴ Most municipal officials want to be fairly compensated and to be seen as fairly compensated by the public. This perception can be challenging to establish since what is seen as fair to some is often not in the eyes of others.

3. Depending on the size of the municipality, on the challenges it faces and on the approach of individual councillors, the job of a councillor can be anything from part-time to full-time. In smaller municipalities the job is more likely to be part-time but the time spent in any given week can vary greatly. Individual councillors make judgements on what level of effort is required to do the job. In smaller cities, some argue that full-time is not warranted and that seeking to better paid will encourage more instances of councillors doing or complicating the work of city staff. On the other hand, in this age of social media saturation, where most citizens have access to communications technology that allows them to offer views and make demands of councillors 24/7, this has added significantly to the time commitments and stress of many elected municipal officials.

4. This picture is further complicated by the fact that some citizens, like some councillors, see council service as being motivated at least partly by love of community⁵ and not requiring the same compensation as would another vocation requiring the same effort, patience and level of skill. In other words, should councillors be serving their community at a discount? This view has implications for those who wish to serve but do not have sufficient alternative income or an employer that is willing to be flexible with a councillor being away from the office during

³ “Elected Officials Compensation Guide”, p.1.

⁴ Ibid, p.3.

⁵ See Mayor O’Brien’s use of the term “topophilia” in his 2019 State of the City Address.

regular hours on city business. This invites the question of whether those who hold this view think that elected provincial and federal officials should be expected to offer their services at a discount as an expression of their love for their province or for their country? If not, then why single out elected municipal officials? Presently, a member of Fredericton city council receives \$25,668 in annual compensation whereas a New Brunswick MLA receives \$85,000 annually plus other benefits and allowances and an MP receives \$175,000 annually plus other benefits and allowances.⁶ Even if you argue that MLAs and MPs work at least twice the hours of city councillors, you are still left with the uncomfortable question of whether the time of a City Councillor is worth only 60% of an MLA or 30% of an MP?⁷

5. As part of the broader context for this municipal study, it is worth noting that the remuneration of New Brunswick MLAs has been frozen since 2016 and will remain so until 2021. And the salaries of Cabinet Ministers have actually been reduced.⁸ The history of reviewing remuneration for elected *provincial* officials in New Brunswick is less than exemplary. Independent reviews were done only in 1980 and 2007. In 2007 Mr. Justice Patrick Ryan recommended a more systematic and professional approach to remuneration in his report to the New Brunswick Legislature and the **Legislative Assembly Act** was changed as a result. However, old practices and habits have reasserted themselves with respect to making remuneration decisions.

6. In my review of relevant material, I have noted a frequently asserted relationship between remuneration and council diversity.⁹ Insofar as the hypothesized link between better remuneration and gender diversity on councils is concerned, the evidence in the seven municipalities is not conclusive. Even in the best paid municipality in this study (CBRM), there are only three women out of a total of 12 councillors. And in the Halifax Regional Municipality, the best paid council in the region, there are only two women out of a total of 16 councillors.

7. The Enhancing Democracy study done for the City of Moncton¹⁰ took the view that there are *factors in addition to remuneration* that also matter if council diversity is to be improved

⁶ See information on indemnities, salaries and allowances in the Parliament of Canada: https://lop.parl.ca/sites/ParlInfo/default/en_CA/People/Salaries

⁷ And it ought not to be forgotten that councillors exercise independent judgment for which they are accountable whereas most MLAs and MPs defend party positions over which they (mostly) have no say.

⁸ See this February 2015 report in the National Post: <https://nationalpost.com/news/new-brunswick-premier-and-cabinet-ministers-to-have-pay-cut-ministerial-salaries-reduced-by-10-to-15-per-cent>

⁹ See for example the previously cited AFMNB report, the Enhancing Democracy Report done for the City of Moncton and the bulletin published by the Federation of Canadian Municipalities dealing with the elimination of tax free allowances. Also on this point, Angus Reid in a recent survey (<http://angusreid.org/views-of-politicians/>) notes that more than 40% of Canadians believe women and visible minorities face discrimination when running for office.

¹⁰ City of Moncton: Enhancing Democracy Report - http://www5.moncton.ca/docs/council/Enhancing_Democracy_Report.pdf

including (in terms of gender diversity) the provision of child care support and greater flexibility in the timing of meetings at city hall. Additional information and support for members of under-represented groups who are considering a run for council was also considered to be helpful. All to say that if a diversified council is an objective, improved compensation on its own may be insufficient. Attention must also be paid to whether the operating norms and culture of the councils themselves constitute a welcoming environment for newcomers.

8. Apart from how a given council's remuneration compares with other councils, an important consideration in whether to increase a council's remuneration is the financial condition of the city (this goes to ability to pay) as well as to the relative prosperity of the larger community (this goes to whether council actions are in sync with the fortunes of the larger community). In this regard, this study records cites several indicators of "ability to pay": tax base per capita, residential tax rates, debt service ratios and the median household income of the community.

9. There is considerable information available that addresses municipal standards and benchmarks and that bears on municipal governance and performance.¹¹ Although the support of city council is important, much of the success or failure in terms of these standards and benchmarks fall within the purview of city staff. As far as I have been able to determine, there is less literature on accountability measures or standards for *elected* officials themselves.¹²

10. That said, there are many things that happen in a municipality that clearly bear the imprimatur of the elected council, especially the budget: the policy choices and the trade-offs and, to an extent, the outcomes during the year that can be traced back to the direction given by council. That is why the fiscal state and capacity of a municipality owes a lot to what elected officials do. For that reason, this review will place considerable emphasis on the state of Fredericton's finances as well as on how Fredericton's compensation compares to the other cities in this review.

