



Islands Trust

# Financial Planning Committee Agenda

Date: Wednesday, October 12, 2022  
Time: 10:00 am - 3:00 pm  
Location: Electronic Zoom Meeting

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Pages

**1. CALL TO ORDER**

**2. AGENDA**

**2.1. Review of the Agenda**

Late items, new items and re-ordering of the agenda

**2.2. Approval of Agenda**

**3. PUBLIC COMMENT PERIOD**

**4. DELEGATIONS**

None.

**5. CORRESPONDENCE**

None.

**6. ADMINISTRATIVE COORDINATION**

**6.1. Draft Minutes of Previous Meetings**

**6.1.1. FPC Minutes of August 31, 2022**

3 - 7

For review and approval.

**6.1.2. FPC Minutes of October 12, 2022**

It is recommended that FPC conduct an RWM to approve the draft minutes prior to the end of the current term rather than leave that review/approval to the next FPC meeting as that would be in the next term.

**6.2. Resolutions Without Meeting**

None.

**6.3. Follow up Action List**

8 - 10

For review

**7. BUSINESS - WORK PROGRAM ITEMS**

- 7.1. Budget 2023/24: Draft 1, Version 1**  
Postponed in favour of review by new-term Financial Planning Committee.
- 7.2. Budget 2023/24 Public Consultation - RFD** 11 - 19  
That Financial Planning Committee approve the 2023/24 Budget Public Consultation materials.
- 7.3. TC Policy 6.5.1 Reserves and Surplus - RFD** 20 - 33  
That Financial Planning Committee forward the proposed amendments to Trust Council policy 6.5.1 Reserves and Surplus to Trust Council for approval.
- 7.4. TC Policy 6.3.2 Special Property Tax Requisitions - RFD** 34 - 45  
That Financial Planning Committee forward the proposed amendments to Trust Council policy 6.3.2 Special Property Tax Requisitions to Trust Council for approval.
- 7.5. TC Policy 7.2.1 Trustee Remuneration - Briefing** 46 - 102
- 8. BUSINESS - OTHER**
- 8.1. Letter from current FPC Chair to post-election FPC Chair** 103 - 104
- 9. BUSINESS - NEW**
- 10. NEXT MEETING**  
Wednesday, November 30, 2022 from 10:00 a.m. to 3:00 p.m.
- 11. CLOSED MEETING**  
If desired:  
That the meeting be closed to the public in accordance with the Community Charter, Part 4, Division 3, s.90, (quote the pertinent section here, for example, (1)(a) personal information about...) and that the recorder and staff [attend/not attend] the meeting.
- 12. RISE AND REPORT**  
If desired.
- 13. ADJOURNMENT**  
\*Approximate time is provided for the convenience of the public only and is subject to change without notice.



## **Financial Planning Committee Minutes of Regular Meeting**

**Date of Meeting:** August 31, 2022  
**Location:** Electronic Meeting

**Members Present:** Peter Grove, Chair  
Laura Busheikin, Regional Planning Committee Representative  
Sue Ellen Fast, Executive Committee Representative  
Peter Luckham, Executive Committee Representative  
Laura Patrick, Executive Committee Representative  
Tim Peterson, Trust Programs Committee Alternate Representative  
Dan Rogers, Executive Committee Representative  
Kate-Louise Stamford, Islands Trust Conservancy Board Representative

**Members Absent:** Paul Brent, Vice Chair  
Tahirih Rockafella, Local Trustee

**Staff Present:** Russ Hotsenpiller, Chief Administrative Officer  
Wanda Boden, A/Director, Administrative Services  
Clare Frater, Director, Trust Area Services  
Stefan Cermak, Director, Planning Services  
David Marlor, Director, Legislative Services  
Nancy Roggers, Finance Officer  
Robert Barlow, Legislative Services Clerk/Recorder

**Others Present:** Two members of the public were present.

### **1. CALL TO ORDER**

The meeting was called to order at 10:04 a.m.

### **2. APPROVAL OF AGENDA**

#### **2.1 New Items and Re-ordering of the Agenda**

No new items

#### **2.2 Approval of Agenda**

**By general consent** the Committee approved the agenda as presented.

### **3. PUBLIC COMMENT PERIOD**

No members of the public indicated a desire to speak.

**4. DELEGATIONS**

None.

**5. CORRESPONDENCE**

None.

**6. ADMINISTRATIVE COORDINATION**

**6.1 Draft Minutes of Previous Meeting**

6.1.1 Financial Planning Committee Minutes of June 1, 2022

**By general consent** the Committee approved the minutes as presented.

**6.2 Resolutions Without Meeting**

None.

**6.3 Follow up Action List**

Acting Director Boden provided a status update to an item in progress:

- the policy review for TC Policy 6.5.1, Reserves and Surplus, and for TC Policy 7.2.1, Trustee Remuneration, will be brought forward to the next meeting on October 12, 2022

CAO Hotsenpiller provided a status update to the Feb 16, 2022 activity (explore option A for Building Permit Review cost recovery):

- he has engaged with a number of Regional District Chief Administrative Officers
- Islands Trust would need to present at each regional district board, and likely the Electoral Areas Committees, with a view to convince those elected officials to increase their fee for building permits
- this may result in six different agreements or processes to be maintained, each of which would involve administrative costs which are undetermined at this time
- given that Islands Trust has asked the Province for a significant conversation around the nature of the Islands Trust, including its structure, authorities and governance, it is perhaps easier to effect this by having a conversation around a global fee function.

**7. BUSINESS – OTHER**

**7.1 2021/22 Statement of Financial Information - RFD**

Acting Director Boden presented the Request for Decision, indicating that the Statement of Financial Information is an annual legislated reporting requirement.

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**FPC-2022-022**

**It was MOVED and SECONDED,**  
that the 2021/22 Statement of Financial Information be forwarded to Trust Council for approval as presented.

**CARRIED**

**7.2 June 30, 2022 Quarterly Financial Report - RFD**

Finance Officer Rogers presented the RFD.

**FPC-2022-023**

**It was MOVED and SECONDED,**  
that Financial Planning Committee forward the June 30, 2022 Financial Report to Trust Council for approval as presented.

**CARRIED**

**7.3 June 30, 2022 Financial Forecast - Briefing**

Acting Director Boden presented the briefing, indicating that a forecast is not normally presented at this time in the fiscal year. However, given direction from the Executive Committee to present options to review potential additional heritage grant and additional funding for computers, this forecast may be of benefit to the Committee.

**FPC-2022-024**

**It was MOVED and SECONDED,**  
that Financial Planning Committee forward the Financial Forecast as of June 30, 2022, to Trust Council for information.

**CARRIED**

**8. BUSINESS – WORK PROGRAM ITEMS**

**8.1 2023/24 Draft Budget Assumptions, Principles and Timelines - Briefing**

Acting Director Boden introduced the Briefing, indicating that there are no significant changes in methodology or timing from the previous year.

Committee noted that the assumptions and principles are significant as they are used in developing the annual budget

**FPC-2022-025**

**It was MOVED and SECONDED,**  
that Financial Planning Committee amend the Budget Principles and Assumptions matrix document to include an item recognizing that First Nations engagement and reconciliation activities should be part of Islands Trust work and budget development.

**CARRIED**

**FPC-2022-026**

**It was MOVED and SECONDED,**

that Financial Planning Committee amend the Budget Principles and Assumptions matrix document to include an item recognizing that engagement and communication activities should be part of the budget development.

**CARRIED**

**FPC-2022-027**

**It was MOVED and SECONDED,**

that Financial Planning Committee forward to Executive Committee for inclusion in the Trust Council Agenda package for September the Budget Assumptions and Principles Briefing as amended as an information item.

**CARRIED**

**8.2 2023/24 Budget Public Engagement Process - RFD**

Director Frater introduced the RFD, noting that this is an annual decision. She noted that essentially the process is the same as last year but that there currently is a capacity challenge as there is no communications person in place. She also indicated that staff were asked to review methods of engagement but not timelines.

Committee discussion included noting that as it is an election year, new trustees will likely be making budget decisions slightly later in the year.

**FPC-2022-028**

**It was MOVED and SECONDED,**

that Financial Planning Committee approve the 2023/24 Budget Public Engagement project charter, dated August 23, 2022.

**CARRIED**

**9. BUSINESS - NEW**

None.

**10. WORK PROGRAM**

**FPC-2022-029**

**It was MOVED and SECONDED,**

that Financial Planning Committee forward the Work Program to Trust Council.

**CARRIED**

**11. NEXT MEETING**

Wednesday, October 12, 2022, from 10:00 a.m. to 3:00 p.m.

**12. CLOSED MEETING**

The Committee did not close the meeting.

**13. RISE AND REPORT**

As the Committee did not close the meeting, there was no need for the Committee to discuss this option.

**14. ADJOURNMENT**

**By general consent** the meeting adjourned at 11:35 a.m.

\_\_\_\_\_  
Peter Grove, Chair

Certified Correct:

\_\_\_\_\_  
Robert Barlow, Legislative Services Clerk/Recorder

**Minutes are not official until adopted at a subsequent meeting.**

## Follow Up Action Report

### Financial Planning Committee

#### 01-Sep-2021

Activity	Responsibility	Dates	Status
1 that Financial Planning Committee direct staff to review Trust Council Policy 7.2.1 Trustee Remuneration against the recommendations in 'UBCM's Council and Remuneration Guide' to identify areas of potential improvement, and that staff provide recommendations for policy changes to address these areas, as needed.	David Marlor Julia Mobbs Russ Hotsenpiller	Target: 12-Oct-2022	Completed

#### 16-Feb-2022

Activity	Responsibility	Dates	Status
1 that Financial Planning Committee request staff to explore option A for Building Permit Review cost recovery.	David Marlor Russ Hotsenpiller Stefan Cermak	Target: 12-Oct-2022	In Progress
2 that Financial Planning Committee postpone the agenda item 'that FPC forward the proposed amendments to Trust Council Policy 6.5.1 Reserves and Surplus to Trust Council' to an upcoming Financial Planning Committee meeting.	Julia Mobbs	Target: 12-Oct-2022	Completed

#### 01-Jun-2022

Activity	Responsibility	Dates	Status
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## Follow Up Action Report

### Financial Planning Committee

#### 01-Jun-2022

Activity	Responsibility	Dates	Status
1 that Financial Planning Committee request staff to research alternate budget engagement methods and provide options to FPC with cost estimates.	Clare Frater	Target: 31-May-2023	Completed
2 that Financial Planning Committee prepare a letter from the Chair to the post-election FPC with recommendations and advice.	Julia Mobbs	Target: 12-Oct-2022	Completed

#### 31-Aug-2022

Activity	Responsibility	Dates	Status
1 that Financial Planning Committee approve the 2021/22 Statement of Financial Information as presented and forward it to Trust Council for information.	Wanda Boden	Target: 12-Oct-2022	Completed
2 that Financial Planning Committee forward the June 30, 2022 Financial Report to Trust Council for approval as presented.	Wanda Boden	Target: 12-Oct-2022	Completed
3 that Financial Planning Committee forward the Financial Forecast as of June 30, 2022, to Trust Council for information.	Wanda Boden	Target: 12-Oct-2022	Completed
4 that Financial Planning Committee amend the Budget Principles and Assumptions matrix document to include an item recognizing that First Nations engagement and reconciliation activities should be part of Islands Trust work and budget development.	Wanda Boden	Target: 12-Oct-2022	Completed

## Follow Up Action Report

### Financial Planning Committee

#### 31-Aug-2022

Activity	Responsibility	Dates	Status
5 that Financial Planning Committee amend the Budget Principles and Assumptions matrix document to include an item recognizing that engagement and communication activities should be part of the budget development.	Wanda Boden	Target: 12-Oct-2022	Completed
6 that Financial Planning Committee forward to Executive Committee for inclusion in the Trust Council Agenda package for September the Budget Assumptions and Principles Briefing as amended as an information item.	Wanda Boden	Target: 12-Oct-2022	Completed
7 that Financial Planning Committee approve the 2023/24 Budget Public Engagement project charter, dated August 23, 2022.	Clare Frater	Target: 12-Oct-2022	Completed
8 that Financial Planning Committee forward the Work Program to Trust Council.	Wanda Boden	Target: 12-Oct-2022	Completed



## REQUEST FOR DECISION

**To:** Financial Planning Committee      **For the Meeting of:** October 12, 2022  
**From:** Trust Area Services      **Date Prepared:** October 4, 2022  
**SUBJECT:** **2023/24 Budget Public Consultation Process**

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**RECOMMENDATION:** That Financial Planning Committee approve the 2023/24 Budget Public Consultation materials.

**TRUST AREA SERVICES DIRECTOR COMMENTS:** Consultation on the Islands Trust Council's proposed budget offers an annual opportunity to hear from the public about their priorities, desired services, and service levels.

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### 1 **PURPOSE:**

To seek endorsement from Financial Planning Committee on public consultation materials for the 2023/24 budget consultation program.

### 2 **BACKGROUND:**

The Financial Planning Committee has responsibility to co-ordinate an effective annual budget process, which includes designing the process for public input.

Up until 2016, Islands Trust provided limited information to the public through the website on the draft budget. The opportunity for the public to provide input was advertised via one black and white ad in the Island Tides newspaper (no longer published) and through the Trust Council subscriber list. The public was encouraged to email or write in with their comments.

In 2019 and 2020 the background information was provided within the survey itself so the public can make direct connections between the background information and the questions. There was also an effort to ask questions relevant to strategic plan development and Trust Council committee projects. In 2020, the Trust introduced Facebook posts to promote the survey which has resulted in a significant increase in responses. In 2022, the Trust held the first webinar about the budget process.

Results of recent year consultation are as follows:

Budget Year Consulted On	Survey Responses	E-mail Responses
2022/23	1256	30
2021/22	941	12
2020/21	745	6
2019/20	178	37
2018/19	78	7
2017/18	66	0
2016/17	121	13
2015/16	0	35

### Past Consultation Promotion

In support of the 2022/23 consultation process, Islands Trust issued a news release; sent one subscriber message; and purchased ads in three newspapers (Bowen Island Undercurrent, Gabriola Sounder and Denman-Hornby Grapevine), in monthly publications (Saturna Scribbler, Our Isle and Times, Mayneliner, Pender Post, Denman Flagstone). In addition, staff directly e-mailed non-profit and other island organizations to encourage them to advise their members of the survey opportunity. During the consultation period, the Bowen Island Undercurrent published an article based on the news release.

