



**Subject:** *Council Remuneration & Travel Reimbursement*  
**To:** Corporate & Residential Committee  
**Date Prepared:** November 8, 2019  
**Related Motions:** C05(62), C05(333), C07(156), C07(425), C09(507), C09(550), C18(241), C19(110), C19(183), C19(205)  
**Prepared by:** Sue Surette CPA, CGA, Director of Finance  
**Approved by:** Kim Ramsay, CPA, CMA, Chief Administrative Officer

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### Summary

Staff have prepared this report on request of Council related to the removal of the tax exemption for non-accountable expense allowances paid to municipal officers and to review the current policy for allowable travel for Councillors.

### Financial Impact Statement

Dependent on Council alternatives

### Recommendation

No recommendation coming forward

### Recommended Motion

*None*

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## Background

Prior to January 2019, a portion of councillors' compensation was exempt from income taxes with the thought that compensation for elected officials is not all considered salary. Some rationale provided for the 1/3 tax-free exemption was to recognize elected officials were contributing to their communities, attending events at their costs, and travelling within their communities without reimbursement.

With the Federal Government budget announcement in 2017, the 70 year old exemption was removed effective for the 2019 tax year. This impacted the amount of income taxes that councillors are now paying. At that time, councillor remuneration was increased to offset the increased income taxes. The average increase to Council salaries and travel allowance was at 10.5% using an average of the travel allowances being paid to Council under the prior policy. The same calculation was prepared for the Warden's salary resulting in a 14% increase due to the base salary falling in a higher tax bracket.

The reasoning for the January 2019 salary increase was to maintain councillors same take home pay prior to the elimination of the 1/3 Tax Free Exemption. The average increase in councillors' net pay after January, 2019 is \$60 biweekly. The intent was that this additional amount of take home pay would be to offset the inability to claim the 1/3 Tax Free Exemption when filing annual income tax returns.

Councillors currently received a travel allowance which is included in their bi-weekly pay. This travel allowance is to reimburse for travel to meetings held at the Lloyd E. Matheson Centre and is considered taxable income. The below table reflects the travel allowance portion included in councillors current salary.

Travel - Councillor	Travel Allowance	Current Salary Including Travel	Salary Including Travel Allowance
Up to 25 KM	\$ 421	\$ 22,486	\$ 22,907
More than 25, less than 50 KM	\$ 841	\$ 22,486	\$ 23,327
Between 51 to 75 KM	\$ 1,265	\$ 22,486	\$ 23,751
Between 75 to 100 KM	\$ 1,686	\$ 22,486	\$ 24,172
Between 100 to 125 KM	\$ 2,107	\$ 22,486	\$ 24,593
Between 125 to 150 KM	\$ 2,530	\$ 22,486	\$ 25,016
Between 150 to 175 KM	\$ 2,951	\$ 22,486	\$ 25,437

In addition to the travel allowance councillors are entitled to submit a travel claim as per the current policy for the following:

- Attendance at Council/Committee meetings that are held at a location other than the Municipal offices (Council/Executive, PAC, Operations, Corporate Services, EMO, Fire, PRC) and other public meetings conducted by the Planning department, such as Public Information Sessions and Public Hearings at a location other than Council Chambers.
- Attendance at an "agency" meeting to which Council has appointed the member (i.e. Library Board,) but not any subcommittees of these boards to which the councillor themselves have chosen to serve.
- Travel associated with attendance at a training seminar approved by Council, FCM or NSFM conference.

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## Discussion

Staff have researched possible income tax credits through Canada Revenue Agency (CRA) and did not find any options to date to reduce councillors' taxable income. CRA staff have indicated that there is very little information available as the new tax law does not have a bulletin issued yet. Councillors are encouraged to discuss options with their personal accountant as staff do not know councillors other sources of income. Staff reviewed other employment expenses including the following:

- a) Work space in the home which requires working more than 50% of the time at home, earning income, and meeting regularly in this space. Staff concluded that this is not likely applicable as the majority of work time would be in Council Chambers or at public events.
- b) Vehicle allowance was examined and was determined that this would not put councillors in any different position than they are now as councillors are reimbursed for travel through their salary (taxable) and through submission of travel claims (non-taxable). Please see CRA reference information below:

### Allowable motor vehicle expenses (including capital cost allowance)

You can deduct your motor vehicle expenses if you meet **all** of the following conditions:

1. You were normally required to work away from your employer's place of business or in different places.
2. Under your contract of employment, you had to pay your own motor vehicle expenses. You are not considered to have paid your own motor vehicle expenses if your employer reimburses you or you refuse a reimbursement or reasonable allowance from your employer.
3. You did not receive a non-taxable allowance for motor vehicle expenses. Generally, an allowance is non-taxable when it is based solely on a reasonable per-kilometre rate.
4. You keep with your records a copy of [Form T2200, Declaration of Conditions of Employment](#), which has been completed and signed by your employer.