11. Online searches for media commentary in relation to compensation increases for elected officials reveal a great deal skepticism. My effort to find neutral public opinion research in Canada on compensation for elected officials came up empty. That said, it seems safe to say that nobody gets up in the morning or goes to bed at night wondering if city councillors are fairly compensated for what they do. Because the environment is usually inhospitable to compensation increases for elected officials, city councils are wise to proceed with caution.

¹¹ See for example: <https://www.lethbridge.ca/City-Government/Benchmarking/Pages/default.aspx>. And the City of Fredericton's extensive work on lean Six Sigma has done a great deal to improve efficiency, save money and improve service: <http://www.cdnleansummit.ca/wp-content/uploads/2015/11/Implementing-LeanSix-Sigma-at-the-City-of-Fredericton.pdf>

¹² For example, it is not common for councillors to be part of a party or faction that has an election platform on which they can be held accountable at the next election.

12. On the procedural or process side of remuneration issues, it is worth noting that Section 83 of PEI's Municipal Government Act requires that a council must appoint and receive advice from an "Independent Indemnities and Allowances Commission" before a council can make changes to its remuneration. So, while councils are not bound by the independent advice, they must receive such advice before making their decision in open session. This makes the process more transparent than it would otherwise be.¹³

13. A related question is whether and how to solicit public input when compensation reviews are commissioned? While compensation questions are typically debated in open council and reported on in the press, citizen input does not seem to be the norm. So, if citizen input is seen as desirable by a city council that is considering changes to its compensation, it seems prudent to take steps to improve the information citizens have when they provide their input.

14. Having reviewed these considerations, three inter-related questions appear to dominate the decision of whether to increase or maintain current compensation for city councillors. First, what is the case for *and* the case against an increase? *If* there is a better case for an increase than not, then the second question becomes, can the city afford the increase? If the case for an increase is strong and the city can afford the increase, then the question becomes whether or not council believes that a satisfactory case to the public can be made. The latter is a political judgement.

¹³ To be fully transparent, there ought to be a requirement to also disclose the independent report. In this regard, there is a recommendation on this point in the final section of this report.

D. Remuneration History of Fredericton City Council: 1974-2019

A 45 year history of the remuneration of Fredericton City Council can be found in Appendix 1.

My principal observations on this history are as follows:

1. Municipal Councils have the legal authority to alter their compensation through a by-law change provided a majority of voting councillors approve. In New Brunswick, this authority is set out in Section 49 of the **Local Governance Act** (see Appendix 5) which has come into effect only recently. A similar provision existed in the predecessor **Municipalities Act**.
2. In the period under study, triennial municipal elections were held in New Brunswick between 1974 and 2004 and quadrennial elections were held in 2008, 2012 and 2016 with the next election scheduled in 2020. Between 1974 and 2019, there were seven compensation increases approved and implemented by city council: 1977, 1980, 1981, 1989, 2001, 2005 and 2010. Of the seven compensation increases in this period, five were implemented during the deciding council's term in office while two increases (1989 and 2001) followed municipal elections. This points to a tension in how best to handle the timing of compensation increases. On the two occasions when the compensation increase was delayed until after the municipal election, it is unknown how well the proposed compensation changes for Mayor and Council were communicated to the public and hence not known how well the public understood that a new council was set to increase its compensation as one of its first acts. Also of note were the large increases in compensation for council in 1989 and 2001, each in the order of 40%.
3. While there are no legal barriers to implementing an increase during a term in office (council is immediately accountable), some see a better practice in delaying an approved increase until after the next municipal election. From my vantage point, it is not clear that one practice is superior to the other.
4. In reviewing the history of remuneration changes, the Deputy Mayor's remuneration in 1974 was 33% of the Mayor's remuneration but has risen over the years to its present level of 43%. The remuneration of a councillor in 1974 was 25% of that of the Mayor but, like the Deputy Mayor's remuneration, has risen over the years to its current level of 36%. Municipalities that I have looked at fall roughly into this pattern.
5. The Bank of Canada's inflation calculator reveals that compensation for Mayor and Council in Fredericton has exceeded inflation over the last 45 years as has been the case for other groups and occupations. The Mayor's compensation of \$12,000 in 1974 has the purchasing power of \$64,252 in 2019 (actual current compensation: \$70,115). The Deputy Mayor's compensation of \$4,000 in 1974 has the purchasing power of \$21,417 in 2019 (actual current compensation: \$30,121). A councillor's compensation of \$3000 in 1974 has the purchasing

power of \$16,063 in 2019 (actual current compensation: \$25,668). However, it is widely contended that the volume and complexity of council business has also increased in this period. So, although remuneration growth has exceeded inflation, it may be argued that remuneration still does not fully reflect the responsibility, effort and skill required of a councillor.

E. Range of Views on Remuneration from Fredericton City Council

I took the view that the Mayor and individual members of city council should have the opportunity to register their opinions on the subject of their remuneration. When I was engaged to do this work, I knew nothing about Fredericton City Council's views except what I was told: 1) council believed it was time to take an independent look at remuneration in general, and 2) the recent elimination of the tax free allowance was seen as an important and unwelcome change but there was no consensus on city council on if or how to respond.