A social media campaign complemented the print advertising. It involved three tweets and three Facebook posts spaced out over 12 days. Through reaching out to organizations on the islands with Facebook and to island-based Facebook discussion groups, the survey posts were shared throughout the Islands Trust Area. Islands Trust Facebook posts generated a total of 7731 “Reached,” 76 “Post Clicks,” 65 “Comments and Shares”. Twitter posts generated 944 impressions seven retweets and eight likes.

It is worth noting that there was substantial promotion of the budget consultation by community groups.

Financial Planning Committee has asked staff to research alternate budget engagement methods and provide options to FPC with cost estimates. Staff do not anticipate completing this work until May 2023.

### **3 IMPLICATIONS OF RECOMMENDATION**

**ORGANIZATIONAL:** This project will be a Trust Area Services priority for September 2022-March 2023 and will require support from the CAO and Directors of Administrative Services and Local Planning Services to respond to questions received by the public. This initiative will reduce capacity for other communications initiatives that may emerge during this time.

**FINANCIAL:** The public engagement program is expected to cost \$4,650 for graphics design, advertising costs and webinar honorarium. There is funding available for this annual program in the Trust Area Services communication budget.

**POLICY:** None.

**IMPLEMENTATION/COMMUNICATIONS:** Staff will incorporate comments from FPC on the public engagement plan/materials and provide updated materials, including the draft survey, to FPC at its November meeting.

Staff will add final dates to the project charter once meeting dates for 2022 have been set. This will happen after the new term begins.

Once Trust Council has reviewed the draft budget in December 2022, staff will provide revised materials to FPC in January 2023 for additional review as required or may recommend FPC schedule a special meeting in December 2023.

Staff will generate public awareness about the public engagement through print and Facebook advertising, subscriber notices, and a news release. Trustees will be encouraged to share budget engagement social media posts to their personal Facebook and Twitter accounts and to Facebook bulletin boards and forums in their communities. The online survey will be open for two and a half weeks with a clearly defined deadline. The deadline will be the same for those who wish to respond to the dedicated email address. All communications will adhere to Freedom of Information and Protection of Privacy (FOIPP) legislation and all public facing documents will make mention of this.

All submissions through the survey or via email will be monitored as will any interactions regarding the budget engagement on the Islands Trust Twitter or Facebook accounts. Any questions received through this process that are not relevant to the budget process but can be addressed by other staff, will be forwarded.

After the deadline, staff will compile all public input along with the basic analysis for Financial Planning Committee and Trust Council's review. Staff will also prepare a briefing that highlights any overarching themes from respondents for the February meeting.

**FIRST NATIONS:** The proposed budget supports implementation of the Reconciliation Action Plan.

**OTHER:** None.

**4 RELEVANT POLICIES:**

- [TC Policy 2.3.3 - Financial Planning Committee Terms of Reference](#)
- [TC Policy 6.3.1 - Budget Process](#)
- [TC Policy 6.10.2 - Communications](#)

**5 ATTACHMENTS:**

- 1 2023-2024 Budget Public Consultation Project Charter (Approved at the August 2022 FPC Meeting)
  - 2 Draft Advertising Plan
  - 3 Draft Sample Newspaper Advertisement
  - 4 Draft Social Media Editorial Calendar
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## **RESPONSE OPTIONS**

**Recommendation: That Financial Planning Committee approve the 2023/24 Budget Public Consultation materials.**

### **Alternative:**

- 1) Provide feedback on the advertising plan, sample advertisement, and social media editorial calendar.

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**Prepared By:** Gillian Nicol, Program Coordinator, Trust Area Services

**Reviewed By/Date:** Clare Frater, Director, Trust Area Services / October 5<sup>th</sup>, 2022

# 2023/24—Budget Public Engagement Project Charter

## Purpose

Develop a public engagement process for the 2023/24 draft budget that solicits budget feedback and educates the public about Islands Trust using compelling visuals, and a plain language survey.

## Background

The Financial Planning Committee is responsible for the annual coordination of an effective budget process, which includes public engagement. This year, public engagement will be done through a survey, which will be promoted through social media, subscriber notifications, a webinar, newspapers, and partner organizations such as conservancies, homeowner associations, and service clubs such as chambers of commerce. The survey will include hyperlinks to relevant information, and budget charts and graphs.

## Objectives

- Create engagement materials that are informative.
- Provide engagement opportunities that solicit public input on community priorities and service levels.
- Increase or maintain the number of people participating in the survey.
- Educate the public about the IT mandate
- Enhance accessibility by allowing people to participate in the survey online, by phone, or by mail

## In Scope

- Review previous experiences
- Develop engagement materials
- Develop and implement a communications plan and associated collateral such as news releases, advertising, subscriber notices, social media posts, and accompanying graphics and text
- Survey
- Respond to questions that arise during the engagement
- Information webinar with moderated Q/A session

## Out of Scope

- Town halls in each local trust area/Bowen (except SWIPPA focussed town hall on Salt Spring Island)

## Work plan Overview

Deliverable/Milestone	Date
Create engagement and advertising/marketing materials	September 1st —September 30th, 2022
FPC reviews draft communications plan and some draft engagement materials	October 12, 2022
FPC reviews updated draft engagement materials	November 30, 2022
Trust Council considers and possibly amends draft budget	December 6—8th, 2022
FPC reviews final draft engagement materials including changes to the survey that respond to any Dec changes	January XX, 2023
Launch 2023/24 budget engagement (after amending materials if required)	January XX, 2023
Host webinar	January XX, 2023
Close 2023/24 budget engagement process	February XX, 2023
Engagement input to FPC for consideration/forwarding to Trust Council	February XX, 2023
Trust Council reviews input and adopts 2023/24 budget	March XX—XX, 2023
Issue news release about 2023/24 adopted budget and update website	Friday or Monday after March Trust Council mtg, 2023

## Project Team

Director, Trust Areas Services	Project Manager
Communications Specialist and Program Coordinator	Engagement content development, communications planning and implementation
Director, Administrative Services	Approve content and liaison with FPC

## Budget

Budget Source: Communications budget	
Item	Cost
Graphic design and advertising	\$4,500.00
Webinar honoraria	\$150.00
<b>TOTAL</b>	<b>\$4,650.00</b>

Approved by:

Clare Frater, DTAS

Date: August 23rd, 2022

Endorsement: FPC

Date:

## DRAFT Advertising Plan for 2023-2024 Budget Consultation

Local Trust Area and Municipality	Media	Type of Media	Size of Ad	Cost
Bowen Island Municipality	Bowen Island Undercurrent (weekly)	Print	1/3 of a page	\$ 268.10
Denman Island LTA	The Flagstone (monthly)	Print	Full page	\$150.00
	The Island Grapevine (weekly)	Print	1/2 of a page	\$145.57
Gabriola Island LTA	Gabriola Sounder (weekly)	Print	¼ of a page	\$277.20
Galiano Island LTA	Active Page (monthly)	Print	½ of a page	\$200.81
	Driftwood (weekly)	Print & Online	¼ of a page	\$1033.50
Hornby Island LTA	The First Edition (monthly)	Print	Full page	\$88.00
	Hornby Tribute (weekly)	Print	¼ of a page	\$50.00
	The Island Grapevine (weekly)	Print	¼ of a page	\$0*
Lasqueti Island LTA	Our Isle and Times (monthly)	Print	Full page	\$100.00
Mayne Island LTA	Mayneliner (monthly)	Print	½ of a page	\$118.00
	Driftwood (weekly)	Print & Online	¼ of a page	\$0**
North and South Pender LTA	Pender Post (monthly)	Print	½ of a page	\$120.00
	Driftwood (weekly)	Print & Online	¼ of a page	\$0**
Salt Spring Island LTA	Driftwood (weekly)	Print & Online	¼ of a page	\$516.75 x2**
	Salt Spring Exchange	Online	Banner	\$70.00
Saturna Island LTA	Saturna Scribbler (monthly)	Print	½ of a page	\$175.00
	Driftwood (weekly)	Print & Online	¼ of a page	\$0**
<b>Total (estimate)</b> (Not including GST)				\$2796.18
<b>Total (estimate)</b> with approximate plus 3% inflation				\$2880.66

\*Cost is zero because the Island Grapevine goes out to both Denman and Hornby Islands.

\*\*Cost is zero because the Driftwood goes out to Galiano, Mayne, Salt Spring, Saturna, and North and South Pender Islands. In addition, two separate ads will run– one will include a focused Salt Spring Island Special Property Tax Requisition and the other a general budget survey ad similar to the other ads.

## 2023/24 Budget Consultation Process

### Sample Print Advertisement message:

#### Your 2023/24 Islands Trust Budget

Have your say!

Islands Trust Council wants to hear from you.  
Join the conversation.

#### Virtual Budget Information Session

Day of the week, January XX, 2023

at X:XX p.m. at [Islandstrust.bc.ca/budget](http://Islandstrust.bc.ca/budget)

Learn about the proposed budget and hear answers to e-mailed questions.

More details: [Islandstrust.bc.ca/budget](http://Islandstrust.bc.ca/budget)

#### Online Survey

Learn what is proposed and share your feedback by completing the online survey from January XX – February XX, 2023.

Questions? [budget@islandstrust.bc.ca](mailto:budget@islandstrust.bc.ca)

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#### Additional items will be included in the ad:

The logo

Preserving and protecting over 450 islands and surrounding waters in the Salish Sea.

#### To be designed something like this:

**Your City Budget.  
Have Your Say.**

Share your priorities for investment in Victoria's 2022 Draft Budget.  
**Join the conversation.**  
[engage.victoria.ca](http://engage.victoria.ca)

**Online Survey**  
Learn what's proposed in the 2022 Draft Budget and share your feedback by completing our online survey by **Tuesday, November 23.**

**2022 Virtual Budget Town Hall**  
**Wednesday, November 17**  
6:30 p.m. at [victoria.ca](http://victoria.ca)  
Provide your feedback directly to Council during this live webcast.

# EDITORIAL CALENDAR:

## Budget Consultation 2023/24




	IMAGE	TEXT	NOTES
<p>Date: TBD</p>		<p>Offer comments on the proposed Islands Trust 2023/2024 budget through our online survey.</p> <p>Open: January XX - February XX</p> <p><a href="https://islandstrust.bc.ca/budget">Islandstrust.bc.ca/budget</a></p> <p>Want to learn more about the proposed 2022/2023 budget?</p> <p>Join our webinar on January XX at 7:00 pm. <a href="#">Please register in advance.</a></p> <p>Submit your questions ahead of time by emailing: <a href="mailto:budget@islandstrust.bc.ca">budget@islandstrust.bc.ca</a></p> <p>Photo: Canva</p> <p><a href="#">#Budget</a> <a href="#">#IslandsTrust</a> <a href="#">#islandstrustconservancy</a> <a href="#">#PreserveAndProtect</a> <a href="#">#SalishSea</a></p>	<p>Staff will reach out to a range of audiences across the islands to help promote the budget survey through their social medias, email lists, etc.</p>
<p>Date: TBD</p>		<p>Want to learn more about the proposed Islands Trust 2023/2024 budget?</p> <p>Join our information session on January XX at X:00 pm</p> <p><a href="#">Please register in advance.</a></p> <p><a href="https://islandstrust.bc.ca/budget">islandstrust.bc.ca/budget</a></p> <p>Submit your questions ahead of time by emailing: <a href="mailto:budget@islandstrust.bc.ca">budget@islandstrust.bc.ca</a></p> <p>Photo: Canva</p> <p><a href="#">#Budget</a> <a href="#">#IslandsTrust</a> <a href="#">#islandstrustconservancy</a> <a href="#">#PreserveAndProtect</a> <a href="#">#SalishSea</a></p>	<p>Staff will reach out to a range of audiences across the islands to help promote the budget survey through their social medias, email lists, etc.</p>

	IMAGE	TEXT	NOTES
Date: TBD	 <p>A graphic for a budget consultation. It features a close-up of a blue calculator with a silver pen resting on it. A dark teal banner at the top left contains the text 'Budget Consultation' in white. A small white envelope icon is visible in the bottom right corner of the image.</p>	<p>Please tell us what you think of the proposed 2023/2024 budget by filling out our survey at:</p> <p><a href="https://islandstrust.bc.ca/budget">islandstrust.bc.ca/budget</a></p> <p>The deadline to participate is February X, 2022</p> <p>Questions? <a href="mailto:budget@islandstrust.bc.ca">budget@islandstrust.bc.ca</a></p> <p>Photo: Canva</p> <p><a href="#">#Budget</a> <a href="#">#IslandsTrust</a> <a href="#">#islandstrustconservancy</a>  <a href="#">#PreserveAndProtect</a> <a href="#">#SalishSea</a></p>	<p>Staff will reach out to a range of audiences across the islands to help promote the budget survey through their social medias, email lists, etc.</p>



## REQUEST FOR DECISION

**To:** Financial Planning Committee      **For the Meeting of:** October 12, 2022  
**From:** Director, Administrative Services      **Date Prepared:** October 5, 2022  
**SUBJECT:** Amendments to Trust Council Policy 6.5.1 Reserves and Surplus

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### RECOMMENDATION:

That Financial Planning Committee forward the proposed amendments to policy “6.5.1 Reserves and Surplus” to Trust Council for approval.

### CHIEF ADMINISTRATIVE OFFICER COMMENTS:

The CAO supports the recommended policy changes as presented.

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#### 1 PURPOSE:

To provide an overview of recommended amendments to Trust Council (TC) policy “6.5.1 Reserves and Surplus” for consideration by Financial Planning Committee (FPC).

#### 2 BACKGROUND:

FPC has conducted a fair amount of work over the Islands Trust surplus and reserves policy over the course of this term. Results of this work and analysis have not been fully contemplated in policy amendments. While policy amendments were considered at the February 2022 FPC meeting, they were ultimately deferred and not subsequently picked up again. Given the amount of work and analysis that this term FPC has put into this topic area, it is prudent that they make recommendations to TC on desired policy change, so as to not lose the benefit of the significant work that has been completed.

