



To: General Purposes Committee

Date: May 29, 2006

From: George Duncan
Chief Administrative Officer

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Re: **Review of Compensation and Benefits for Richmond Elected Officials**

Staff Recommendation

1. That the market survey and review of remuneration rates assigned to the Mayor and Councillors, conducted by the Human Resources (HR) Division with the assistance of a professional HR compensation consultant, be referred to an Independent Panel for review and recommendations on an appropriate rate of pay;
2. That the recommendations of the Independent Panel with regard to the rate of pay for the Mayor, and the rate of pay for Councillors, expressed either as a percentage of the rate of pay for the Mayor, or as a value, be binding in that Council cannot assign remuneration that exceeds the recommendations of the Panel;
3. That the recommendations of the Independent Panel on remuneration and of the external HR consultant on the benefits package be presented to Open Council on June 12, 2006; and
4. That any changes recommended by the Panel and/or HR consultant be implemented effective June 29, 2006.

George Duncan
Chief Administrative Officer
(4338)

Staff Report

Origin

Background:

Numerous Councils in the Lower Mainland of BC have adjusted (increased) the level of remuneration provided to elected officials over the past year and slightly beyond. The rate of remuneration provided to Richmond elected officials has not received a market survey-based compensation adjustment since 1992. At that time, a Citizens Task Force was established to review Council members' remuneration. The Task Force also recommended annual cost of living increases for elected officials; however, Richmond Council has not always followed the recommendations for annual CPI adjustments. Due to these and other various external factors, the level of remuneration offered to Richmond's elected officials has not kept pace with the market when compared to similar-size municipalities within the greater Vancouver region.

Staff became aware of increases in remuneration offered to elected officials in other municipalities because of the growing number of requests for market survey data on remuneration, as well as, through media reports and discussions with staff members of other cities. Staff initially conducted a limited survey utilizing only population as the primary comparison factor to determine if the extent of the remuneration gap between Richmond and other local area jurisdictions was sufficient to warrant further examination.

Analysis

The preliminary survey revealed that within the Greater Vancouver region, some cities having lower populations than Richmond provide a higher rate of compensation to elected officials. Collected data indicates, for example, that Delta, the District of North Vancouver, and Coquitlam offer higher salaries for their Mayor and Councillors, yet they are significantly lower in population compared to Richmond. Comparisons were made with the City of North Vancouver with a population under 50,000 compared to Richmond at approximately 180,000, which provides a higher salary for the Mayor position than Richmond. Coquitlam at slightly over 120,000 also offers remuneration for their Mayor and Councillors that is considerably higher than Richmond's.

As the Human Resources (HR) Division, (in conjunction with Watson Wyatt Compensation Consultants), was reviewing and updating Richmond's Exempt Staff Compensation Program, it was reasonably efficient for the HR Division to collect information and data on Council's remuneration. Subsequent to the preliminary survey conducted by the HR Division and in order to ensure the integrity and objectivity of the review, a specialist consultant has been utilized to confirm the accuracy of the data and to provide the necessary analysis. The consultant will also guide the review process and coordinate an Independent Panel. An Independent Panel of business people who are not connected to the City has been requested to review the market survey data results and provide recommendations on the level of remuneration that would be appropriate for the Mayor and Councillors. The Panel will have access to all information and data collected and can request additional information as they deem appropriate.

The following Staff Report will provide the rationale for reviewing compensation for elected officials and outline the basic terms of reference on which the Panel's work is based. The Staff Report also contains recommendations that will ultimately facilitate the presentation of the Consultant's and Independent Panel's recommendations to Council on June 12, 2006.

Please note that in order to protect the integrity of the process, and to ensure that elected officials are not involved in or in a position to influence the review process, none of the data or related information on the survey have been provided with this Staff Report.

If the recommendations of this Staff Report are supported by the General Purposes Committee on June 5, 2006, a final report complete with all of the information, data and recommendations from the Consultant and Independent Panel (who will be identified at that time), will be presented to Open Council on June 12, 2006.

Elected officials are placed in a somewhat difficult position when considering the issue of compensation because unlike most employees and senior officials of large corporations, they are tasked with responsibility for and remain, the final authority in determining the level of compensation they will receive. The management of such matters should be transparent to the public who elect them. There is, however, an inherent risk of the perception that elected officials are serving a self interest any time an elected body attempts to address the compensation issue, therefore, the reluctance.

Notwithstanding the various reasons elected officials are reluctant to address compensation, they have a responsibility to do so, and they must carry out these duties objectively and responsibly. Failure to ensure that compensation for an elected body remains fair and competitive can potentially create an impediment to attracting other quality candidates to run for office in future. Deferral or unreasonable delays in updating remuneration not only perpetuates the problem, they create greater challenges in future because the farther behind the level of remuneration, the more difficult it is to catch up. Situations wherein a relatively high increase (particularly when expressed as a percentage of current remuneration) may be required in order to catch up can potentially cause a host of problems that are not directly related to the actual merit or justification for the increase. For example, various employee groups and other community groups that require funding from the City may attempt to use the compensation adjustments that are required to catch up to or achieve market equity for Council members as a benchmark for negotiations of their contracts or funding requests. However, the relevant and most fundamental issue is the responsibility of the Corporation to provide compensation at fair market value relative to the role and responsibilities, as opposed to, placing limits on remuneration that are based entirely on concern about the optics of percentage increase beyond the current value.