Some members of council offered their views in writing and others did so through an interview. They did so on the understanding that their views were given in confidence. My commitment was to summarize their input without attribution.

Among those who responded, I encountered a range of views on the principal remuneration issues. This is not to say that the different views cannot be bridged when councillors discuss this report, rather it is only to note that some give and take among the councillors appears to be necessary if consensus is to be found.

1. Nature and scope of a city councillor's job

For some on council, there is an enduring conception of how the job of city councillor should be done and this conception is seen to serve the city well. For these councillors, the job is a way to do public service and to give back to the community. It is a job that is part-time (10-15 hours a week usually) and one for which modest remuneration is sufficient. Although a measure of oversight of staff work is required, absent a good reason, council ought to trust staff to get the job done. Council's overall job is more one of staying focussed on the city's strategic priorities, keeping the city's financial house in order and helping citizens in their respective wards to resolve problems. One respondent told me that the city of Fredericton was "staff-driven and council-guided". While those who hold this view of a city councillor's job agree there has been a rising tide of social media commentary on what council does, there appears to be less concern about trying to satisfy all those who are critical of what council is doing. This is not indifference, quite the contrary; I take it to be a pragmatic acceptance that some critical voices can never be satisfied.

Without wanting to overstate the difference, there is another view that sees the job of a city councillor as requiring more engagement, more oversight and more time on council's business. This approach (15-30 hours a week) is required to fully understand the issues before council, to provide proper engagement and oversight of staff; and to appropriately engage citizens on issues of concern both in person and through social media. This view also stresses that the volume and complexity of work for councillors is rising. These councillors also believe in a

growing leadership role for council (more proactive) and that councillors ought to be paid for the scope, complexity and significance of the issues they deal with and that it is inappropriate to expect councillors to discount the value of what they are providing to the city. They desire fair compensation for what they do.¹⁴

2. Adequacy of the current compensation system

On the specific issue of the loss of the tax free allowance, several councillors expressed regret that council did not use the two year lead time provided by the federal government to decide how to handle the elimination. Some took the view that the loss should be fully offset by an increase in their base salary retroactive to January 1, 2019. Others were hesitant about offsetting the loss because of the precedent it might set and because councillors could still file certain of their expenses in their annual income tax returns and thereby recover at least some of their loss.¹⁵ These councillors also tended to worry about the impact of an increase in council compensation (for any reason) on labour negotiations with city unions.¹⁶

Beyond the elimination of the tax free allowance, several councillors stressed that they felt underpaid for what was required of them. This was accompanied by a desire to have a method that objectively valued the skills, knowledge and time required of councillors. Alternatives of which I am aware include the approaches taken by the Cities of Moncton and Dieppe as well as the more familiar survey of and comparison with similar-sized cities. While there are models (with merit) for setting councillor compensation (see Moncton and Dieppe), these models are not free of subjectivity. It would only make sense to employ such a model for Fredericton City Council if there was a consensus on council on the scope and content and of the councillor's job. That is the first question that needs to be settled. Absent that, the more conventional comparison and analysis of how similar cities compensate their councils seems the best approach.

3. The relationship between compensation and diversity

The diversity of representation around the city council table is of greater concern to some councillors than to others. While some councillors are doubtful that increased compensation will make much difference in diversity, other councillors believe better compensation coupled with an effort to make the practices and culture of council more welcoming would be helpful to achieving more diversity.

¹⁴ Although there are differing views on the job of councillor and on compensation, there are also shared views on core governance issues. So the range of councillor views (convergent and divergent) might be described as overlapping much as Venn diagrams overlap.

¹⁵ One councillor called offsetting the impact of a tax code change a "perilous precedent".

¹⁶ It is worth noting that the total cost of the wage bill for city employees has grown by 107% since 2001 whereas the total cost of council remuneration has grown by 96% since 2001 (and this *includes* an annual CPI increase).

4. The role public opinion regarding compensation for elected municipal officials

Judging by the feedback received, it seems that steps might be taken to better inform the public on what city council does and on the issues that affect compensation. And even if such steps are taken, there remains an expectation of negative public feedback arising from any increase in compensation. Some councillors also took the view that evidence and analysis should matter as much as public opinion on compensation.¹⁷ These councillors also take the view that, in the absence of increased compensation, there is a risk that serving on city council will primarily be the preserve of individuals who have sufficient other income to allow them to serve.

5. The role of independent remuneration reviews

Councillors who expressed a view on this matter, thought it was important that remuneration reviews, when they happen, should be independent of city hall. However, there was no consensus on how often these reviews should be done. When these reviews do occur, councillors leaned toward some measure of citizen input, especially where this input was underpinned by good information about the subject. No councillor expressed a preference for a plebiscite on compensation increases.¹⁸

¹⁷ There is a distinction to be drawn between those in the public who reflexively oppose compensation increases and a quieter body of public opinion that is not automatically opposed to such proposals. Understandably, the latter voices are seldom heard.

¹⁸ Section 59 of the Local Governance Act provides for a “yes/no” plebiscite to be held on the initiative of a local government.

F. Remuneration of Mayors & Councils in Regional Comparator Cities

Before turning to the current remuneration levels for the seven mayors and councils in this study, I want to explain my approach to choosing the municipalities in this study.