To refresh the Committee’s memory on the timeline of work completed this term, a summary of related resolutions is provided:

#### April 2020

*that the Financial Planning Committee direct staff to prepare a report on the history, intended use and future possibilities for use of the Surplus Fund and additionally that the Financial Planning Committee work with the Local Planning Committee in regards to Islands Trust application fees structure.*

This report was received and reviewed by FPC at their August 2020 meeting.

#### August 2020

*that Financial Planning Committee direct staff to explore the use of the Accumulated Surplus Fund with a focus to developing alternatives for possible policy changes.*

This report was received and reviewed by FPC at their November 2020 meeting.

### **November 2020**

*That the motion 'that Financial Planning Committee request staff provide a recommendation in regards to the minimum balance of the general surplus of 15% - 20% and the ramifications thereof' be postponed to the January 2021, Financial Planning Committee meeting.*

This motion was deferred and brought back to the January 2021 meeting as directed.

### **January 2021**

*that Financial Planning Committee request staff to recommend changes to policy 6.5.1 for review by Financial Planning Committee.*

This report was received by FPC at their February 2022 meeting but was deferred.

*that staff provide a sensitivity analysis to show the impact of revising the minimum balance of the general surplus percentage to 15% and 20% of annual expenses.*

This sensitivity analysis was received and reviewed by FPC at their February 2021 meeting.

### **March 2021 – Trust Council Resolution**

*That Trust Council approve a reduction to the minimum balance required by policy to be held in general revenue surplus from 25% to 20% of budgeted annual operating expenses, less 20% of non-tax, non-grant revenue.*

### **February 2022**

FPC received the requested policy amendments but deferred the report to a later meeting: *that Financial Planning Committee postpone the agenda item 'that FPC forward the proposed amendments to Trust Council Policy 6.5.1 Reserves and Surplus to Trust Council' to an upcoming Financial Planning Committee meeting.*

Due to administrative error, this resolution did not appear on the FPC FUAL, and consequently this report did not find its way back to FPC for their consideration. Staff have caught this oversight and are bringing back the report to FPC for its October 2022 meeting. Staff include a few select previous reports for committee memory refreshers in case it is helpful to inform review of recommended policy amendments.

## **3 IMPLICATIONS OF RECOMMENDATION**

**ORGANIZATIONAL:** None.

**FINANCIAL:** Amendments clean up policy language and also adjust the recommended minimum balance held in the general revenue surplus fund, which means less liquid assets will be held by the Trust over time (potentially). Recently completed analysis of cash flows show no risk of cash shortage with the revised minimum, under current Islands Trust spending trends.

**POLICY:** Trust Council policy “6.5.1 Reserves and Surplus” will be amended for immediate implementation.

**IMPLEMENTATION/COMMUNICATIONS:** Updated Trust Council policy “6.5.1 Reserves and Surplus” will be updated and circulated to staff for information, and will be implemented in future budget decisions. The revised policy will be posted on the Islands Trust website.

**FIRST NATIONS:** None.

**OTHER:** None.

**4 RELEVANT POLICY(S):** [Trust Council policy “6.5.1 Reserves and Surplus”](#)

**5 ATTACHMENT(S):**

- Proposed amendments to TC policy “6.5.1 Reserves and Surplus” (February 2022)
- Possible Policy Changes re: Accumulated Surplus (November 2020)
- Surplus Fund Analysis – BRF (report previously reviewed by FPC) (August 2020)

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### **RESPONSE OPTIONS**

**Recommendation:** That Financial Planning Committee forward the proposed amendments to Trust Council policy “6.5.1 Reserves and Surplus” to Trust Council for approval.

**Alternative:** That Financial Planning Committee forward the proposed amendments, as amended, to Trust Council policy “6.5.1 Reserves and Surplus” to Trust Council for approval.

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<b>Prepared By:</b>	Director, Administrative Services
<b>Reviewed By/Date:</b>	Manager, Legislative Services/February 7, 2022
	Financial Planning Committee/February 16, 2022
	Director, Legislative Services/September 29, 2022
	Chief Administrative Officer/October 5, 2022



<b>Policy:</b>	6.5.1
<b>Approved By:</b>	Trust Council
<b>Approval Date:</b>	December 5, 1992
<b>Amendment Date(s):</b>	September 14, 2001; December 5, 2003; September 17, 2004; December 9, 2005; December 12, 2008; September 11, 2013; June 21, 2017, <u>November ,2022</u>
<b>Policy Holder:</b>	Director, Administrative Services

## RESERVES AND SURPLUS

### Purpose

To establish the framework for the use of reserves and managing annual year-end operating surpluses.

### A. Definitions

Accumulated surplus – the accumulated excess of revenues over expenditures from prior years that has not been set aside for specific purposes.

Annual surplus – The excess of revenues over expenditures generated in a single fiscal year.

General Revenue Surplus Fund – Unappropriated accumulated surplus funds held for Trust operating purposes, less accumulated transfers to reserve funds. ~~The accumulated excess of revenue over expenditures from the operations of the Trust, excluding transfers to Specific Reserve Funds.~~

Reserve – Funds set aside for a specified purpose.

Specific Reserve Fund – A fund established by Trust Council for a specific purpose.

Surplus – Unappropriated funds in a Reserve Fund.

### C.B. Policy

1. All Reserve Funds must be established by Trust Council, maintained on an annual basis and used for athe specified purpose for which they were created.
2. Islands Trust will strive to develop appropriate surplus and reserves to meet future obligations and operating needs. Reserves may be established to (1) ensure predictable and stable taxation; (2) provide for operating emergencies; (3) finance new the purchase of significant capital assets; and (4) safeguard and maximize existing assets.
3. General Revenue Surplus Fund
  - 3.1 The General Revenue Surplus Fund ~~is created~~ funded through ~~a~~ transfers of annual surplus excess revenue over expenditures from the operations of the Trust. Planned contributions to this fund should be included in the annual budget and annual financial plan bylaw approved by Trust Council with a specific line item “contribution to surplus”, in addition, the annual budget may include a line item “Contribution to Surplus” to deliberately increase the amount in the General Revenue Surplus Fund.
  - 3.2 The General Revenue Surplus Fund may be used for the following purposes:

- a) to fund significant and/or unanticipated general expenditures,
- b) for major emergent operating issues, or
- c) ~~and~~ for one-time and/or intermittent projects that would create a potential deficit situation at year-end.

~~Trust Council must approve the amount of surplus to be used.~~

~~3.3 The recommended minimum amount of money to be contained within the General Revenue Surplus Fund is three months of expenses net of three months of revenue, excluding revenue from property taxes or the provincial grant.~~

3.34 Contributions to or withdrawals from the General Revenue Surplus Fund are approved by Trust Council and the Minister of Municipal Affairs through the annual Financial Plan Bylaw. Additional withdrawals from the fund during the fiscal year must be approved by Trust Council and are subject to Trust Council policy 6.5.2 Budget Control and Adjustment Authority.

3.4 The minimum balance to be maintained in the General Revenue Surplus Fund is 20% of planned expenditures net of 20% of revenue excluding revenue from property taxes and grants.

#### 4. Specific Reserve Funds

4.1 ~~In addition to the General Revenue Surplus Fund,~~ Trust Council may approve the establishment of specific reserve funds, as recommended by the Treasurer or Deputy Treasurer ~~Chief Administrative Officer~~ and approved by the Financial Planning Committee.

4.2 Specific Reserve Funds are established for a specific purpose and are created and funded through a transfer from the General Revenue Surplus Fund.

4.3 These funds will be reviewed by the Financial Planning Committee on an annual basis with the annual audited financial statements and during the budget process if required.

#### 5. Special Property Tax Requisitions

5.1 Any funds generated through a special tax requisition within a local trust area which are unspent at the conclusion of the fiscal year, will be held in reserve for the use of the relevant local trust committee in the subsequent fiscal year, ~~as indicated subject to in-sections~~ 6.3 and 6.4 of Islands Trust Council Policy 6.3.2 Special Property Tax Requisitions.

#### 6. Reporting

6.1 The balance in ~~each of the funds identified in Sections 3., 4., and 5.~~ all funds will be reported to the Financial Planning Committee ~~along with~~ as part of quarterly financial reports.

### C. Legislated References

*Islands Trust Act* Regulations, s. ~~13~~ 11

Community Charter, Part 6, Division 4 and Division 5

~~[Policy and Procedures Manual:](#)~~

~~[Replaces Policy 6.5.1 \(General Reserve\), 6.5.2 \(Capital Reserve\), and 6.5.3 \(Legal Reserve\)](#)~~

~~[Policy 6.3.2 Special Property Tax Requisition](#)~~

**D. Links to Supporting Forms, Documents, Websites, Related Policies and Procedures**

~~[n/a](#)~~ [Policy and Procedures Manual:](#)

~~[Replaces Policy 6.5.1 \(General Reserve\), 6.5.2 \(Capital Reserve\), and 6.5.3 \(Legal Reserve\)](#)~~

~~[Policy 6.3.2 Special Property Tax Requisition](#)~~



# BRIEFING

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**To:** Financial Planning Committee      **For the Meeting of:** November 12, 2020  
**From:** Director, Administrative Services      **Date Prepared:** November 9, 2020  
**SUBJECT:** Possible Policy Changes Regarding Accumulated Surplus

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## **PURPOSE:**

To explore the use of accumulated surplus funds at Islands Trust (the Trust) and discuss alternatives for possible policy changes regarding these funds.

## **BACKGROUND:**

At its August 2020 meeting, Financial Planning Committee (FPC) passed the following resolution:

*“that Financial Planning Committee direct staff to explore the use of the Accumulated Surplus Fund with a focus to developing alternatives for possible policy changes.”*

A look at the historical policies and use of surplus at the Trust was provided to FPC at their October 2020 meeting and is provided as an attachment to this briefing to assist with discussion. It is suggested the October 2020 report be reviewed prior to review of this report as concepts from that report will be revisited in this briefing.

## **Solidifying Understanding**

The above motion passed by FPC makes reference to the Accumulated Surplus Fund. The Accumulated Surplus Fund is the sum total of all surplus funds held by the Trust, and includes the following individual Funds:

**Funds Invested in Tangible Capital Assets (TCA)** – This fund reflects amounts that have already been spent on capital purchases. The balance in this fund is made up of historical capital asset costs, less accumulated amortization on said assets, less capital asset lease obligations. This amount exists as a surplus balance due to accounting principles which do not expense capital assets when they are purchased, but rather capitalizes these assets and amortizes them over time. Because this fund reflects amounts that are not available monies, they should not be included in any discussion or calculation of minimum surplus balances under policy. Staff make adjustments to remove the balance of this fund when calculating the minimum surplus fund balance each year during the budget cycle.

**Special Property Tax Requisition Fund (SPTRF)** – These are unspent monies from special property tax requisitions, and are reserved specifically to be used for the special purpose for which they were collected. As such, considering these funds as available for general use and thus included in the calculation of minimum balances per policy, may not be desirable. However, if borrowing from this fund were considered permissible by Council, the balance of this fund could be considered in the calculation. Currently, staff make adjustments to remove the balance of this fund when calculating the minimum surplus fund balance each year during the budget cycle. However, as these are liquid resources managed by the Trust, inclusion of these funds in the calculation could be made with the assumption that any “borrowed” funds would be promptly repaid upon

receipt of tax revenues. This approach would have no adverse affects on Trust operations but in the event of significant cash shortages, may limit the ability of SSIWPA to work effectively the first quarter of the year.

**LTC Project Specific Reserve Fund (PSRF)** – These are funds that have been reserved (i.e.: set aside) by TC to be used for LTC projects only. This fund is funded by way of transfers from the General Revenue Surplus Fund (GRSF) whenever needed to keep balances adequate to cover upcoming LTC work. Because this fund is covered by the GRSF and LTC projects are supported by expenses funded by the GRSF (such as staff costs), this fund can be considered when calculating the minimum surplus fund balance each year during the budget cycle. Staff include this balance in calculations of minimum balances each year during budget cycle.

**General Revenue Surplus Fund (GRSF)**– This fund contains the accumulation of all historical unspent surplus funds less amounts invested in TCA, less amounts transferred to the LTC PSRF, less amounts unspent for special requisitions.

### **Alternatives for Possible Policy Changes**

Policy 6.5.1 Reserves of Surplus (“the Policy”) guides the manner in which surplus funds are established, reviewed, and used at the Trust. Possible amendments to this policy include:

#### *1 - Changes to Use of Surplus Funds (policy s3.2)*

Section 3.2 of the Policy limits the use of surplus funds to specific activities, stating the following:

*“The General Revenue Surplus Fund may be used to fund significant and/or unanticipated general expenditures, for major emergent operating issues and for onetime and intermittent projects that would create a potential deficit situation at yearend. Trust Council must approve the amount of surplus to be used.”*

Current practice for budgeting at the Trust sees that strategic plan projects (“one time, intermittent projects”) are funded from the GRSF, with all other operational spending covered by the annual tax requisition, grant monies, and other revenue sources. It could be argued that strategic plan projects will occur on an annual basis and as such should not be treated as “one time, intermittent projects” receiving funding from surplus. Concessions could be made for projects with anticipated budgets larger than typical.

Recent years have drawn on surplus funds to offset operational costs in an effort to reduce taxation levels. Restrictions could be added to the policy to prevent this type of use, unless it can be determined that the operational expense being offset is a one-time event (such as a temporary staff position intended for one year only).

Changes of this nature could increase tax requisitions, depending on the magnitude of the budget in any given year.

#### *2 - Changes to the Minimum Balance of Surplus Funds (policy s3.3)*

Section 3.3 of the Policy speaks to the minimum balance to be held in the GRSF, stating the following:

*“The recommended minimum amount of money to be contained within the General Revenue Surplus Fund is three months of expenses net of three months of revenue, excluding revenue from property taxes or the provincial grant.”*

Discussion in the Surplus Analysis briefing to FPC in October 2020 outlines the historical reasons for establishing this three month minimum balance. Most of the reasons relate to the need for cash resources to fund various activities. The report also provides analysis on whether or not the Trust’s cash balance has been inadequate, sufficient, or more than adequate in terms of meetings operational spending needs in the first part of the year prior to receipt of tax funds. Findings from that work concluded that liquid resources available to the Trust during these four months of the year are more than sufficient to cover operational needs during that same time period. The analysis examined the balance of liquid resources available to the Trust at July 31

of each of the most recent five fiscal years. Balances ranged from \$1.6M - \$2.3M, which represents an additional 2.0 – 2.8 months of spending based on cash flow projections from recent years. In short, the balance of funds held at the Trust during this time frame covered 5.0 - 5.8 months of cash needs as compared to the minimum recommended balance of three months. This analysis shows that the Trust is very unlikely to experience lack of cash resources to fund operations in the first quarter (barring significant unexpected events) and could consider reducing the minimum surplus balance requirements.

