

<b>TO:</b>	<b>CHAIR AND MEMBERS STRATEGIC PRIORITIES AND POLICY COMMITTEE MEETING ON OCTOBER 26, 2015</b>
<b>FROM:</b>	<b>MARTIN HAYWARD MANAGING DIRECTOR, CORPORATE SERVICES AND CITY TREASURER, CHIEF FINANCIAL OFFICER</b>
<b>SUBJECT:</b>	<b>REMUNERATION FOR MEMBERS OF COUNCIL BUDGETARY IMPLICATIONS OF OPTING OUT OF THE ONE-THIRD TAX EXEMPTION</b>

**RECOMMENDATION**

That, on the recommendation of the Managing Director, Corporate Services and City Treasurer, Chief Financial Officer, this report regarding the budgetary implications of opting out of the provision of the Municipal Act, 2001 which permits one-third of the remuneration paid to Members of Council to be exempt from taxation BE RECEIVED for information.

**PREVIOUS REPORTS PERTINENT TO THIS MATTER**

Item #21 – Board of Control – November 10, 2010.

**BACKGROUND**

At its meeting held on September 28, 2015, the Governance Working Group requested that the Managing Director, Corporate Services and City Treasurer, Chief Financial Officer report back on the budgetary implications of the Municipal Council opting out of the provision of the *Municipal Act, 2001* which permits one-third of the remuneration paid to Members of Council to be exempt from taxation. The provision deems one-third of the elected members of council remuneration as expenses incident to the discharge of their duties.

While the provision noted above was repealed by changes to the *Municipal Act, 2001* as long as a municipality had a by-law that was put in place prior to the repeal of the provision for the one-third exemption, and it has never been repealed, the municipality could continue to utilize that provision. However, if at any time a council repeals its by-law with respect to the one-third provision, it cannot be put back in place.

Financial Implications

Currently, income tax is deducted from two-thirds of the Mayor's and Councillors' annual remuneration. Tax is not deducted from the remaining one-third remuneration. Should the one-third tax provision be discontinued, Council members would have to pay additional income tax. In order to offset this reduction in net remuneration, Council may wish to consider an increase in overall remuneration which would require a budget increase as outlined below.

The following chart sets out the financial implications of repealing the one-third tax exemption provision:

Type of Remuneration	2015 Remuneration with one-third tax exempt provision	2015 Remuneration without one-third tax provision (100% taxable)	Increase to maintain current remuneration amount	Total Budget Increase Required
Mayor	\$104,258	\$137,703	\$33,445	\$33,445
Councillor	\$33,465	\$39,000	\$5,535	\$55,350
Standing Committee Chair Stipend	\$34,714	\$40,430	\$5,716	\$22,864
Mayor's Vehicle Allowance	\$8,400	\$11,095	\$2,695	\$2,695
Benefits (approximate)			\$28,950	\$28,950
<b>Total</b>				<b>\$143,304</b>

<b>RECOMMENDED BY:</b>
<b>MARTIN HAYWARD MANAGING DIRECTOR, CORPORATE SERVICES AND CITY TREASURER, CHIEF FINANCIAL OFFICER</b>