The last independent study of remuneration for Fredericton City Council in 1999 looked at cities across the country deemed to be comparable in terms of population (cities in the 20,000 – 90,000 range). In my view, population is an important but insufficient consideration when choosing comparator cities. In addition to population, one needs to consider the range of responsibilities discharged by municipal councils (this can vary substantially across the country) as well as the economic and fiscal context of the region in which they are located. Both of these factors influence the volume and complexity of municipal work as well as the capacity of a municipality to shoulder remuneration increases for municipal councils. For these reasons, I believe a Maritime Provinces focus for this study is a better approach than a Canada-wide population only approach.

With this starting point, I looked for cities or municipalities in New Brunswick, Nova Scotia and PEI that were, to my mind, sufficiently similar in their population size, range of responsibilities and economic and fiscal context to be reasonably comparable. That meant, for example, that cities like Truro and Campbellton were excluded as being *too* small and a local government like the Halifax Regional Municipality would be excluded because it is too large. In the end I settled on seven municipalities for comparison purposes: Fredericton, Saint John, Moncton, Dieppe, Charlottetown, Summerside and Cape Breton Regional Municipality. While Summerside is a bit small population-wise and CBRM is a somewhat larger than usual territory in which municipal services are delivered, their inclusion gave greater regional breadth to this study while retaining reasonable comparability.

This sample of municipalities revealed a variety of approaches to setting remuneration:

- The most conventional approach to setting remuneration levels is to consider how a city stacks up against other cities determined to be comparable (usually a population criterion).¹⁹ Fredericton, Saint John and Charlottetown have used this method in the past.

¹⁹ It is easy to find research done for other municipalities that use this approach. See for example, this recent work done for the City of Calgary:

<file:///C:/Users/kevin%20Malone/Desktop/Fredericton%20Council%20Comp%20Review/Calgary%20Compensation%20Review%20Report.pdf>

- A variation on the above approach is to tie a city council's remuneration rate as a matter of policy to that of one other city. Summerside sets its remuneration rate at 75% of the rate used by Charlottetown City Council.
- Sometimes the base remuneration rate is set by the provincial government (CBRM in 1995) leaving the municipality free thereafter to adjust its remunerations levels.²⁰
- The model that is maintained by the Canadian Society of Association Executives (CSAE) was used in 2015 as the remuneration guide by the City of Moncton for the Mayor and Council. This model was recommended by an independent citizens group as part of a larger set of governance changes at City Hall.
- The model recommended by the Association of Francophone Municipalities New Brunswick (AFMNB) for municipalities of up to 100,000 in population is currently being used by the City of Dieppe to set its remuneration levels for Mayor, Deputy Mayor and Council. Dieppe is presently escalating the remuneration of its Mayor and Council by 63% over a five year period.

Therefore, having this particular selection of cities in this study provides a remuneration comparison exercise that reflects not only a similarity of population sizes and not only a similarity of challenges and responsibilities, it also incorporates the influence of a variety of methods in setting remuneration rates.

Appendix 2 provides the current remuneration for the Mayors, Deputy Mayors and Councillors in the seven municipalities examined in this report.

Given the terms of reference for this study, the following observations are the most relevant:

1. The change in the federal tax code on January 1, 2019 affecting municipal councils.

Saint John and the Cape Breton Regional Municipality have specifically adjusted their compensation to offset what would otherwise be an after-tax reduction in take home pay for Mayors and Council.

2. Automatic annual adjustments to compensation.

Moncton and Charlottetown make annual adjustments in council remuneration to, in one case match CPI changes and, in the other case, match the lowest increase given to a city hall union in the previous year. Fredericton adjusts remuneration to reflect annual changes in the CPI. Once

²⁰ After years of study and political controversy, the Government of Nova Scotia forced the amalgamation of eight municipal units (one city, six towns and one county) in 1995 to create the Cape Breton Regional Municipality. A lengthy piece in November of 2018 in the Cape Breton Spectator reviewed the initial remuneration issues associated with the amalgamation.

Dieppe finishes its current five-year salary escalation plan, it will commence annual CPI adjustments.

3. How the City of Fredericton compares in terms of gross remuneration.

In terms of Mayoral remuneration in the seven municipalities, Appendix 2 makes it clear that Fredericton's Mayor (at \$70,115) is fifth overall. Fredericton's Mayor is \$73,000 *below* the top-ranked Mayor in the survey (CBRM) and \$18,000 *below* the top-ranked NB Mayor (Saint John). An increase of approximately \$9,000 would be required for the Fredericton Mayor to match the fourth place (median point) Mayor of Charlottetown.²¹ Fredericton's Mayor is currently making approximately \$22,500 more than the seventh place mayor (Dieppe) but the salary of the Mayor of Dieppe is scheduled to escalate annually until it top-outs at \$78,000 by 2024, which is \$8,000 above the Fredericton Mayor's current level.

In terms of Deputy Mayor remuneration in the seven municipalities, Fredericton's Deputy Mayor at \$30,121 is sixth overall. Fredericton's Deputy Mayor is approximately \$24,000 *below* the top-ranked Deputy Mayor (CBRM) and \$12,000 *below* the top-ranked NB Mayor (Saint John). An increase of approximately \$9,000 would be required for the Fredericton Deputy Mayor to match the fourth place (median point) Deputy Mayor of Moncton. Fredericton's Deputy Mayor is currently making approximately \$9,000 more than the seventh place Deputy Mayor (Dieppe) but this Deputy Mayor is locked into a salary escalation that will top-out at \$35,100 by 2024, \$5,000 above the current remuneration of Fredericton's Deputy Mayor.