Worth noting is that cash resources in this analysis include monies from three funds: the GRSF, the LTC PSRF, as well as the Special tax requisition fund – not just the GRSF. However, only the GRSF is referenced in the Policy in terms of a required minimum balance. As the rationale for establishing minimum balances is rooted in the availability of cash resources, amendments could be made to the policy formula to include balances from all funds (excluding amounts invested in TCA) as discussed in the next section of this report.

### *3 – Clarify or change the formula for calculating the minimum balance (policy s.3.3)*

Section 3.3 of the Policy (see above) discusses the minimum balance recommended for the GRSF. As mentioned in earlier sections of this report, in practice the calculation of the minimum surplus balance includes monies in the LTC PSRF. This approach acknowledges that the LTC PSRF is funded by the GRSF and that LTC projects would not be able to move forward if general operations ceased due to lack of general funding. Clarification to concur or not concur with this staff approach could be made in the Policy.

Section 3.3 of the Policy makes reference to three months of “expenses”, which is most easily interpreted to mean all expenses, which in the budget includes both capital spending and amortization expense, essentially double counting the impact of capital purchasing. Staff would recommend clarity to the formula to indicate inclusion of only one of amortization expense or capital purchasing, but not both. Additionally, if the intent of the minimum balance is to fund operating expenses only, an amendment could be made to indicate exclusion of both capital spending and amortization expense in this formula.

### *4 - Administrative Changes*

Administrative updates and changes to the Policy may be warranted. Staff-suggested edits include:

- Inclusion of a definition of, and discussion of surplus funds invested in TCA.
- Refinement of s3.4 to include understanding that contributions and withdrawals to various funds are also approved when the annual audited financial statements are approved, as a fall-out of annual financial results.

### *5 - Changes to Special Property Tax Requisition discussion (policy s5.1)*

Trust Council has requested a review of Policy 6.3.2 *Special Property Tax Requisition* which is referenced in the Policy. Any amendments made as a result of this review will be updated in the Policy to ensure both policies align.

## **ATTACHMENT(S):**

1. Surplus Fund Analysis – Briefing (October 2020)

**FOLLOW-UP:** As directed by the FPC.

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**Prepared By:** Director, Administrative Services

**Reviewed By/Date:** Russ Hotsenpilller, Chief Administrative Officer/November 11, 2020



# BRIEFING

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**To:** Financial Planning Committee      **For the Meeting of:** August 19, 2020  
**From:** Director,  
Administrative Services      **Date Prepared:** August 13, 2020  
**SUBJECT:** Islands Trust Surplus Funds Discussion

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## **PURPOSE:**

At its special meeting in April 2020, Financial Planning Committee (FPC) made the following resolution:

*“that the Financial Planning Committee direct staff to prepare a report on the history, intended use and future possibilities for use of the Surplus Fund.”*

This resolution was made in response to a discussion related to drawing down on surplus funds to supplement the Islands Trust annual budget to provide tax relief in response to the COVID-19 pandemic, as well as discussion about potentially reducing the minimum balance required in the surplus fund. It was determined that an analysis of the surplus fund was warranted before such draws or policy amendments take place.

## **BACKGROUND:**

### **A) Terminology**

For purposes of shared understanding, the following definitions of commonly used terms in this briefing are provided:

*Surplus funds* – Unspent funds in a given time period, generated from an excess of revenues over expenditures. Annual surplus is the surplus generated from a single financial year. Accumulated surplus is the accumulation of surpluses from all historical years. For purposes of this report, any reference to ‘surplus’ refers to the accumulated surplus funds.

*Reserve funds* – Surplus funds that have been earmarked, or reserved, for a specific purpose. Funds are reserved by way of Trust Council (TC) resolution, and may also be ‘unreserved’ in the same manner.

*Contribution to Surplus* – Funds deposited to accumulated surplus at the end of a financial year. Planned contributions to surplus would be included in the approved budget at the start of the fiscal year, unplanned contributions to surplus generally take place where annual expenditures are less than budgeted.

*Appropriation from Surplus* – Funds drawn from accumulated surplus to cover expenditures not funded by current year revenues. Planned appropriations from surplus are included in the approved budget at the start of the fiscal year, unplanned appropriations would take place where actual annual spending exceeds budgeted.

## **B) History and Intended Use of Surplus Funds**

Staff have reviewed FPC reports from 2004 to date related to surplus funds to gather an understanding of historical practices and decisions related to Islands Trust surplus funds. Some of these reports provided insights and information on the years prior to 2004 and as such staff did not determine that it was needed to review material further back than that year.

There have been several reviews of surplus funds at various points in time at Islands Trust, including a review in 2006 which encompasses a good amount of information relevant to the current day review. Information from a briefing to FPC dated February 21, 2006 cites the determined rationale for keeping funds in surplus, as follows:

*“Why would the Islands Trust need to have an amount in the GRF [General revenue fund]? The answers to this question are as follows:*

- 1. to operate without having to borrow funds,*
- 2. to have sufficient funds on hand be able to undertake capital works*
- 3. to have sufficient funds available to undertake necessary legal action*
- 4. the revenues that were collected from taxation in previous years to fund projects or activities that were not completed in that year and will be completed in the next or a future year, the best example of this is the OCP and LUB programs.*
- 5. to accumulate funds for major planned expenditures such as the tri-annual elections*
- 6. to have sufficient funds on hand to offset a sudden loss of revenue.”*

The above noted briefing is attached in Attachment 1: *2006 Briefing Note Re: General Revenue Fund.*

At the time of this historical review, the balance in the general revenue surplus fund (GRSF) was sitting between \$352,181 and \$403,181 which was deemed inadequate to address the above points, especially point 1 regarding the borrowing of funds. As property tax revenues are received by Islands Trust near the end of July in any given year, cash on hand is needed to cover the expenses in the preceding months of the fiscal year (April, May, June, July) to avoid the need for borrowing. At the time of the 2006 review, the estimated cash required to avoid borrowing in these months was \$1.34M, leaving a gap of almost a million dollars between the estimated cash need and the then-current GRSF balance. This analysis generated a desire to bolster the GRSF and resulted in Council decisions to include higher-than-typical tax increases in the following years' budgets: 12.4% in 2006/07; 15.3% in 2007/08; and 6.0% in 2008/09. See Attachment 3 *Approved Budget History 1994/95 – 2020/21* for reference to this historical information, as well as information on approved budget expenditure levels, tax increases/decreases.

Three years later, by the end of fiscal 2008/09, the GRSF fund balance had reached \$1.48M (per the audited financial statements), representing 26% of approved expenditures as opposed to the former 10% of approved expenditures. This 26% represents approximately 3 months of annual spending, which is in line with current policy minimum surplus balance recommendations.

Although the original argument for the surplus balance discussed cash on hand needed for 4 months before property tax receipt, a report to FPC and TC in November 2008 and December 2008 respectively, outlined the fact that many larger expenditures at the Trust tend to be incurred in the latter part of the fiscal year (such as audit fees, insurance costs, project costs), and as such the reserves and surplus policy was amended to reflect a recommended minimum balance in the GRSF based on 3 months of expenses as opposed to 4 months, and also as opposed to a fixed amount. While not mentioned in the former review, it is also worth noting that typically there is a delay in when expenses are incurred and when they are paid, as per normal course of business. As such, payment of expenses from July of any given year may not be paid until August, which also supports rationale for 3 months of expenses in surplus versus 4 months.

### C) History of the Surplus Fund Balance versus Cash Balances in Quarter One

The minimum balance in the surplus fund was set based on the aforementioned rationale, at a time when surplus balances were deficient enough that cash available for first quarter payables was inadequate. A comparison of surplus balances versus cash on hand for first quarter payables in more recent years with higher surplus balances in place generates the following information. Note that both cash and short-term investments are considered in this assessment as short-term investments are highly liquid assets that are readily accessible if required.

	<b>31-Jul-20</b>	<b>31-Jul-19</b>	<b>31-Jul-18</b>	<b>31-Jul-17</b>	<b>31-Jul-16</b>
Cash	997,123	1,312,470	714,940	806,338	597,492
ST investments	742,124	577,339	1,519,134	1,511,335	995,750
<b>Total</b>	<b>1,739,247</b>	<b>1,889,809</b>	<b>2,234,074</b>	<b>2,317,672</b>	<b>1,593,242</b>

Based on the above cash and short-term investment information, Islands Trust has not been in danger of exhausting available resources in the first quarter of the fiscal year in the last five years. As such, the changes made to policy as a result of the 2006 review, and the subsequent 2008 amendment to policy have had the desired impact on Trust operations and have even more than adequately addressed the reasons for the creation of the minimum balance.

Islands Trust staff prepare cash flow projections at the start of each fiscal year to facilitate investment decisions. Recent monthly cash flow requirement estimates range from \$620,000 to \$880,000 per month. Based on these estimated monthly cash needs, the July 31, 2020 balance of cash and investments represents an additional 2.0 – 2.8 months of cash flow above requirements. This does not take into account the fact that cash revenue is received on a monthly basis from application fees, interest income, and potential grant funding. As such, there currently appears to be very little risk of the Trust once again finding itself in a place where meeting cash needs in the first quarter is problematic.

### D) Use of Surplus Funds

Trust Council policy 6.5.1 *Reserves and Surplus* provides the guidelines under which reserves and surplus should be managed at Islands Trust. This policy can be referenced at Attachment 2 to this briefing.

Section 3.2 of the policy states that *“The General Revenue Surplus Fund may be used to fund significant and/or unanticipated general expenditures, for major emergent operating issues and for onetime and intermittent projects that would create a potential deficit situation at yearend. Trust Council must approve the amount of surplus to be used.”*

Where draft budgets at Islands Trust have generated a deficit, this deficit must be covered by an increase in property taxes or an appropriation from surplus funds. In alignment with Policy 6.5.1 s.3.2, surplus appropriations have generally been allocated to specific projects and initiatives. In the event that the budget still remains unbalanced, an allocation of surplus funds has also been made to cover non-specific ‘general operations’, arguably in keeping with s3.2 when considered ‘significant general expenditures’. As mentioned previously, this practice of covering general operations is not considered a best practice by senior finance staff. This is because general operational expenditures tend to be annual expenditures that will require funding every year. It is not reasonable to expect that surplus funds can cover ongoing annual expenditures in perpetuity, and as such there will come a point where an increase in taxation will likely be required to fund the expense. This has the possibility of resulting in a sizeable increase to taxes in a single year.

## **E) Budgeted Use of Surplus versus Actual Results**

Islands Trust has a history of budgeting for appropriations from surplus to cover annual expenditures. Actual results have tended to vary from budget such that planned appropriations have not been required, and in many instances, a contribution to surplus has resulted at the end of the fiscal year as opposed to an appropriation. In some instances, these contributions have been significant. Historical analysis of planned appropriations from/contributions to surplus and related notes can be found in Attachment 4 *Summary of Historical Surplus Activity*.

What factors have contributed to such sizeable differences between budgeted and actual results? First, the budget is prepared and balanced on a cash-basis, to ensure enough liquid funds are available to cover real spending in any given year. However, year-end financial results are reported on a financial accounting basis, which treats capital asset purchases in a different manner. In the budget, capital assets are recorded as an expense requiring funding; however accounting treatment removes capital assets from expenses and capitalises the asset on the Statement of Financial Position, with the related expense being recorded piecemeal over several years in the form of amortization expense. Consequently, in years where capital assets purchases in the budget are sizeable, the potential for differences between cash basis budgeting and accounting basis actual financial reporting is higher.

Prior to 2010, the treatment of capital assets in the budget (cash basis) and in the financial statements (accounting basis) were largely the same. Accounting standards treated the purchase of capital assets as immediate expenses, and thus when an asset was purchased it was expensed right away with no amortisation taking place over time. This accounting methodology was the same as the budget methodology, so any differences between budgeted surplus appropriations/contributions and actual appropriations/contributions were based purely on actual spending differing from budgeted spending (and/or differences in revenues generated).

Underspending against approved budget has been another factor that has contributed to the increase of the surplus funds over time, despite budgets anticipating appropriations. Where a budget requires an appropriation from surplus to balance, but spending is sufficiently lower than planned, the budgeted appropriation is often not required, and in many cases there is actually contribution to the surplus fund where the budget planned for an appropriation. As budget practices are refined, and spending levels more closely align with plans, this trend may be reduced which could put strain on the ability to maintain minimum recommended surplus balances at current policy levels as well as grow the budget at historical rates.

## **F) Future Possibilities for Surplus Funds**

Future possibilities for surplus funds may include:

*No change to current use of surplus funds; no change in policy recommended minimums.*

If actual appropriations from surplus continue to be significantly less than planned, and unplanned contributions continue as they have historically, the minimum recommended balance may be precariously maintained, however it is noted that maintaining this minimum balance is becoming more and more difficult as annual expenditures grow. Because the minimum recommended balance is based on planned expenditures, as the budget grows, so does the minimum balance.

*A change in policy directing a more limited, or less limited, use of surplus funds in the annual budget.*

Amendment to language in Policy 6.5.1 s.3.2 could potentially allow for a stricter use of surplus funds to further limit their use, or a more flexible use of surplus funds.

*A change in policy to amend the minimum recommended balance in the general revenue surplus fund.*

Discussion has been raised in recent years at various Committee and Council meetings regarding the level of the recommended minimum balance in Policy 6.5.1 and whether or not this amount should be amended to reflect a lesser amount (ie: 2 months instead of 3 months). Based on review of cash

resources available immediately prior to receiving property tax revenues (see section D), amendment of minimum balances would likely not generate risk of running out of cash prior to receipt of tax funds in the fiscal year. Reducing the minimum balance may require greater scrutiny of planned appropriations from surplus at the time of budget development, especially as we begin to see actual financial results more closely align with budget. It should be noted that recent budget years have not been able to achieve the minimum recommended balance and have fallen short by a few percentage points.

