



Date 1 February 2010

City Council Committee Report

To: Mayor Compton & Members of Council

Fr: Karen Brown

Re: Council Remuneration

Recommendation:

Whereas the Council of the City of Kenora's Remuneration By-law makes reference that one-third of its remuneration shall be deemed as an expense allowance in accordance with Section 283 (5) of The Municipal Act 2001; and

Whereas Section 283 (7) of The Municipal Act 2001 requires that a council shall review a by-law under subsection (5) at a public meeting at least once during the four-year period corresponding to the term of office of its members; and

Whereas Council has reviewed the annual remuneration and per diems as set out in By-law #60-2005 in conjunction with the 2010 budget process and has determined that no change shall be made to the amounts as set out in that by-law for the remainder of the term of the current Council;

Now Therefore Be It Resolved That in accordance with Notice By-law Number 144-2007, public notice is hereby given that Council intends to pass a By-law establishing Council remuneration at its February 16th meeting in accordance with the requirements within The Municipal Act, 2001; and

That the Council of the City of Kenora hereby declares that one-third of the remuneration paid to elected Members of Council of the City of Kenora shall continue as expenses incident to the discharge of their duties as Members of Council; and further

That the appropriate By-law be passed for this purpose.

Background:

Prior to the enactment of The Municipal Act 2001, one third of the remuneration paid to members of council was "deemed to be for expenses incidental to his or her duties", and therefore not subject to income taxes. Under the provisions of

the new act, a limitation was placed on Council remuneration. Section 283 (4) of the new act states that:

“No part of the remuneration of a member of a council or local board paid under this section is deemed to be for expenses incidental to his or her duties as a member and a municipality or local board shall not provide that any part of the remuneration is for such deemed expenses.”

Municipalities were, however, given the option of keeping one third of Council remuneration exempt from income taxes under Section 283 (5) which reads:

“Despite subsection (4), if a resolution of a municipality under subsection 255 (2) or (3) of the old Act is not revoked before January 1, 2003, the resolution shall be deemed to be a by-law of the municipality and one-third of the remuneration paid to the elected members of the council and its local boards is deemed as expenses incident to the discharge of their duties as members of the council or local board.”

In order to maintain this 1/3 tax exemption, municipalities are required to review and pass a Council remuneration by-law, confirming remuneration is eligible for 1/3 tax exemption, at least once each term of office. Since this time, Kenora has chosen to ensure that this one third allowance was maintained. The issue is simple – if Council members lose the 1/3 tax exemption on their remuneration, the City will eventually be forced to pay higher remuneration to continue to attract Council members to the City. The loss of the tax free allowance will eventually result in higher costs to the City.

Budget:

There is no direct impact on the operating budget for maintaining the 1/3 tax free portion. The indirect impact is that the City will not be required to adjust Council remuneration upwards to offset the impacts of Council members paying income tax on 100% of their remuneration.

Communication Plan/Notice By-law Requirements:

The City needs to provide notice in accordance with Notice By-law Number 144-2007 that it intends to pass a by-law establishing Council remuneration and expenses at its February 16th meeting.

Cc: Bill Preisentanz