Although population was utilized in the preliminary survey to illustrate the remuneration gap, population should not be the sole factor that determines the appropriate level of compensation for elected officials. The degree of complexity of projects and issues that elected officials preside over today are critical factors for determining job value.

Although it is desirable to ensure that the level of compensation is not the primary factor in attracting people from the community to run for elected office, it is important to ensure that those who are successful in pursuing an elected position are compensated fairly and commensurate

with the assumed level of responsibility. In this regard, it is important to note that the compensation review represents an in-depth examination of the value of the position or role and responsibilities. Essentially, it is a review for the purposes of establishing the value of the job (job value), as opposed to, assigning a value or to assessing the performance of the incumbents. Staff are recommending a process that will allow Richmond City Council to consider both the appropriate job value – level of remuneration as recommended by an Independent Panel, but also the appropriate benefits to be provided to the Mayor and Councillors positions based on input and recommendations from expert compensation and benefits consultants.

Compensation Philosophy:

The basis on which staff are recommending changes to compensation and benefits for elected officials is as outlined in the following principles:

- Fairness – elected officials should be compensated commensurate with established values for the same or similar roles in comparable local governments in the Greater Vancouver region. Other cities in the province, possibly across the country that are comparable, not only in population, but also in the complexity of the challenges they manage, workload, and time required to perform their duties may also be considered using a weighted factor;
- Objective – data and information on which the value of compensation and benefits provided to elected officials will be based must be valid and verifiable against established benchmarks;
- Current – compensation should remain current within an established comparator group market and mechanisms should be in place to ensure external equity can/will be maintained;
- Identifiable Job Value Factors – must be established that will provide the basis and framework for determining preferred market position and job value at the present time and in the future. These factors may include:
 - population,
 - budgets (Operating and Capital),
 - size of workforce.

Other job value factors may also be included such as:

- degree of complexity of business activities (core business and non-core business),
- rate of growth and urbanization,
- cultural make up and extent of diversity,
- workload, demand on time and personal resources.

- Independent and Non-Political – the collection of data, analysis, and recommendations on compensation and benefits for elected officials should be conducted without any participation or involvement of individual elected officials or of the full elected body;
- Binding Recommendations – Council should agree in advance to binding recommendations from an Independent Panel to the extent that Council cannot approve an increase that exceeds the recommendations of the Panel.

Context:

Challenge/Opportunity

Richmond's elected officials are providing governance and strategic leadership and direction to BC's fourth largest community (with there being only a nominal difference in population between the third and Richmond). Richmond is also Canada's 25th largest City. The degree of complexity of operations, programs, and services, as well as, non-core business challenges that Richmond's elected officials must preside over and provide direction to staff on, is comparable to that of elected officials of cities serving larger populations, and which, in some instances, have a higher number of positions on Council to share the workload. Richmond Council is tasked with a number of significant issues that elevate the responsibility/accountability factors beyond levels that are present in many other similar size cities:

- i. Cultural – The cultural make up (ratio) of the City's population is as diverse, if not more so, as any city in Canada. It is more culturally diverse and older than ever before. Most changes have occurred in the last 10 years with more anticipated during the coming decades.

Richmond has a long history of community involvement and establishing relationships and partnerships with community organizations. Greater emphasis is expected on partnerships to sustain and develop quality of life services for the future. More than 90% of the community either participates or is involved in use of public amenities and programs. However, it should be noted that Council faces a challenge beyond serving the high rate of participation in that due to the diverse cultural make up of the participants, the range of programs and services has to satisfy a broad range of culturally different interests and objectives.

- ii. Physical – Richmond is situated on an island at sea level which presents numerous unique challenges concerning the management of the physical publicly-owned assets of the City, and responsibility to protect private property from the risk of flooding (higher than the norm compared to most cities). The City oversees 62 kms. of dykes, 39 drainage pump stations, and 147 sanitary pump stations. These numbers considerably exceed Surrey's and Vancouver's infrastructure even though Surrey and Vancouver have a much higher population. Island-wide, Council has to deal with conflicting demands for the protection of agricultural land, creation of more industrial land, increased commercial and rapid residential growth, all within a finite land mass.
- iii. Soil Conditions – Richmond has unique soil conditions which present one of, if not, the most challenging building conditions in the province/country and, therefore, place greater

importance and risk on the City relative to regulating land use policy and administering building codes, plan approvals, and inspection functions.

- iv. Major Projects and Events – Richmond is presently involved in three major projects (the Speed Skating Oval Project, Canada Line Project, and the DFO Lands Project), each of which is larger in scope and value and/or can impose unprecedented potential impacts on the City than any other similar size and, in many cases, than in many larger cities in Canada.