**ATTACHMENT(S):**

- 1. 2006 Briefing Note Re: General Revenue Fund**
- 2. Policy 6.5.1 Reserves and Surplus**
- 3. Approved Budget History 1994/95 – 2020/21**
- 4. Summary of Historical Surplus Activity**

**FOLLOW-UP:**

Staff will refine analysis and will update to include additional information requested by FPC as directed. Other follow-up as directed.

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**Prepared By: Director, Administrative Services**  
**Reviewed By/Date: FINANCIAL PLANNING COMMITTEE/August 13<sup>th</sup>, 2020**



delegated authority under Trust Council Bylaw No. 154". Council noted during discussion that the policy guiding the use of special requisition surplus funds for ongoing local programs was unclear and consequently requested a review of the policy be undertaken. SSI LTC did not undertake work requiring the use of SSIWPA surplus funds in the 2020/21 fiscal year, but did receive approval for use of these funds for local projects in fiscal 2021/22.

Staff have reviewed *Policy 6.3.2 Special Property Tax Requisition*, updating it to provide clarity that special requisition surplus funds must be applied to the local program or service for which the requisition was approved, and only at the completion of the project or program will any unspent surplus funds be permitted for other uses by the LTC. This clarity aligns the intent of the policy authors at the time it was written, as recalled by staff involved in amending the policy in 2013. This is also in alignment with typical local government use of local area taxes as described in the [Community Charter](#) Part 7, Division 5, section 216 (5) which reads: "Revenues from a local service tax may only be expended for the local area service in relation to which it is imposed." While Section 216(5) of the *Community Charter* does not apply specifically to the Islands Trust, expenditure of special tax requisitions that were levied in one local trust area for a specific purpose should be expended for the benefit of the local trust area from which they were received.

Staff have noted during review that relevant sections of legislation in the Community Charter governing the Islands Trust's use of reserve funds is not appropriately reflected in the policy. In particular, updates to the policy have been made to reflect the content of [Community Charter](#) Part 6, Division 4, section 189 (1) and (2) which read:

*"(1) Subject to this section, money in a reserve fund, and interest earned on it, must be used only for the purpose for which the fund was established.*

*(2) If the amount to the credit of a reserve fund is greater than required for the purpose for which the fund was established, the council may, by bylaw, transfer all or part of the amount to another reserve fund."*

In addition to clarifying the use of special requisition surplus funds for multi-year initiatives, staff have taken the opportunity to update other portions of the policy in areas such as: defining terminology used in the policy; ensuring consistent wording, updating process instructions for LTCs wishing to propose a special requisition in their local trust area; and updated references to related policies. These latter-noted amendments are administrative in nature and do not alter the nature, substance, or intent of the policy in any significant manner.

### **3 IMPLICATIONS OF RECOMMENDATION**

**ORGANIZATIONAL:** Clearer process outlining access to special requisition funding will allow LTCs to better plan and manage requests for funding each year.

**FINANCIAL:** No dollar implications. Clarity of policy will ensure appropriate use of special requisitioned funds in accordance with applicable legislation, regulations, and policy.

**POLICY:** Policy 6.3.2 Special Property Tax Requisition

**IMPLEMENTATION/COMMUNICATIONS:** If approved by Trust Council, the policy will be updated and included on the Islands Trust website. Communication to LTCs via Regional Planning Managers and the Director, Planning Services. Finance staff will support FPC in making sure policy is adhered to annually as part of the budget process.

**FIRST NATIONS:** None.

**OTHER:** None.

**4 RELEVANT POLICY(S):** Policy 6.3.2 - Special Property Tax Requisition

**5 ATTACHMENT(S):**

- Attach 1: Policy 6.3.2 Special Property Tax Requisition – Amendment
- Attach 2: DRAFT Special Property Tax Requisition FAQ

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**RESPONSE OPTIONS**

**Recommendation:** That Trust Council approve the amendments to Policy 6.3.2 Special Property Tax Requisition as presented.

**Alternative:** Other policy amendments as directed by Trust Council.

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**Prepared By:** Director, Administrative Services  
Director, Planning Services  
Manager, Legislative Services

**Reviewed By/Date:** Chief Administrative Officer/February 11, 2021  
Director, Legislative Services/September 30, 2022



<b>Policy:</b>	6.3.2
<b>Approved By:</b>	Trust Council
<b>Approval Date:</b>	December 10, 2004
<b>Amendment Date(s):</b>	June 16, 2005; September 11, 2013
<b>Policy Holder:</b>	Director <del>of</del> Administrative Services

## **SPECIAL PROPERTY TAX REQUISITIONS**

### **Purpose**

To permit an individual local trust committee (LTC) to request a special property tax requisition for additional operations that are not included within the general operations of all LTCs, or that require an enhanced level of service or funding beyond the capacity of the base budget. Special property tax requisitions are approved by the Islands Trust Council.

### **A. Definitions**

n/a

Special property tax requisition – a property tax requisition levied to taxable properties within a specified local trust area.

Financial Plan Bylaw – The bylaw that approves the financial plan (i.e.: the budget) for any given fiscal year.

### **B. Policy**

#### **1. General**

1.1 The *Islands Trust Act* (s. 47) provides the Islands Trust Council with the necessary authority to implement a special property tax requisition in respect of a local trust area;

1.2 A proposed special requisition related to a local trust area must be incorporated into the annual Islands Trust Financial Plan Bylaw and approved by the Islands Trust Council and the Minister;

~~Section 10 of the *Islands Trust Act* enables the Islands Trust Council to delegate additional powers to a LTC and to require that related operations be funded by a special property tax requisition in respect of the relevant local trust area;~~

1.3 The *Islands Trust Act* (s. 10) enables the Islands Trust Council to delegate by bylaw additional powers to a LTC subject to any restrictions or conditions specified in the bylaw.

~~A proposed special requisition related to a local trust area must be incorporated into the annual Islands Trust budget Financial Plan bBylaw and approved by the Islands Trust Council and the Minister.~~

## 2. Budget Submission

- 2.1 “Additional operations” of a LTC are those ~~activities and~~ programs or services that are deemed by the Islands Trust Council to be:
- 2.1.1 Programs or services not offered in all local trust areas;
  - 2.1.2 Enhanced service levels that reflect unique demands or additional powers that Trust Council has delegated to a LTC by bylaw; ~~and~~ and
  - 2.1.3 Beyond the capacity of the base budget.
- 2.2 LTCs wishing to propose and undertake a LTC program or service project valued at \$5,000 or higher ~~a specific “additional operation” must ascertain and must~~ develop a business case to support the budget program budget request, to be presented for preliminary consideration by Trust Council in December of each year. Trust Council will determine if the proposed project constitutes an additional program or operationservice requiring special requisition for funding under this policy.
- 2.3 The proposed program or service program or activity must be within the LTC’s jurisdiction pursuant to the *Islands Trust Act* or be within powers delegated to it by Trust Council. Legal advice on that matter may be obtained and handled in accordance with ~~the Islands Trust~~ Council polices 2.1.6 Legal Advice Policy, and 6.9.2 Legal Services Access.

## 3. Evaluation Criteria

- 3.1 The Islands Trust Council will evaluate and consider including a LTC’s local initiative program or service or program in the ~~preliminary~~ Islands Trust’s general budget if any of the following criteria apply:
- 3.1.1 ~~T~~he program or service program is considered to be a base service of the LTC;
  - 3.1.2 ~~T~~he program or service program is a prioritized official community plan and/or land use bylaw for review recommended to Trust Council via Regional Planning Committee as per Trust Council policy 5.9.1a scheduled official community plan review or land use bylaw update; and
  - 3.1.3 ~~Trust Council, whether by consensus or vote, agrees that t~~he program or service program has beneficial Trust-wide implications ~~and benefits;~~ and
  - 3.1.4 ~~T~~he program or service cost does not extend beyond the capacity of the base budget as determined by Trust Council.
- 3.2 If none of the above criteria apply or if Trust Council does not approve a LTC budget funding request, then the LTC can propose a special requisition for its local trust area as a means of funding the proposed program or service.

- 3.3 Despite section 3.1 and 3.2 of this policy, where a delegation bylaw adopted by Trust Council pursuant to [section 5.10](#) of the *Islands Trust Act* specifies that all or part of a LTC's operations related to delegated powers are to be funded by a special tax requisition within a local trust area, related requests from a LTC that are included in the preliminary Islands Trust budget must be in accordance with the requirements of the delegation bylaw.
- 3.4 A special property tax requisition will not be considered by Trust Council for an amount totaling less than \$5,000 per [local trust area](#)~~LTC~~.
- 3.5 The process for development and approval of special property tax requisitions is subject to the provisions of Trust Council Policy 6.3.1 – *Budget Process*~~Policy~~.

#### 4. Public Consultation

- 4.1 The LTC must solicit feedback from the public in the local trust area, minimally through a mechanism of advertising and otherwise advising the public of the purpose and [the](#) cost of the proposed special requisition.
- [4.2](#) [Section 4.1 conditions may be met via Trust Council's solicitation for general budget feedback so long as the public in the relevant local trust area can clearly distinguish the purpose and cost of the proposed special requisition, and their feedback can be separated from the general budget feedback for separate consideration by Trust Council.](#)
- [4.23](#) [Programs or services funded through special requisition that extend into multiple fiscal years must solicit feedback in accordance with section 4.1 in each fiscal year where the special requisition is proposed.](#)
- [4.234](#) The feedback received, if any, must be considered by the Islands Trust Council prior to the final adoption of any bylaw that incorporates the special property tax requisition.
- [4.54](#) [Trust Council will not approve special requisition funding for programs or services that have not undergone public consultation.](#)

#### 5. Approval

- 5.1 The proposed special property tax requisition must be formally requested by resolution of the LTC before being considered by the Islands Trust Council.
- 5.2 The proposed special requisition will be presented for approval to Trust Council in March of each year.
- 5.3 When presented to Trust Council, the special requisition [program or service proposal](#) must be accompanied by a completed Special Property Tax Requisition Checklist [outlined](#) in section 7 ~~below~~.
- 5.4 The special requisition(s) will be included in the Islands Trust ~~budget bylaw~~[Financial Plan Bylaw](#) and forwarded by the Islands Trust Council to the minister responsible for

the *Islands Trust Act* for approval. If the minister approves, the minister and Islands Trust staff will subsequently forward the requisition(s) to the Minister of Finance, for collection within the relevant jurisdictions.

- 5.5 The Minister of Finance adds a collection fee to the requisition in calculating the amount of the levy to be assessed to property owners.

## 6. Funds Allocation

- 6.1 Once approved by Islands Trust Council within the annual Financial Plan Bylaw~~budget bylaw~~, the LTC is authorized to undertake the approved initiative at its discretion.
- 6.2 The LTC must not authorize the expenditure of funds, generated through ~~the a~~ special property tax requisition, for any purpose other than that for which the requisition was approved.
- 6.3 Any funds, generated through the special requisition, which are unspent at the conclusion of the fiscal year, will be held in reserve for the LTC's use in the subsequent fiscal year to:

6.3.1 For any purpose for which the requisition was approved;

6.3.21 Reduce the amount of the special requisition for the initiative program or service in the next fiscal \_\_\_\_\_ year;

6.3.32 Complete the previously approved initiative or program or service.; or; or

6.3.432 In the event the previously approved initiative program or service is complete, to undertake a new program within the local trust area at the request of the LTC. Subject to a further resolution of the LTC to do so.

- 6.4 Any special requisition funds held in reserve under section 6.3 that the LTC wishes to spend in the fiscal year must be included in the approved financial plan bylaw and approved by Trust Council as a transfer from the reserve fund prior to any expenditures being incurred. If a transfer from this reserve fund was not included in the financial plan bylaw, a budget amendment may be required under Policy 6.5.2 Budget Control and Adjustment Authority.

6.5 Unspent special requisition funds cannot be used to offset a general property tax requisition.

## 7. Special Property Tax Requisition Checklist

**Annual Budget Submission**

Description of Task	Deadline	Date Completed
<u>Recommended:</u>		
<p><u>LTCs request staff to develop additional budget funding proposals. Planning staff communicate to finance staff base funding assumptions for FPC and TC information / awareness.</u></p>	<p><u>July - September</u></p>	
<u>Required:</u>		
<p><del>Local</del> Planning Services staff <del>assigned to LTCs</del> develop <u>“additional operations”</u> budget <u>funding</u> proposal <del>on behalf of for</del> LTC’s <del>approval prior to</del> <u>December Trust Council meeting</u> and submit them to <u>Financial Planning Committee (FPC)</u> for review <u>prior to December Trust Council meeting</u>.</p>	<p><u>October or November FPC meeting</u></p>	
<p>Director of <del>Local</del> Planning Services presents <u>“additional operations”</u> budget <u>funding</u> proposals to Financial Planning Committee, with input from LTCs, indicating whether any of the proposed ‘additional operations’ are related to delegated powers. <del>and therefore must be funded through a special property tax requisition.</del></p>	<p><u>October or November FPC Meeting &amp; December Trust Council meeting</u></p>	
<p>Financial Planning Committee makes recommendations to Trust Council regarding budget <u>funding</u> proposals made by LTCs, identifying:</p> <ul style="list-style-type: none"> <li>Any that must be funded through a special property tax requisition pursuant to a Trust Council delegation bylaw (e.g. Bylaw 154).</li> <li>Any other LTC proposals that it recommends be funded through a special property tax requisition, rather than through inclusion in the general Islands Trust budget.</li> </ul> <p>Director of <del>Local</del> Planning Services provides additional information to Trust Council about LTC proposals, as needed.</p>	<p><u>November FPC Meeting &amp; December Trust Council meeting</u></p>	
<p>If <del>December</del> Trust Council does not approve the LTC <u>“additional operations”</u> budget <u>funding</u> proposal for inclusion in the general Islands Trust budget <u>at their December meeting</u>, or if the LTC additional operations are related to delegated powers that must be funded through a special property tax requisition, <u>each of the following is required to receive approval of a special property tax requisition:</u></p>		
<ul style="list-style-type: none"> <li><u>If not previously done</u>, LTC passes resolution to pursue special property tax requisition to fund the <u>“additional operations”</u> budget <u>proposed program</u>:</li> </ul>	<p><u>Mid-December – early-January</u></p>	