In terms of councillor remuneration in the seven municipalities, Fredericton's Council at \$25,688 is sixth overall. Fredericton's Council is \$24,000 *below* the top-ranked Council (CBRM) and approximately \$9,500 *below* the highest remunerated council in New Brunswick (Moncton). An increase of approximately \$7,000 would be required for the remuneration of the Fredericton Council to match the fourth place (median value) council in Saint John. Fredericton's Council is currently making approximately \$8,000 more than the seventh place council in Dieppe but councillors there are locked into a salary escalation that will top-out at \$31,200 by 2024, more than \$5,000 above the current compensation of a councillor in the City of Fredericton.

The clear conclusion is that Fredericton City Council is near the bottom of the survey group and in the absence of change will fall to the bottom in the not-too-distant future.

²¹ In this table of seven municipalities, fourth place is the median position and for purposes of this study the median is preferred to the average, since the median value is not distorted by outliers (high or low) as averages can sometimes be.

4. How Fredericton compares in terms of fiscal capacity and fiscal health

Whether looking at the comparator municipalities in the three Maritime Provinces or the comparator municipalities in New Brunswick only, Appendices 3 and 4 make it clear that the City of Fredericton is exceptionally strong across key fiscal indicators like tax base per capita, residential tax rate, debt service ratio and overall indebtedness. Whether Fredericton's Mayor and Council decide to increase their remuneration or not, it is clear that there is sufficient fiscal capacity to support and sustain an increase in remuneration without harming Fredericton's financial condition. The fact that this is so is a tribute to the prudent fiscal management of current and previous councils.

5. How Fredericton compares in terms of approaches to remuneration reviews

Most municipalities in this survey have commissioned independent remuneration reviews in recent years. Dieppe has conducted two in the last ten years; Moncton has conducted two in the last thirteen years, Charlottetown has done two in the last twelve years, and Summerside has done reviews in 2010, 2014 and 2018. Saint John commissioned an independent review in 2016. Only two municipalities have not done independent reviews in this century. Fredericton's last independent review was in 1999 and Cape Breton Regional Municipality has not done a review since 1995.

Insofar as this sample is concerned, the remuneration reviews rarely entailed public input. That said, when a remuneration report is to be considered by a city council, the pattern is usually one where a public notice is issued and the media and interested citizens have the opportunity to attend the council meeting. Given this, it seems there is scope for greater transparency and this will be addressed in the recommendations section of this report.

G. Engagement of Local Citizens

On the basis of the research undertaken for this study, it seems that citizen input is not a common feature of remuneration reviews and this is, to my mind, a deficiency.²² In its wisdom, Fredericton City Council asked that the remuneration review and final report include public input.

One key to generating informed public input on any matter of public policy is to take steps to provide the best available information and analysis. Another key is to identify and convene a cross-section of citizens who can receive and question the information and analysis and then provide their views on basic questions.

Independent of City Council, the CAO for the City of Fredericton identified and then contacted a series of community groups and agencies. The CAO explained the remuneration review work that City Council had directed be done and then invited a representative of each group to attend a meeting at City Hall. The CAO indicated that the representatives would be briefed on the remuneration review and then would be asked to provide their views on a series of questions.

As a consequence, a group of 11 people representing eight Fredericton agencies, organizations and committees gathered at City Hall on August 14 at which time the group was briefed on the research and analysis that had been done. Following the briefing there was a wide-ranging, thoughtful and constructive discussion on the following questions:

- Is a compensation increase warranted for Fredericton City Council?
- If not, why not? If yes, for what reason and to what level?
- Is a reform of remuneration decision-making required?

On the subject of whether there should be an increase in compensation for Fredericton City Council, the group:

- was favourably disposed to an increase in compensation for council after the next municipal election although there was no consensus on the amount of the increase;
- favoured a phased-in series of compensation increases if the amount of overall increase chosen by council constitutes a large percentage increase;
- did not favour tying a compensation increase for council to the loss of the federal tax free allowance because of the precedent it would set.

²² It should be noted that there was a measure of citizen input in the recent remuneration reviews conducted by the cities of Moncton and Dieppe and for this they should be commended.

On the subject of *future* reviews of council compensation, the group:

- favoured regular four year reviews with the next review coming in the year prior to the 2024 province-wide elections for municipal council;
- that future compensation reviews be directed by a committee of citizens who are supported by the necessary expert and administrative resources;
- that the next compensation review consider the merits of innovations such as variable pay for councillors, a system that would better reflect the time and effort expended by individual councillors;
- that any increase in compensation approved by council be deferred until after the next municipal election with council taking steps to place the compensation review report in the public domain and by individual councillors taking steps to explain why they support or oppose specific compensation changes; and finally,
- that future reviews of compensation be framed so as to consider how compensation can be used, in combination with other measures, to foster greater diversity on Fredericton City Council.

H. Remuneration Issues, Options & Advice for Fredericton City Council

Issue # 1: Responding to the elimination of the tax free allowance.

Option 1: Do not offset the loss caused by the elimination of the tax free allowance.

Option 2: Fully offset the loss caused by the elimination of the tax free allowance.

Option 3: Partially offset the loss caused by the elimination of the tax free allowance.

Recommendation: That Fredericton City Council Approve Option 1.