Given that Council must abide with all federal legislation, the following travel reimbursement alternatives are being presented for discussion purposes.

### Alternative 1 - Status Quo

Council can decide to maintain status quo and keep councillor salaries and travel expenses the same. There are no budget implications with this alternative.

If Council wishes to remain status quo there is no motion required.

### Alternative 2 - Increase Other Reimbursable Travel Reimbursement

Council can decide to increase opportunities for travel claim reimbursement as per a specific listing based on Canada Revenue Agency (CRA) allowable non-taxable travel expenses. There would be budget implications with this alternative based on the number of travel claim submissions per councillor. CRA determines what travel expenses are considered municipal business and therefore nontaxable. Staff believe the list below would be considered reasonable municipal expenses. Councillors should be prepared for a CRA income tax audit of any travel claim reimbursement and therefore councillors should consider this when submitting any travel claims. In addition, all councillor travel expenses are posted on the municipal public website as per Provincial legislation for transparency.

Below is a list of events that could be considered for reimbursement of travel expenses;

### Municipal Hosted Events

- Summer and Fall Burntcoat Park Events
- Municipal Funding Announcements

- Official Municipal Openings i.e. parks, buildings, and playgrounds
- Volunteer Recognition

Public Events where a Councillor attends in official capacity (Official capacity means that Council has appointed the Councillor to attend)

- Award recognition i.e. school awards
- Sport Hall of Fame Event

#### Other Events

- Remembrance Day events when laying a Municipal wreath

Based on staff's research with CRA, attendance at events in councillors' local community such as milestone birthdays, anniversaries, funerals, baby showers, sporting events etc. would not be considered municipal business and as such reimbursement for any travel would be a taxable expense that would need to be claimed as income. Also, Council would have to determine a method to validate attendance at these events.

If Council wishes to move forward with Alternative 2, the following motions could be made:

***For Council (Policy) November 19<sup>th</sup>, 2019***

***Move that the Corporate & Residential Services Committee recommends to Council that Council give notice of the intent to approve the changes to the Council Remuneration & Travel Reimbursement policy as presented to Committee on November 19<sup>th</sup>, 2019 which includes mileage paid for attendance at municipal hosted events, public events where Councillors attend in official capacity, and Remembrance Day events.***

***For Council November 27<sup>th</sup>, 2019***

***Move that the Corporate & Residential Services Committee recommends to Council that Council approve the changes to the Council Remuneration & Travel Reimbursement policy as presented to Committee on November 19<sup>th</sup>, 2019 which includes mileage paid for attendance at municipal hosted events, public events where Councillors attend in official capacity, and Remembrance Day events.***

#### Alternative 3 - Reduce Councillor Remuneration and Increase Other Travel Reimbursement

Council can decide to increase opportunities for travel claim reimbursement based on Canada Revenue Agency allowable travel expenses similar to Option 2. In an effort to offset increased travel expenses, Council could consider the removal of the increase specific to the travel allowance effective January 1<sup>st</sup>, 2019, due to the removal of the tax exemption for non-accountable expense allowances paid to municipal officers. The average increase to Councillors travel allowance was 10.5% and 14% for the Warden's salary.

If Council wishes to move forward with Alternative 3, the following motions could be made:

***For Council (Policy) November 19<sup>th</sup>, 2019***

***Move that the Corporate & Residential Services Committee recommends to Council that Council give notice of the intent to approve the changes to the Council Remuneration & Travel Reimbursement policy as presented to Committee on November 19<sup>th</sup>, 2019 to include mileage to paid for attendance at municipal hosted events, public events where Councillors attend in official capacity, and Remembrance Day Events. And,***

*that the increase of 10.5% for Councillors and 14% for the Warden specific to the travel allowance put in effect January 1<sup>st</sup>, 2019 be removed to offset increased travel claim expenses effective December 1st, 2019.*