	January	
- <del>C</del> copy of resolution attached		
<ul style="list-style-type: none"> <li>LTC requests staff to conduct <u>the required</u> public consultation on the <u>program proposed under the</u> special tax requisition (<u>see Section 4 of Policy 6.3.2</u>) <del>proposal</del>:</li> </ul>	<u>Before consultation begins in late January to</u> <del>Mid-</del> February	
- <del>C</del> copy of advertisement attached		
- <del>I</del> f a public meeting <u>is</u> held <u>regarding the proposed program or service</u> , minutes of the <u>meeting and related discussion</u> attached		
- <del>W</del> ritten summary of public feedback attached		
<ul style="list-style-type: none"> <li>Staff prepare Request for Decision (RFD) proposed by LTC for <u>the</u> March Trust Council <del>meeting binder</del>, requesting a bylaw to authorize a special property tax requisition. The RFD will include an assessment of organizational and other implications, <u>and</u> a completed copy of this checklist along with any attached documentation <u>noted throughout the checklist</u>.</li> </ul>	February FPC meeting ( <u>mid-February</u> )	

**C. Legislated References**

*Islands Trust Act, S.10, S.14(3)(c)(iii), and S.47(5)*

*Community Charter, Part 6, Division 4, S.189 (1) and (2)*

~~*Islands Trust Council Delegation Bylaw 154, 2013*~~

~~*Islands Trust Council Policy 6.3.2 – Special Property Tax Requisition*~~

~~*Islands Trust Council Policy 6.5.1 – Reserves and Surplus*~~

~~*Islands Trust Council Policy 7.2.6 – Municipal Tax Requisition Calculation*~~

**D. Links to Supporting Forms, Documents, Websites, Related Policies and Procedures**

~~*n/a – Islands Trust Council Delegation Bylaw 154, 2013*~~

*Islands Trust Council Policy 2.1.6 – Legal Advice*

*Islands Trust Council Policy 6.5.1 – Reserves and Surplus*

[Islands Trust Council Policy 6.5.2 – Budget Control and Adjustment Authority](#)

[Islands Trust Council Policy 6.9.2 - Legal Services Access](#)

[Islands Trust Council Policy 7.2.6 – Municipal Tax Requisition Calculation](#)

# Local Trust Committee Special Property Tax Requisitions

## Frequently Asked Questions

### WHAT IS A SPECIAL PROPERTY TAX REQUISITION?

Trust Council can approve a special property tax requisition for a local trust area to fund special initiatives taking place only in that particular local trust area. The tax is levied only on the property owners of that local trust area.

The tax can be used when a local trust committee (LTC) wishes to take on a large initiative with local significance or additional operations. Although meant to support special projects, initiatives must still remain within the legislated jurisdiction of the Islands Trust, and be:

- a program or service not offered in all local trust areas;
- an enhanced service level that reflects a unique demand or additional power (authority) that Trust Council has delegated to an LTC by bylaw; and/or
- beyond the capacity of the base budget.

### HOW MUCH CAN A LOCAL TRUST COMMITTEE REQUEST?

There is no limit. Trust Council policy does set a minimum of \$5,000 for any single special requisition.

### DOES THERE HAVE TO BE PUBLIC CONSULTATION ABOUT PROPOSED SPECIAL TAX REQUISITIONS?

Yes. Trust Council policy requires that local trust committees ask the public for feedback in the relevant local trust area about the purpose and cost of the proposed special requisition. LTCs are obliged to advertise and promote that they are looking for feedback. Trust Council will consider any feedback received before it provides final approval or denial of a special requisition.

### DOES EACH PROPERTY OWNER PAY THE SAME AMOUNT FOR A SPECIAL PROPERTY TAX?

Not necessarily. While the same tax rate for the requisition will be applied across the local trust area, the resulting dollar amount collected may be different for each property. The final amount is based on a number of factors, including tax rate, the type of property, and the assessed value of a property.

The Province collects the special requisition tax at the same time and in the same way as the general property tax levy that funds the Islands Trust.

### CAN PROPERTY OWNERS "OPT OUT" IF THE INITIATIVE DOESN'T BENEFIT THEM DIRECTLY?

No. A special levy is requisitioned from all taxable properties on all islands within the local trust area in question. A single property or island cannot opt out of a special requisition.

## **WHAT HAPPENS IF A LOCAL TRUST COMMITTEE DOESN'T SPEND THE REQUISITIONED FUNDS?**

If any funds are unspent at the end of the fiscal year, they will be put into a special reserve fund for future use by the local trust committee. Unspent funds can only be used to complete the special project or initiative for which they were collected. In the event the project is complete, the funds can be used for other work of the local trust committee, with Trust Council's approval. The funds cannot go into the Islands Trust's general revenues.

## **WHAT ARE EXAMPLES OF SPECIAL TAX REQUISITIONS?**

In 2013, the Islands Trust Council delegated certain coordination powers to the Salt Spring Island Local Trust Committee for the purposes of preserving and protecting water resources in the Salt Spring Island Local Trust Area. Each year since 2014, the Salt Spring Island Local Trust Committee has requested a special local tax requisition from the Salt Spring Island Local Trust Area to fund the coordination of initiatives to preserve and protect freshwater on Salt Spring Island.

## **HOW IS A SPECIAL PROPERTY TAX LEVY DECIDED UPON?**

- The local trust committee must submit a business case and detailed budget for the initiative to Trust Council's Financial Planning Committee by October 31st.
- At its November meeting, Financial Planning Committee will review whether the initiative meets the criteria for the special tax levy and will consider its recommendation to Trust Council.
- In December, Trust Council will consider whether to approve funding the initiative through the Islands Trust general budget for the following fiscal year.
  - If Trust Council decides the initiative is funded through the general budget, then there is no need for a special tax levy.
  - If Trust Council decides the initiative is not appropriate for support through the general budget but could be funded through a special tax levy, it is referred back to the local trust committee.
  - By the end of December, the local trust committee would need to pass a resolution to pursue a special property tax requisition.
  - The local trust committee will undertake public consultation on the proposed initiative during January and mid-February.
- Financial Planning Committee considers the public feedback on the special requisition at their February meeting and make a recommendation to Trust Council as to whether or not the initiative should be funded via special requisition.
- Trust Council considers the public feedback and Financial Planning Committee's recommendation when reviewing the draft budget at its March meeting.
- If Trust Council approves the special property tax requisition, it includes the special levy amount in the Islands Trust budget bylaw for the following fiscal year.

## **WHERE CAN I FIND ADDITIONAL INFORMATION?**

For more detailed information please refer to [Policy 6.3.2 – Special Property Tax Requisition](#).

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**To:** Financial Planning Committee      **For the Meeting of:** October 12, 2022  
**From:** Director, Administrative Services      **Date Prepared:** September 28, 2022  
**SUBJECT:** Review of Policy 7.2.1 Trustee Remuneration

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**PURPOSE:**

To assess Trust Council’s Policy 7.2.1 *Trustee Remuneration* against the Union of BC Municipalities (UBCM) *Council & Board Remuneration Guide* (“the Guide”) dated September 2019 to determine if best practices are being followed with regard to elected official compensation in the Islands Trust context.

**BACKGROUND:**

The UBCM has developed a best practice [guide](#) to assist local governments in the development of fair and equitable remuneration policies for elected officials. In recognition of local government autonomy and the need for approaches that reflect local needs and circumstances, the guide offers practical advice based on research findings and the experiences of municipalities and regional districts around the province. The resource provides options that are scalable relative to the varying resources, capacity, and contexts of local governments in British Columbia

At the direction of Financial Planning Committee, staff have conducted a high-level analysis of Trust Council Policy 7.2.1 *Trustee Remuneration* against the Guide and reports findings in the attached Appendix. Recommendations in the UBCM guide have been individually compared to similar clauses in TC’s trustee remuneration policy and been given a rating of ‘adequate’ or ‘improvement opportunity’. Where improvement opportunities have been identified, options for amending TC policy have been provided. Any recommendations made by FPC will be subsequently incorporated into a draft revised policy and forwarded to Trust Council for their consideration. Recommendations on trustee remuneration from an outgoing political body carry a greater unbiased weight than recommendations from an existing body to itself, as such this review has been brought forward for FPC despite the late timing in the term.

**ATTACHMENT(S):**

- Assessment of Policy 7.2.1 Trustee Remuneration Against UBCM Council & Board Remuneration Guide
- UBCM’s Council & Board Remuneration Guide
- Policy 7.2.1 Trustee Remuneration

**FOLLOW-UP:** As directed by the Committee.

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**Prepared By:** Director, Administrative Services  
**Reviewed By/Date:** Russ Hotsenpiller, Chief Administrative Officer/October 5, 2022  
Director, Legislative Services/October 5, 2022

Appendix A: Assessment of UBCM Elected Official & Board Remuneration Guide and Policy 7.2.1 Trustee Remuneration

	UBCM BEST PRACTICE	ISLANDS TRUST POLICY 7.2.1 (Section Reference)	ASSESSMENT	COMMENTS AND RECOMMENDATION(S)
<b>REMUNERATION REVIEWS – CONDUCTING REVIEWS &amp; TIMING AND FREQUENCY OF REVIEWS</b>				
1	Local governments should consider establishing an independent task force to conduct reviews of elected official remuneration.	Not addressed.	Improvement Opportunity	<p>While no independent task force exists for this purpose, independent reviews of trustee remuneration have taken place. In 2010, consultants were hired to review the existing policy and make recommendations for change, which led to the policy that exists and is in effect today.</p> <p>Internal reviews of trustee remuneration (such as this one) does rely on external and independent data sources, but staff and trustees are not considered independent reviewers themselves. If striking a task force at regular intervals is prohibitive, considerations can be made for periodic external review by either task force or independent consultant.</p>
2	Local governments should consider conducting remuneration reviews, and reporting the results, at least one year before the next election.	The Trustee Remuneration calculations will be reviewed when results are available from the most recent census. (C4a)	Improvement Opportunity	<p>Census is conducted every 5 years, with results available approximately one year post-census surveys. A trustee term is 4 years, which does not align with census updates. The results from the most recent census conducted in 2021 were released in February 2022, which is less than one year before the election in October 2022. This demonstrates that census results may not always be available one year in advance of elections.</p> <p>Also of note is that the current policy language indicates a calculation review, not policy review, which could be interpreted as review of the math as opposed to review of the method.</p>
3	Local governments should consider conducting remuneration reviews once per term.	The Trustee Remuneration <b>calculations</b> will be reviewed when the results are available from the most recent census. (C4a) [ <b>Emphasis added</b> ]	Improvement Opportunity	<p>In some cases, a full trustee term will be completed with no review given that census information becomes available every 5 years, while a trustee term is four years. This sequence results in one term of every five terms where no review takes place. This is not considered a significant weakness. However, should a review each term be desired to align with best practices, a policy change is permissible. Also of note is that the current policy language indicates a calculation review, not</p>

UBCM BEST PRACTICE	ISLANDS TRUST POLICY 7.2.1 (Section Reference)	ASSESSMENT	COMMENTS AND RECOMMENDATION(S)
			policy review, which could be interpreted as review of the math as opposed to review of the method.
4	Local governments should consider setting out the timing for subsequent reviews in remuneration policies or bylaws.	The Trustee Remuneration calculations will be reviewed when the results are available from the most recent census. (C4a)	Adequate  The timing of subsequent reviews is set in the policy as suggested. Note limitations in the sequencing of review in rows 2 and 3 of this table.
<p><i>Recommendation(s) on Remuneration Reviews:</i></p> <p><i>Option 1 – Make no change to the policy to address independent reviews or adjust review timing.</i></p> <p><i>Option 2 - That the trustee remuneration policy be amended to include consideration of an independent remuneration review by either task force or consultant once per trustee term, at least one year before the end of term.</i></p>			
<b>IMPLEMENTATION OF ADJUSTMENTS</b>			
5	Local governments should consider including in their policies or bylaws provision for an automatic cost-of-living adjustment, using the CPI, to elected officials' base remuneration.	Annual Adjustments for Inflation a) The defined annual compensation amounts in section C.2 of this policy will be adjusted on an annual basis, coinciding with the fiscal year, based on the annual change in the Victoria Consumer Price Index as reported by BC Statistics in December. (C5)	Adequate  None.
6	Local governments should consider having changes to base levels, determined through remuneration reviews, take effect at the beginning of the following term.	Any adjustments based on changes in population or folios will be implemented on April 1st of the following year. Any adjustments based on changes in population or folios will be implemented on April 1st of the following year. (C4a)  The Trustee Remuneration calculations will be reviewed when the results are available	Improvement Opportunity  Base level calculations are adjusted with folio updates on an annual basis and census updates every 5 years – updates to remuneration for this data sets occurs when data is available, not at the start of a new term based on a review. This is considered adequate as adjusting for these values only at the start of a term may result in tax spikes at the start of each term which may be difficult to manage.  Changes to remuneration from reviews not based on specific data sets (folios and population), would be best applied at the start of the next term to alleviate conflict of interest or perceived/actual bias.

UBCM BEST PRACTICE		ISLANDS TRUST POLICY 7.2.1 (Section Reference)	ASSESSMENT	COMMENTS AND RECOMMENDATION(S)
		from the most recent census. (C4a)		
7	Local governments should consider allowing for immediate implementation of changes to remuneration that are designed to protect elected officials from financial loss that would otherwise occur as a result of tax system shifts.	Not addressed.	Adequate	The nature of the trustee remuneration structure differs from remuneration structures for other elected officials. As such, there is a higher inherent protection from financial loss due to tax system shifts. That is, remuneration does not contain particularly special sums or allowances that are more at risk for immediate or significant tax changes. As such, it is not recommended as necessary to revise the existing policy.
8	Local governments should consider allowing for immediate implementation of annual cost-of-living adjustments.	Adjustments to Trustee Remuneration that result from inflation will be implemented on April 1st of the following year. (C5)	Adequate	Although COLA adjustments for trustees is not implemented in line with calendar years, this adjustment does take place annually, as recommended. As such, it is deemed adequate for the purposes of this review.
<p><i>Recommendation(s) on Implementation of Adjustments:</i></p> <p><i>Option 1 – No changes to policy.</i></p> <p><i>Option 2 – That the trustee remuneration policy be amended to indicate that any base remuneration adjustments as a result of remuneration reviews will take effect at the start of the new term</i></p>				
<b>SETTING REMUNERATION POLICY</b>				
9	Local governments should consider using base remuneration paid to elected officials in similar local government jurisdictions as the preferred basis for determining remuneration.	Not addressed.	Adequate	In 2010, an external consultant performed a review of trustee remuneration which included comparison of base remuneration paid to similar special purpose local governments and regional districts as the basis for their recommendations.  No consideration is provided in the current policy to address future periodic reviews of base remuneration against over local government [or Trust-similar] jurisdictions. Thoughts around these periodic reviews are built into recommendations in the earlier section of this table where remuneration reviews are addressed.
10	Local governments should consider establishing comparison groups using population,	Not addressed.	Adequate	The 2010 consultant remuneration review included comparison to other like group and workloads/levels of responsibility.