Additionally, the number of hours invested by Council members is approaching, and at times exceeding, the regular work week for full-time employees, yet current compensation rates for Councillors are not only based on a part-time role, they are lower than in many other jurisdictions.

In considering the factors identified above, staff suggest that Council should consider adopting the practice of regularly (every three years) surveying comparable municipal jurisdictions for the purpose of objectively benchmarking appropriate levels of compensation, and operational resources for Richmond's elected officials.

Decision Criteria

Compensation levels for elected officials must adhere to an objective process based on the comparison of gathered facts. The comparative communities surveyed should be representative of similar cities that are both larger and smaller in population. These cities should extend beyond BC's borders to those in other Canadian provinces. A formal survey should be conducted minimally every three years with data gathering on compensation, benefits and operational resources provided to elected officials. Ideally, the survey cycle will coincide with the completion of a Council term; however, that option is not advisable at this time due to the extent to which compensation levels provided to Richmond elected officials have fallen behind and the potential to further exacerbate the gap.

For purposes of this review, an Independent Review Panel will recommend the appropriate levels of remuneration for the Mayor and Councillors respectively, effective June 29, 2006. Various data sets of comparator cities were researched, however, the Panel will identify the comparator cities that they feel are most appropriate and will base their recommendations on the associated data. Please note that the comparator cities and corresponding data will not be made available to Council until after the recommendations of the Panel have been received.

In addition to coordinating the Panel on the aforementioned level of remuneration (dependent on comparator marketplace), the Compensation Consultant will be requested to comment on the following recommendations of staff:

- Subsequent to the implementation of changes recommended due to market position, commencing January 1, 2007 and, thereafter, annually in January, that an annual increase equal to CPI for Vancouver be awarded to assist the City to maintain a reasonable market position is maintained and to ensure the level of compensation for elected officials remains fair and current. (Note: This mechanism is already in place and is based on the recommendations of the 1992 Independent Panel.)

- Mayor and Councillor positions should receive benefits that are comparable to all full time exempt employees during their period of serving the electorate to the degree permitted by the Act and insurance carriers.
- Observing that in BC, elected officials are not eligible for participation in the Municipal Pension Plan as they are in Ontario, the City should continue to accrue annually an amount for a retiring allowance equivalent to the Employer’s Superannuation contribution applied for all City employees to be paid out upon retirement, death or failure to retain elected office and subject to Income Tax regulations.

Terms of Reference – Independent Panel

Format	
Panel Make-Up	3 to 5 members, representatives of the business community who do not have ongoing business with the City or ties to Council. The Panel will be chaired by a professional consultant having expertise in the area of compensation.
Identification	<ul style="list-style-type: none"> - identity will be made public after the recommendations have been submitted - Council will not be aware of the identity of members of the Panel until the recommendations have been submitted - Staff will not meet with the Panel during the Panel’s deliberations but they will provide the necessary supporting information
Panel Findings	recommendations of the Panel on remuneration are binding in that they cannot be exceeded by Council
Effective Date of Adjustments	date of Council resolution – June 29, 2006
Market Data	<ul style="list-style-type: none"> - Panel will have prior access to all data - Council will not have access to market data prior to receiving recommendations
Structure of Panel Report	<p>The Independent Panel will provide recommendations based on consideration of the compensation philosophy and market data provided. Specifically, the Panel will provide recommendations on:</p> <ul style="list-style-type: none"> i. comparator market – establish market position within proposed comparator market at a percentile or specific placement (position within the comparator group, i.e. average, etc.) ii. appropriate remuneration level for the position – Mayor iii. appropriate remuneration level for Councillor positions calculated as a percentage of remuneration offered to Mayor position or in accordance with survey data on remuneration provided to Councillors in the comparator group iv. vehicle allowance for Councillors, and

	Comment on staff recommendation on benefits
Process	Initial Report will be presented to the June 5, 2006 Open GP Committee meeting. Final Report plus Panel Recommendations to be presented to June 12, 2006 Open Council Meeting

Impacts

Financial – Capital and Operating

The cost increase, if any, will be reported in the June 12, 2006 Report. However, funding for the proposed increase in compensation for the Mayor and Councillors can be accommodated within the salary contingency accounts established as part of the base 2006 Operating Budget. (Note: Staff were able to assess the potential increase due to understanding the maximum potential increase the data would support. Therefore, staff is able to comment on the cost and funding source at this time.)

Conclusion

Compensation and benefits for Richmond elected officials have fallen considerably behind other Lower Mainland and other Canadian cities. Therefore, Council should adopt the recommendations provided by the Independent Panel on remuneration for elected officials. Benefits are a critical component of any compensation program. Elected officials who contribute significant time to carry out their roles and responsibilities on behalf of the community, and often at a cost or loss of other employment, should enjoy the basic security and protection offered in the form of a benefit plan like other exempt employees of the Corporation.



George Duncan
Chief Administrative Officer
(4338)

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