*For Council November 27<sup>th</sup>, 2019*

*Move that the Corporate & Residential Services Committee recommend that Council that Council approve the changes to the Council Remuneration & Travel Reimbursement policy as presented to Committee on November 19th, 2019 to include mileage to paid for attendance at municipal hosted events, public events where Councillors attend in official capacity, and Remembrance Day Events. And,*

*that the increase of 10.5% for Councillors and 14% for the Warden specific to the travel allowance put in effect January 1<sup>st</sup>, 2019 be removed to offset increased travel claim expenses effective December 1st, 2019.*

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## Alternatives

Alternative 1 - Make no change to council compensation and travel reimbursement

Alternative 2 - Increase opportunities for travel claim reimbursement to include additional municipal events

Alternative 3 - Increase opportunities for travel claim reimbursement to include additional municipal events and remove the January 1, 2019 increase related specific to travel

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## Conclusion

Staff did not find any options for reduction in councillors' taxable income and this report provides alternatives for additional travel reimbursement.

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## Recommendation

None

## Appendix A - 1/3 Tax-Free Exemption Removal

Reference table below that was approved by Council in September 2018 reflecting the increase in gross pay to achieve the same net take home pay.

Warden	Current 1/3 Exemption	Same Gross Pay	Same Net Pay 14.0% Increase
Annual Compensation	\$ 38,577	\$ 38,577	\$ 38,577
Average Mileage Allowance	\$ 3,030	\$ 3,030	\$ 3,030
Additonal Pay	\$ -	\$ -	\$ 5,825
<b>Total Compensation</b>	<b>\$ 41,607</b>	<b>\$ 41,607</b>	<b>\$ 47,432</b>
Deductions (CPP/Taxes)	\$ 5,255	\$ 9,201	\$ 11,080
Net Pay	\$ 36,352	\$ 32,406	\$ 36,352
Net Difference in net pay	\$ -	\$ (3,947)	\$ -

Deputy Warden	Current 1/3 Exemption	Same Gross Pay	Same Net Pay 10.5% Increase
Annual Compensation	\$ 24,888	\$ 24,888	\$ 24,888
Average Mileage Allowance	\$ 830	\$ 830	\$ 830
Additonal Pay	\$ -	\$ -	\$ 2,700
<b>Total Compensation</b>	<b>\$ 25,718</b>	<b>\$ 25,718</b>	<b>\$ 28,418</b>
Deductions (CPP/Taxes)	\$ 2,061	\$ 3,999	\$ 4,762
Net Pay	\$ 23,657	\$ 21,719	\$ 23,657
Net Difference in net pay	\$ -	\$ (1,938)	\$ -

Councillors	Current 1/3 Exemption	Same Gross Pay	Same Net Pay 10.5% Increase
Annual Compensation	\$ 19,911	\$ 19,911	\$ 19,911
Average Mileage Allowance	\$ 830	\$ 830	\$ 830
Additonal Pay	\$ -	\$ -	\$ 2,178
<b>Total Compensation</b>	<b>\$ 20,741</b>	<b>\$ 20,741</b>	<b>\$ 22,919</b>
Deductions (CPP/Taxes)	\$ 1,063	\$ 2,627	\$ 3,241
Net Pay	\$ 19,678	\$ 18,114	\$ 19,678
Net Difference in net pay	\$ -	\$ (1,564)	\$ -

## Appendix B - Proposed Travel Allowance Decrease related to Option #3

Reference table below reflecting the decrease in travel allowance for councillors:

Travel - Councillor	Current Travel Allowance	Current Salary & Travel Allowance	Proposed Travel Allowance	Salary & Proposed Travel Allowance	Proposed Travel Allowance reduction
Up to 25 KM	\$ 421	\$ 22,907	\$ 381	\$ 22,867	\$ 40
More than 25, less than 50 KM	\$ 841	\$ 23,327	\$ 761	\$ 23,247	\$ 80
Between 51 to 75 KM	\$ 1,265	\$ 23,751	\$ 1,145	\$ 23,631	\$ 120
Between 75 to 100 KM	\$ 1,686	\$ 24,172	\$ 1,526	\$ 24,012	\$ 160
Between 100 to 125 KM	\$ 2,107	\$ 24,593	\$ 1,907	\$ 24,393	\$ 200
Between 125 to 150 KM	\$ 2,530	\$ 25,016	\$ 2,290	\$ 24,776	\$ 240
Between 150 to 175 KM	\$ 2,951	\$ 25,437	\$ 2,671	\$ 25,157	\$ 280