	UBCM BEST PRACTICE	ISLANDS TRUST POLICY 7.2.1 (Section Reference)	ASSESSMENT	COMMENTS AND RECOMMENDATION(S)
	combined — as deemed necessary — with other factors that influence elected official workload and level of responsibility.			
11	Local governments should consider including at least five jurisdictions (preferably more) in the comparison groups.	Not addressed.	Adequate	The 2010 consultant remuneration review included comparison to San Juan Council, School Districts, and many regional districts.
12	Local governments should consider using simple formulas that make the calculation of remuneration levels as straightforward as possible, easy to explain, and easy to understand.	Policy sections B.2, B.3, and C.2 (excerpts not included due to length. See attached Policy 7.2.1 for text.)	Adequate	Calculations are straightforward to apply and easy to understand.
13	Local governments should consider targeting supplemental payments to non-core meetings, and structuring base remuneration levels to include attendance at board and committee of the whole meetings.	<p>Effective April 1, 2019, an amount for attendance at Trust Council committee meetings (excluding Executive Committee, which is remunerated in accordance with Section 3). Meeting attendance will be remunerated at \$100.00 per meeting attended for committee members, and \$150 per meeting attended for committee Chairs. (B.2.f)</p> <p>An amount for membership on Trust Council. This amount will be equal to the remuneration paid to municipal trustees and will be referred to as the “Trust Council Base Amount”. (B.2.a)</p> <p>An amount for participation in LTC business and LTC meetings. This</p>	Adequate.	Meeting attendance is supplemented.

UBCM BEST PRACTICE		ISLANDS TRUST POLICY 7.2.1 (Section Reference)	ASSESSMENT	COMMENTS AND RECOMMENDATION(S)
		amount shall be referred to as the "LTC Local Base Amount". (B.2.b)		
<i>Recommendation(s) on Setting Remuneration Policy:</i> None. The basis for setting remuneration review is considered sound.				
SETTING AND REVIEWING EXPENSE REIMBURSEMENT POLICY				
14	Local governments should provide clarity in regional district expense policies/bylaws to ensure that municipal expenses incurred by municipal directors are reimbursed by the appropriate municipal governments.	Not addressed.	Adequate	None. This is not applicable to Islands Trust elected officials.
15	Local governments should consider including in their expense policies and/or bylaws the principle that elected officials should not themselves be expected to pay expenses that are incurred in order to perform their roles.	Addressed in <a href="#">TC Policy 7.2.3 Trustee Travel</a>	Adequate	None. This principle is captured in trustee travel and training policies and executed by way of expense reports to Islands Trust.
16	Local governments should recognize that the range of legitimate expenses incurred to perform the roles of mayor and board chair will be greater than that incurred to perform the roles of councillor and board director.	Addressed in <a href="#">TC Policy 7.2.3 Trustee Travel</a>	Adequate	None. This principle is captured in trustee travel and training policies and executed by way of expense reports to Islands Trust.
17	Local governments should ensure that lists of eligible expenses reflect unique local conditions.	Addressed in <a href="#">TC Policy 7.2.3 Trustee Travel</a>	Adequate	Policy includes references to ferries, reservation fees, claiming for use of privately owned boats, private instead of commercial accommodation, etc.
18	Local governments should periodically re-examine decisions on eligibility to ensure that lists	Not addressed.	Improvement Opportunity	Trustee travel policy was approved by Trust Council in June 2014 and has not been reviewed since.

UBCM BEST PRACTICE		ISLANDS TRUST POLICY 7.2.1 (Section Reference)	ASSESSMENT	COMMENTS AND RECOMMENDATION(S)
	of eligible expenses evolve to reflect changing needs and to reduce barriers to participation.			
<p><i>Recommendation(s) on Setting Expense Reimbursement Policy:</i></p> <p><i>Option 1 – No change to travel policy to address periodic reviews.</i></p> <p><i>Option 2- That TC Policy 7.2.3 Trustee Travel be amended to include consideration of review, at either periodic regular intervals, or when specific circumstances deem it necessary.</i></p>				
ELECTED OFFICIAL BENEFITS				
19	Local governments should consider providing access to extended health, dental, vision and insurance to all local elected officials.	B.4. Payment of Benefit Premiums for Trustees a) Trustees will be offered the opportunity to have benefit premiums paid by the Islands Trust. Payments for trustee benefit premiums may be subject to income tax as defined by the Canadian Revenue Agency.	Adequate	Access to extended benefits is provided to all local elected officials (with the exclusion of municipal trustees, who are covered under the Bowen Island municipal plan).
20	Local governments should consider contributing to the cost of benefit premiums on a prorated basis, in accordance with the full- or part-time nature of elected positions.	B.4. Payment of Benefit Premiums for Trustees a) Trustees will be offered the opportunity to have benefit premiums paid by the Islands Trust. Payments for trustee benefit premiums may be subject to income tax as defined by the Canadian Revenue Agency. b) Trustees who do not subscribe to benefit coverage through Islands Trust will receive an annual amount as defined in Section C: Implementation.	Adequate	TC's remunerations policy does not differentiate between full time and part time, choosing instead to provide benefit coverage to all trustees equally.

UBCM BEST PRACTICE		ISLANDS TRUST POLICY 7.2.1 (Section Reference)	ASSESSMENT	COMMENTS AND RECOMMENDATION(S)
21	Local governments should consider extending benefits coverage to family members of elected officials, provided that the elected officials themselves pay the full incremental cost of such coverage.	Not addressed.	Improvement Opportunity	Trustees are currently entitled to enroll in couple/family benefit plans with the full premium paid by Islands Trust. No consideration of recovering the incremental cost is made in TC policy.
22	Local governments should periodically re-examine the benefits provided to ensure that benefits programs reflect changing needs, and reduce barriers to participation.	Not addressed.	Improvement Opportunity	Current TC remuneration policy is silent on review of benefit coverage.  Recommendation: Add policy language to include benefit coverage review in line with remuneration review, to ensure coverage remains appropriate.
<p><u>Recommendation(s) on Benefits Coverage:</u></p> <p><i>Option 1 – No change to policy to address alternate benefit coverage.</i></p> <p><i>Option 2 – That the trustee remuneration policy be amended to coverage of incremental costs associated with family benefit plans.</i></p>				
COMMUNICATIONS				
23	Local governments should consider including in their communications programs information on the nature of elected official roles, the purposes of remuneration, principles to guide the setting of remuneration, details on remuneration levels, remuneration reviews, and expenditures made.	Not addressed in policy.	Improvement Opportunity	Current communication programs do not address this suggested best practice.
24	Local governments should consider using a range of tools to communicate information, including written materials, presentations, and information meetings.	Not addressed in policy.	Improvement Opportunity	Current communication programs do not address this suggested best practice.

**UBCM BEST PRACTICE****ISLANDS TRUST POLICY 7.2.1  
(Section Reference)****ASSESSMENT****COMMENTS AND RECOMMENDATION(S)***Recommendation(s) on Communications:*

*Option 1 – No change to policy to address communications on the topic.*

*Option 2 – That the trustee remuneration policy be amended to include development of a communications strategy six months prior to any remuneration review, that includes key message and communications methods to inform about the nature of elected official roles, the purposes of remuneration, principles to guide the setting of remuneration, details on remuneration levels, remuneration reviews, and expenditures made, and that includes a range of communication tools.*



UNION OF BC MUNICIPALITIES

# COUNCIL & BOARD REMUNERATION GUIDE

FIRST EDITION  
SEPTEMBER, 2019

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## INTRODUCTION

In British Columbia, local governments are responsible for providing a broad range of local services to address infrastructure needs, regulate land use, move people and goods, tackle challenging social issues, promote active living, protect the natural environment, and deal with a host of other issues. The elected officials that sit on the municipal councils and regional district boards collectively make, and accept responsibility for, the funding, policy, and service delivery decisions that are required in order for local government to work. Local elected officials also have responsibility for ensuring that the councils and regional district boards themselves function effectively as democratic, representative governing bodies.

Effective governance requires the elected officials to make decisions regarding the structure and operation of the governing bodies. One of the more difficult decisions that must be made by the officials involves the setting of their own remuneration.

Local elected officials in BC endorsed a resolution at the 2018 Union of BC Municipalities (UBCM) Convention that tasked UBCM with developing a resource to support local decision makers in the development of remuneration packages that are defensible and fair. This *Council & Board Remuneration Guide* presents best practices for local governments to consider.

### Development of Guide

The *Guide* was developed through a five-stage process:

- > *Stage 1: Background Research* — Research was conducted to identify and understand the challenges faced by local governments in setting remuneration levels for council members and board directors. Remuneration approaches for elected officials in other orders of government were briefly explored as part of the research.
  
- > *Stage 2: Survey* — A survey was sent to every municipality and regional district in the province to understand elected official remuneration policies and practices in place today, to learn about approaches that appear to work well, and to understand lessons learned. A total of 75 local governments responded to the survey, which translates into a response rate of 39%. Included in the list of respondents were eleven of the twenty largest municipalities (by population), five

### LOCAL GOVERNMENT AUTONOMY

*The best practices set out in the Guide recognize that local governments have autonomy to develop approaches to remuneration that reflect local needs and circumstances. The Guide offers practical advice, based on research findings and the experiences of municipalities and regional districts, for local governments to consider. Each local government will need to determine, based on its own review of the information, its preferred course of action.*

of the smallest municipalities, and twelve regional districts. All regions of the province were well represented (see sidebar).

- > *Stage 3: Interviews* — Approximately twenty follow-up interviews were conducted with a subset of the municipalities and regional districts that responded to the survey. Written materials from these local governments were obtained and reviewed; materials from other places identified through the research were also reviewed.
- > *Stage 4: Best Practices* — Based on the background research, survey results, and discussions with individual local governments, a set of best practices was developed for the *Guide*.
- > *Stage 5: Guide* — The UBCM Executive approved the scope and approach for the *Guide*. The final draft, complete with recommended best practices, was reviewed by UBCM's Presidents Committee. Input provided by the Presidents Committee was used to finalize the document.

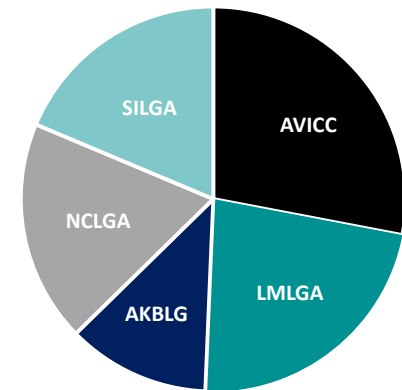
### Organization of Guide

The *Council & Board Remuneration Guide* is organized into six separate sections. Section 1 sets the stage by exploring why remuneration for elected officials is important, and why local governments need to review remuneration levels periodically. Sections 2, 3, and 4 then focus on remuneration reviews themselves. Section 2 begins by considering who should conduct such reviews. Three options are identified and assessed. Section 3 addresses the question of "when" — specifically, when to review remuneration, and when to implement the results of a review. The distinction between a full review and an adjustment is explained in this section. Section 4 examines how to conduct a review. The development of comparison groups, the collection of data, and the use of simple formulas are all topics that are addressed the text. Advice on expenses and benefits is also provided. Section 5 addresses the importance of communication. Information to communicate, audiences to reach, and methods of communication to consider are outlined.

Best practices for local governments to consider in addressing remuneration for elected officials are presented throughout the *Guide*. Section 6 brings the practices together into one summary table.

### SURVEY OF LOCAL GOVERNMENTS

*In total, 75 municipalities and regional districts participated in the survey on elected official remuneration. As illustrated in the accompanying chart, all regions of the province (identified using UBCM Area Associations) were represented.*



### Use by Local Governments

It is important to emphasize that the *Guide* does not prescribe or suggest specific levels of remuneration or particular expense and benefits packages for local elected officials. The *Guide* is focused, instead, on helping local governments develop approaches that can be used by decision-makers to establish compensation programs that are fair both for elected officials and local taxpayers.

It should be noted, as well, that the *Guide* recognizes the autonomy of local governments in the development of approaches that reflect local needs and circumstances. The *Guide* offers practical advice for local governments to consider, based on research findings and the experiences of municipalities and regional districts around the province. Each local government, however, will need to determine, based on its own review of the information, its preferred course of action.

On a related note, the *Guide* recognizes that there is significant variability among local governments in British Columbia. Considerable differences in population, area, scope of services, size of administration, location, growth rate, local economy, and other factors mean that local governments will need to apply the best practices in ways that respond to local needs and are sensitive to local conditions. To assist local governments in this task, care has been taken to provide advice that can be applied in a variety of local settings.

### Key Terms

Certain terms are used repeatedly throughout the *Guide*. Key terms and their meanings are presented in Figure I.1 in alphabetical order.

### VARIABILITY AMONG LOCAL GOVERNMENTS

*Considerable differences among local governments in population, area, scope of services, size of administration, location, economy, growth rate, and other factors mean that jurisdictions will need to apply the best practices in ways that respond to local needs and are sensitive to local conditions. Care has been taken to provide advice that can be applied in a variety of local settings.*

**Figure I.1  
Key Terms in the Guide**

Term	Meaning
<b>Benefits</b>	Benefits are the incentives, services and protections provided to local government elected officials during their time in office.
<b>Expenses</b>	Expenses are charges incurred by local government officials in the course of their duties, and are necessary in order to perform their duties.
<b>Local Governments</b>	Local governments include municipalities, governed by councils, and regional districts, governed by boards of directors.
<b>Local Government Elected Officials</b>	Local government elected officials include members of municipal councils, and directors of regional district boards. Members of council include mayors and councillors. Regional district directors include chairs and vice chairs.
<b>Remuneration</b>	In a narrow sense, the term remuneration in the <i>Guide</i> refers specifically to money that is paid to local elected officials as compensation for the duties they perform. Remuneration in this sense includes base salaries, but also supplemental payments that typically take the form of per-meeting stipends. Remuneration is also used in a broader sense to include expenses and benefits packages, in addition to money. The exact usage of the term throughout the text is context-specific.
<b>Remuneration Adjustment</b>	This term refers to increases that are automatically applied, usually on an annual basis, to an elected official's base salary. The level of adjustment is determined by a pre-determined index (e.g., consumer price index), or combination of indices.
<b>Remuneration Review</b>	A remuneration review is a formal assessment of existing remuneration provided to elected officials. In most cases, reviews include a consideration of pay, expenses, and benefits.