If Council were to decide to fully offset the loss arising from federal tax code change it would require an 18% increase in salary.²³ In my view, responding to the elimination of the tax free allowance is secondary to the larger compensation issue that faces Fredericton City Council. This is not to say that the pay cut for the mayor and councillors as a result of the loss of the allowance did not hurt. It surely did. And compounding the “injury” caused by the loss of the tax free allowance is the ongoing increase in the volume and difficulty of council work.

However, context matters. The federal government’s removal of the tax free allowance for municipalities is a change to a feature of the tax code that has been in place for 65 years. While the allowance may have originally been intended to eliminate the administrative burden of keeping receipts and filing expense claims in relation to valid council business, the allowance had come to be seen as an integral (“baked in”) part of the income of municipal councillors. It was invisible and taken for granted. But the allowance was effectively a federal subsidy of municipalities. And as the federal Minister of Finance said in his 2017 Budget, the allowance lacked transparency and was a benefit that was unavailable to other taxpayers. Some councillors wrestle with being seen to raise their wages to offset an unfavourable tax change, an ability that other taxpayers do not have. In my view, it is better for municipalities to be grateful that the allowance survived as long as it did and instead deal with the larger compensation question.

I acknowledge that two of the municipalities in this study (Saint John and CBRM) took steps to fully offset the impact of the federal tax change. It is also true that Dieppe and Summerside decided to increase overall council compensation using comparative methods that they believed gave their Mayor and Council a level of compensation that could be better explained and defended. I see the approach of Dieppe and Summerside as the preferable approach.

²³ The actual increases would be \$9683 for the Mayor, \$4036 for the Deputy Mayor and \$3229 for each councillor with the total cost to the city treasury for 2019 being approximately \$50,000. Note that the increase is based only on the portion of compensation that is considered salary.

Issue # 2: Whether to increase the remuneration of Fredericton’s Mayor, Deputy Mayor and Councillors to match that of their counterparts in one of the better paying municipalities examined in this study.

Option 1: Do not increase the remuneration for the Mayor, Deputy Mayor and Council to that of any municipality in this study having higher remuneration.

Option #2: Increase the remuneration of Fredericton’s Mayor, Deputy Mayor and Council to the level of remuneration in the median municipality for each of these positions.

Recommendation: That Fredericton City Council Approve Option 2.

Approving Option 1 would mean that Fredericton City Council remains undercompensated in relation to most other cities in this study. It would also mean that the practice of discounting the value of councillor service to the city would be re-enforced. Additionally, adopting Option 1 would amount to a missed opportunity to foster greater diversity on Fredericton City Council.

As Appendix 3 makes clear, approving Option 2 (moving to the median city value) means increasing the compensation of Fredericton’s Mayor’s to match that of the Mayor of Charlottetown (from \$70,115 to \$79,584, a 13.5% increase); increasing the Deputy Mayor’s compensation to match that of the Deputy Mayor of Moncton (from \$30,121 to \$38,920, a 29.2 % increase); and increasing the compensation for Fredericton City Council to match that of Saint John (from \$25,688 to \$32,600, a 26.9% increase).²⁴ The fact that increases of this size are required just to get to the median says something about how far Fredericton has fallen in relation to other cities and how infrequently compensation reviews are done.²⁵

The annual incremental cost of Option 2 would be \$9,469 for the Mayor’s position; it would be \$8,799 for the Deputy Mayor’s position, and it would cost \$6,912 for each councillor. *The total incremental cost of this option in 2019 would be \$94,300.* If council agrees with this approach in principle (i.e. moving to the median) but finds the percentage increases too much for one year, then *the increases could be phased in over two or more years* just as Dieppe is presently doing with its increases for Mayor and Council (albeit Dieppe is making larger increases with a unusually lengthy implementation period). This phase-in approach is supported by the citizens group that was consulted (see section E above).

Because Fredericton City Council has, in the 1974 to 2019 period, only once commissioned an independent review of its compensation, and because there have often been long lapses

²⁴ The annual CPI adjustments that have been in place for Fredericton City Council since 2001 should, in my view, remain in place regardless of the compensation decision taken by council in relation to this specific recommendation.

²⁵ The last time Fredericton City Council approved a (non-CPI) increase in its remuneration was 2010.

between compensation increases, a number of the increases have been large in percentage terms. The change in 1989 was 40% and in 2001 it was 40%. Smaller increases for council came in 2005 (11.5%) and in 2010 (13.6%).

The politics of big single year increases can be difficult. In my view this points to the need for regular reviews and for more frequent and smaller increases. However, in the absence of this, when confronted by the need for a large percentage increase, it is better to phase-in such an increase over a series of six or 12 month intervals.

At this point in time, I believe the case for a substantial increase in compensation for Fredericton City Council is better than the case against an increase. To repeat what councillors have said to me and what my research into how compensation increases elsewhere are greeted, any increase for any reason is likely to be criticized. There is never a good time.

The City of Fredericton is ably led, well-managed and in the best financial condition of the cities in the study. In terms of its budget size and total workforce, Fredericton occupies a middle-to-upper middle position in the survey group. The compensation for Mayor and Council are well-behind comparable municipalities in the region. I believe that councillors deserve to be paid for the full value of what they do and that it is unfair to ask them to discount their service in a way that other elected officials are not. The City of Fredericton can afford and can manage an increase in compensation for its Mayor and council just as it has been able to afford and manage past increases for its employees without impairing its financial health. While I acknowledge that an increase of any amount for council may become an issue at the bargaining table with city unions, there is unlikely to be a better time or a better case for council to adjust its compensation.

Whether one looks at what other cities pay their council or whether one looks at remuneration in relation to an MLA and an MP (adjusted for hours worked), it is clear that council is under-paid. Improving the compensation of council to the level of the median city in this study, whether all at once or over time, will also contribute to increasing the diversity of council especially if combined with other measures.

Issue # 3: Whether to revise the City of Fredericton’s approach to the making of remuneration decisions for Mayor and Council.

Recommendation:

Taking into account the principles of accountability and transparency that inform New Brunswick’s **Local Governance Act** and the best practices identified by this study as well as the views expressed by the citizens group, it is recommended:

- 1) that prior to each quadrennial municipal election, city council should commission and receive an independent review of its remuneration, a review that is directed by a citizens committee that is chosen to include both expertise and diversity and whose work is supported by appropriate resources;
- 2) that a decision of city council to increase its remuneration be delayed until after the next municipal election and, in the meantime, that the report be posted on the city’s website together with the amended by-law.

Appendix 1

History of Remuneration Changes: Fredericton City Council

Year	Mayor	Deputy Mayor	Council
1974	\$12,000	\$4,000	\$3,000
1977	12,960	4,320	3,240
1980	18,000	7,500	6,000
1981	19,260	8,025	6,420
1989	30,000	12,000	9,000
2001	37,783	15,743	12,594
2005	46,899	22,575	19,100
2010	60,054	25,909	22,151
2019	70,115	30,121	25,668

Appendix 2

Maritime City Council Remuneration (2019)

	Fredericton	Saint John	Moncton	Dieppe	Sum'side	Char'town	CBRM
Mayor Remuneration	\$70,115	\$88,000	\$87,504	\$47,875	\$52,131	\$79,584	\$143,838
Dep. Mayor Remuneration	\$30,121	\$42,600	\$38,920	\$21,544	\$30,878	\$43,437	\$54,202
Council Remuneration	\$25,688	\$32,600	\$35,002	\$19,150	\$26,096	\$39,792	\$49,202

1) **Fredericton:** compensation for Mayor and council is indexed to annual CPI changes and includes amounts for health and dental benefits as well as for communications technology support. As of this date, there has been no change to compensate councillors for the January 1, 2019 elimination of the tax free allowance from the federal tax code. Without such a retroactive change (to January 1, 2019), councillors will experience a substantial reduction in take-home pay (compared to 2018). The last independent review of Council's compensation was conducted in 1999.

2) **Saint John:** compensation for Mayor and Council does not include benefits nor is compensation indexed to annual CPI changes. However, steps were taken to increase compensation in 2019 to offset the loss of the federal tax free allowance. The last independent review of remuneration was conducted in 2016.

3) **Moncton:** Mayor and Council receive compensation that includes health and dental benefits, AD&D, Group Life and some technology support. Annual changes in compensation follow changes in the CPI. However, no changes were made to offset federal tax code changes on January 1, 2019. The last independent remuneration review was conducted in 2016 as part of a wider review of municipal government in Moncton (Enhancing Democracy report).

4) **Dieppe:** as a result of a remuneration review by a panel of citizens in 2018, Dieppe has begun a 5 year escalation of compensation for the Mayor and Council. The Mayor's salary will top-out at \$78,000 in 2024 with the Deputy Mayor at 45% of that amount and Council at 40% of that

amount. This escalation is intended, among other things, to offset the recent change to the federal tax code. From 2025 onward, compensation will be indexed to changes in the CPI.

5) **Charlottetown:** City Council has just appointed a Compensation Review Committee and no decision has been made about how or if to respond to the elimination of the federal tax free allowance. Previous to this, independent remuneration reviews were conducted in 2007 and 2015. Currently, compensation for the Mayor and Council includes health and dental benefits, technology support and a contribution to the RRSP of each councillor. Compensation is indexed to the lowest annual city hall union increase.

6) **Summerside:** Independent remuneration reviews were conducted on behalf of Summerside City Council in 2010, 2014 and in 2018. Compensation amounts for Mayor and Council were increased in 2019 as a result of the 2018 independent review. Federal tax code changes that became effective on January 1, 2019 were not specifically cited as a reason for compensation increases in 2019. Rather, Summerside sets its remuneration rates at 75% of Charlottetown City Council. Councillors receive technology benefits in the form of a laptop or tablet, a mobile phone and a voice/text/data plan. There are no other benefits provided to Mayor and Council.

7) **Cape Breton Regional Municipality:** CBRM is one of three regional municipalities in Nova Scotia. The amalgamation that created CBRM in 1995 includes eight (former) municipalities. The original remuneration level for Mayor and Council (1995) was set by the Provincial Government of Nova Scotia. The current remuneration provided to Mayor and Council is supplemented by group insurance and a pension benefit. Compensation was increased in 2019 to offset federal tax code changes that came into effect on January 1, 2019.

Appendix 3

2019 RANKING OF MARITIME CITIES ON TEN FACTORS

	First	Second	Third	Fourth	Fifth	Sixth	Seventh
Mayor Remuneration	CBRM \$143,838	Saint John \$88,000	Moncton \$87,504	Ch'town \$79,584	Fred'ton \$70,115	Sum'side \$52,131	Dieppe \$47,875
Dep. Mayor Remuneration	CBRM \$54,202	Char'town \$43,437	Saint John \$42,600	Moncton \$38,920	Sum'side \$30,878	Fred'ton \$30,121	Dieppe \$21,544
Council Remuneration	CBRM \$49,202	Char'town \$39,792	Moncton \$35,002	Saint John \$32,600	Sum'side \$26,096	Fred'ton \$25,688	Dieppe \$19,150
Population	CBRM 94,285	Moncton 71,889	Saint John 67,575	Fred'ton 58,220	Ch'town 44,739	Dieppe 25,334	Sum'side 14,829
Population to Councillor Ratio	CBRM 7857:1	Moncton 7189:1	Saint John 6757:1	Fred'ton 4851:1	Ch'town 4474:1	Dieppe 3167:1	Sum'side 1854:1
Total Budget	Saint John \$160.2M	Moncton \$157.4M	CBRM \$150.5M	Fred'ton \$120.2M	Ch'town \$92.5M	Sum'side \$58M	Dieppe \$56.5
Tax Base Per Capita	Fred'ton \$124,857	Dieppe \$124,445	Moncton \$116,446	Saint John \$102,480	Sum'side \$59,875	CBRM \$59,169	Char'town N/A
Residential Tax Rate	CBRM \$1.99 - \$2.26	Saint John \$1.78	Sum'side \$1.74	Ch'town \$1.67	Moncton \$1.65	Dieppe \$1.63	Fred'ton \$1.42
Debt Service Ratio	Sum'side 15.0%	Dieppe 14.8%	CBRM 14.3%	Moncton 13.9%	Ch'town 13.8%	Saint John 11.9%	Fred'ton 4.9%
Median Household Income	Dieppe \$76,963	Fred'ton \$60,592	Moncton \$56,062	Ch'town \$53,736	CBRM \$52,914	Sum'side \$52,143	Saint John \$52,132

Appendix 4

2019 RANKING OF NEW BRUNSWICK CITIES ON TEN FACTORS

Factor	First	Second	Third	Fourth
Mayor Remuneration	Saint John \$88,000	Moncton \$87,504	Fredericton \$70,115	Dieppe \$47,875
Dep. Mayor Remuneration	Saint John \$42,600	Moncton \$38 920	Fredericton \$30,121	Dieppe \$21,544
Council Remuneration	Moncton \$35,002	Saint John \$32,600	Fredericton \$25,688	Dieppe \$19,150
Population	Moncton 71,889	Saint John 67,575	Fredericton 58,220	Dieppe 25,334
Population to Councillor Ratio	Moncton 7189:1	Saint John 6757:1	Fredericton 4851:1	Dieppe 3167:1
Total Budget	Saint John \$160.2M	Moncton \$157.4M	Fredericton \$120.2M	Dieppe \$56.5M
Tax Base Per Capita	Fredericton \$124,857	Dieppe \$124,445	Moncton \$116,446	Saint John \$102,480
Residential Tax Rate	Saint John \$1.78	Moncton \$1.65	Dieppe \$1.63	Fredericton \$1.42
Debt Service Ratio	Dieppe 14.8%	Moncton 13.9%	Saint John 11.9%	Fredericton 4.9%
Median Household Income	Dieppe \$76,963	Fredericton \$60,592	Moncton \$56,062	Saint John \$52,132

Appendix 5

New Brunswick Local Governance Act

Sections 48 and 49

Powers and duties of mayors and councillors

48(1) The mayor of a local government shall

(a) preside at all meetings of council, except as provided for otherwise in a procedural by-law made under paragraph 10(2)(a) or in a municipal charter or a private or special Act,

(b) provide leadership to council,

(c) communicate information and recommend actions to council for the improvement of the local government's finances, administration and government,

(d) speak on issues of concern to the local government on behalf of council, and

(e) perform any other duties conferred on him or her by this or any other Act or by council.

48(2) Despite subsection (1), the mayor of a local government is subject to the direction and control of council and shall abide by the decisions of council.

48(3) The council of a local government shall elect a deputy mayor in accordance with a procedural by-law made under paragraph 10(2)(a).

48(4) In the absence of the mayor or the inability of the mayor to act, or if the office of mayor is vacant, the deputy mayor shall act in the place of the mayor, and while so acting, the deputy mayor possesses the powers and shall perform the duties of the mayor.

48(5) In the absence of the deputy mayor or the inability of the deputy mayor to act under subsection (4), council shall appoint a councillor to act in the place of the mayor, and while so acting, the councillor appointed possesses the powers and shall perform the duties of the mayor.

48(6) A councillor of a local government shall

(a) consider the welfare and interests of the entire local government when making decisions,

- (b) bring to the attention of council matters that may promote the welfare or interests of the local government,
- (c) participate in developing and evaluating the policies and programs of the local government,
- (d) participate in meetings of council, council committees and any other body to which he or she is appointed by council, and
- (e) perform any other duties conferred on him or her by this or any other Act or by council.

Salaries and allowances of mayor and councillors

49(1) If a local government makes any payments to its mayor and councillors, it shall make a by-law that specifies

- (a) the amounts paid in annual salaries or other remuneration, and
- (b) any amounts paid as allowances for expenses resulting from the discharge of their duties including for attendance at meetings.

49(2) A by-law made under subsection (1) requires a majority of the members of council who are voting to vote in favour of making the by-law.