## SECTION 1

### IMPORTANCE OF REMUNERATION

Most people who seek election to a municipal council or regional district board are driven, first and foremost, by a strong sense of public service and a desire to make their communities better. Remuneration is not, in most cases, an important motivating factor. Individuals who do make the commitment to serve as local elected officials, however, should be able to expect fair and reasonable compensation. This section of the *Guide* explains why remuneration is both warranted and important.

#### FACTORS TO CONSIDER

##### Time Commitment

Local government elected officials are expected to commit considerable time (and energy) to their roles on municipal councils and regional district boards. In larger municipalities and in some regional districts, the roles of mayor and chair are full-time positions in which incumbents typically work more than full-time hours. Even in places where such positions are part-time in nature, the time requirements can be significant, as they are for councillors and directors. Time must be spent reviewing comprehensive agenda packages, attending council or board meetings and public hearings, engaging with residents, participating in civic events, and handling a variety of other tasks. For elected officials who serve on more than one governing body, on committees and commissions, and as appointees to external agencies and associations, the time commitment is even greater.

Councils and boards need people who are willing and able to commit the time needed to serve. Remuneration reflects and compensates individuals for the time they must spend to do the job.

##### Employment and Financial Impacts

The time required to serve on a municipal council or regional district board will reduce the amount of time available to spend on other paid work. For individuals who are mid-career, this reality can negatively impact their current employment situation, as well as their total earned income. In some cases the impact may extend to affect future career development and earning potential, since time spent on a council or board translates into less time available to apply to building a career path.

#### TIME COMMITMENT

*“Municipal politics is different than the rest in that Council members are always on the clock. Businesses close at the end of a day, people go home from work and provincial and federal politicians have staff and deputies to assist with their very demanding schedules. City Council members are on their own and take ownership of all issues and concerns from the community. They are never off the clock.”*

*Remuneration Task Force  
City of Kamloops*

Remuneration for local elected officials will not fully offset the employment and financial impacts experienced in every case. In keeping with the public service motivation of people who choose to run for local office, there is arguably a tacit acceptance by those in office of some level of sacrifice. Remuneration should, however, be fair as well as sufficient in order to mitigate any sacrifice required. Unfair and insufficient remuneration may render elected office off-limits to a variety of prospective candidates.

### **Responsibility**

Municipal councils and regional district boards are responsible for increasingly broad and complex portfolios of local government services. The elected officials who sit on these governing bodies contribute to and accept responsibility for funding, policy, and service delivery decisions that are taken to meet infrastructure needs, promote land use goals, tackle social issues, provide opportunities for sport and recreation, protect sensitive environments, regulate activities, and deal with a host of other issues. These decisions, which even in small jurisdictions can be weighty and contentious, affect the lives of residents and the long-term prosperity of communities. Fair remuneration for persons who are willing to accept such responsibility is warranted.

### **Representative Government**

As representative governing bodies, it is important that municipal councils and regional district boards reflect, to the extent possible, the diversity of the communities they serve. Inadequate remuneration, either in terms of pay and/or benefits, stands as a potential barrier to participation for people who are without other sources of income. Fair remuneration is important in helping to reduce barriers, and in attracting capable people from a variety of backgrounds, demographic groups, socio-economic classes, and employment types.

### **IMPORTANCE OF REVIEWS**

The factors outlined thus far help to explain why remuneration for local government elected officials is both warranted and important. The factors also highlight the need for local governments to regularly review their elected official remuneration programs in order to ensure that they remain fair over time as expectations and circumstances change. Remuneration levels that are left static in the face of changing circumstances, including shifts in the cost-of-living, risk becoming barriers to participation.

### *GOVERNING BODY DIVERSITY*

*Municipal councils and regional district boards are representative governing bodies. Their legitimacy is strengthened when they reflect the diversity of the communities they serve. Inadequate remuneration is a potential barrier to participation for individuals who may wish to serve, but who lack other sources of income and/or benefits. In these cases, diversity in the membership of local governing bodies may be difficult to achieve.*

## SECTION 2

### WHO SHOULD CONDUCT REVIEWS?

In an effort to ensure that remuneration levels for local elected officials remain fair over time, local governments undertake remuneration reviews. Reviews are the focus of Sections 2, 3, and 4 of the *Guide*. Section 2 — this section — begins by exploring who should conduct a review.

#### OPTIONS TO CONSIDER

In some jurisdictions, elected official remuneration is reviewed by the municipal council or regional district board itself, or by a committee of the council or board. In most places, however, reviews are assigned to other parties in order to relieve elected officials from the difficult task of having to develop their own levels and terms of compensation. The three most common options are local government staff, an independent task force, and experienced consultants.

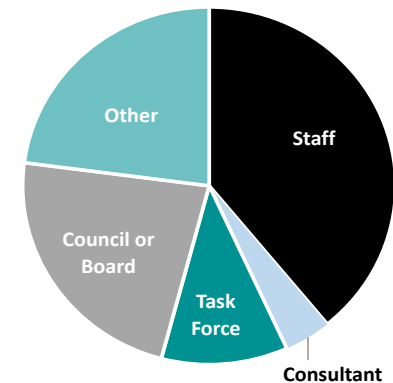
- > *Local Government Staff* — According to the survey of local governments that was conducted for the *Guide*, the use of local government staff to review elected official remuneration is the most popular option.<sup>1</sup> Most of the jurisdictions that reported using their own staff, it is worth noting, are small in size.
- > *Experienced Consultant* — This decision to assign a review to an outside, external consultant is less common, but is used in certain communities. Under the approach, a consultant is hired to conduct the relevant research, examine options, and recommend remuneration and benefit levels.
- > *Independent Task Force* — This option of an independent task force, comprised largely or entirely of local residents, is used by some local governments across the province, including large cities, small villages and towns, and regional districts.<sup>2</sup> The size and composition of the task force are important points to consider; so, too, is the mandate of the committee, its methodology, and the support it is provided.

<sup>1</sup> In all, 39% of responding local governments reported using local government staff to conduct reviews.

<sup>2</sup> The body is referred to as a Working Group, Advisory Group, Panel, Task Force, or Committee.

#### ASSIGNMENT OF REVIEWS

The accompanying chart based on the survey results shows that many jurisdictions today assign local elected official remuneration reviews to local government staff.



## Pros & Cons

The choice of option may be informed by past experiences, and by local expectations and views regarding elected official compensation. The choice will also be influenced, however, by an assessment of the pros and cons that are associated with each of the alternatives. Figure 2.1 presents some of the key pros and cons that local governments may wish to consider.

**Figure 2.1**  
Options to Consider

Options	Pros	Cons
<b>Local Government Staff</b>	<ul style="list-style-type: none"> <li>&gt; understand roles, responsibilities, and workload of elected officials</li> <li>&gt; understand local context</li> <li>&gt; easy access to data from other communities, particularly where benchmark group exists</li> <li>&gt; cost effective</li> </ul>	<ul style="list-style-type: none"> <li>&gt; perceived as being less-than-independent from governing body</li> <li>&gt; may be perceived or actual conflict of interest in cases where linkage (formal or informal) between elected official and staff remuneration</li> </ul>
<b>Experienced Consultant</b>	<ul style="list-style-type: none"> <li>&gt; independent from elected officials</li> <li>&gt; familiar with use of data and metrics, and with local government practices</li> <li>&gt; option enables decision-makers to point to and rely on expert advice</li> </ul>	<ul style="list-style-type: none"> <li>&gt; may not understand or be sensitive to local context</li> <li>&gt; may be costly</li> </ul>
<b>Independent Task Force</b>	<ul style="list-style-type: none"> <li>&gt; independent from elected officials</li> <li>&gt; places in hands of community (members from community)</li> <li>&gt; understands local context</li> <li>&gt; cost effective</li> <li>&gt; different perspectives involved</li> <li>&gt; potential to raise profile of local government, and importance of remuneration</li> </ul>	<ul style="list-style-type: none"> <li>&gt; may lack understanding of the roles, responsibilities, and workload of elected officials</li> <li>&gt; relies on credibility of committee members</li> <li>&gt; governing body may have difficulty rejecting recommendations</li> </ul>

## INDEPENDENT TASK FORCE

*The use of an independent task force provides for a high degree of separation for elected officials from the development of their own remuneration packages.*

## PREFERRED APPROACH

The independent task force emerges in Figure 2.1 as the preferred option for undertaking elected official remuneration reviews. The task force's independence from decision-makers, as well as staff, enables it to operate in a way that is free of local government involvement and — more importantly — *perceived* to be free of such involvement. This freedom adds to the credibility of recommendations that come forward, and protects elected officials and their staff from conflict of interest issues and other controversies. The independence also allows the task force to speak to the roles, responsibilities and expectations of elected officials, and the importance of appropriate remuneration, in ways that the elected officials and staff would find difficult to do.

It is worth noting that the use of independent task forces and panels to determine elected official remuneration is widespread at the provincial and federal government levels in Canada. These jurisdictions recognize the value of the approach in protecting elected officials from challenges related to conflict of interest that inevitably arise in the development of their own remuneration.

## SUCCESS FACTORS

The choice of the independent task force option will not, on its own, guarantee a successful outcome. Careful attention needs to be given to the appointment of members to the task force, the development of task force terms of reference, and the provision of support to the task force's work.

### Membership

To the extent possible, diversity in the membership of the task force is important. A common practice is to include, at a minimum, representation from the local business community, as well as the non-profit or public sector. Many governments also find the appointment of an individual with past experience in local government as an elected official or senior staff person to be advantageous. These individuals bring a local government perspective, and can help ensure a clear understanding on the task force of the roles and responsibilities of elected officials. Individuals with human resources experience or a legal background are considered to add value in some places. Citizens-at-large are included on many task forces.

## SUCCESS FACTORS

*The choice of the independent task force option will not, on its own, guarantee a successful outcome. Careful attention needs to be given to the appointment of members to the task force, the development of task force terms of reference, and the provision of support to the task force's work.*

Other considerations related to membership are as follows:

- > *Size* — Some places (e.g., Tofino, Metro Vancouver, Alberni-Clayoquot Regional District) limit the number of members to three; others (e.g., Abbotsford) allow for a maximum of five; still others (e.g., Kamloops) appoint seven. Larger bodies allow for greater diversity and a broader range of perspectives; smaller groups may be more nimble and able to reach consensus more easily. In relatively small jurisdictions, smaller task forces may be more practical to assemble given the smaller number of candidates relative to the situation in larger centres.
- > *Appointment* — In most jurisdictions that use independent task forces, members are appointed by the Chief Administrative Officer of the local government. This approach reinforces the group's independence from the governing body whose remuneration the task force is reviewing.

### Terms of Reference

As with any advisory body, formal terms of reference for the task force are important. Task force terms should set out:

- > the purpose of the task force
- > the task force's membership, including number and qualifications of members, and the designation of a chair
- > the method and term of appointment
- > the task force's mandate, or scope of review, including the specific items (e.g., base remuneration, expenses, benefits, annual adjustments) on which the task force is expected to provide recommendations
- > a methodology to guide the task force, including any specific factors, bases of comparison, and criteria for the task force to consider in developing its recommendations
- > expectations regarding consultation, including consultation with the public
- > the expected number of task force meetings, and the meeting procedures to follow
- > support resources available to the task force in conducting its work
- > the task force's reporting schedule

### GUIDANCE TO TASK FORCE

*Even when task forces are free to choose their own approaches, it is useful for jurisdictions to provide guidance on methodology, and identify specific items for task forces to consider in their work.*

*The terms of reference for Abbotsford's Council Remuneration Citizen Task Force state that "the Task Force will research and consider all aspects of compensation that it believes are relevant to making its recommendations, but will specifically consider [certain] matters..."*

- > policies, bylaws, and other documents of the local government that govern the task force's work and conduct

To underscore the importance of autonomy, some jurisdictions allow their task forces to themselves choose the data, factors, and criteria to use in developing recommendations. Even in these cases, however, jurisdictions will provide guidance on methodology or, more commonly, identify specific items for task forces to consider in addition to any others that the task forces determine to use.

### **Task Force Support**

The primary value of a remuneration task force is its independence from the local government. The elected officials who receive and who are affected by the task force's recommendations benefit from this independence. The task force is not expected, however, to conduct its work completely on its own, without assistance from the organization. Indeed, for the task force to succeed, it must be able to rely on staff to collect and analyze data, organize meetings, conduct research, and draft the task force's report. It is important for local governments to assign a senior manager as a liaison to the task force, and sufficient staff resources to give the task force the support it needs to fulfill its mandate.

Another form of support for the task force is education. To make meaningful recommendations that reflect the duties, workload, and expectations of elected officials, task force members need to have a good understanding of local government, and of the roles and responsibilities of mayors/chairs, and councillors/directors. Local government staff can assist by providing an orientation to task force members at the beginning of their mandate. Alternatively, or in addition, task force members can be given reference materials such as the booklet available online at the Ministry of Municipal Affairs, titled *Thinking About Running for Local Office?*

### **BEST PRACTICE**

- > *Local governments should consider establishing an independent task force to conduct reviews of elected official remuneration.*

### *TASK FORCE SUPPORT*

*"The District Chief  
Administrative Officer and  
Director of Financial Services  
shall serve as non-voting  
resources to the [citizen]  
Advisory Group."*

*Council Remuneration  
Advisory Group  
District of Tofino*

## SECTION 3

### TIMING AND FREQUENCY OF REVIEWS

Local governments interviewed for the *Guide* highlighted the need to consider timing and frequency in the review of elected official remuneration. These issues are explored in this section of the text. Also explored is the question of timing as it relates to the implementation of the outcomes of reviews.

#### TIMING OF REVIEWS

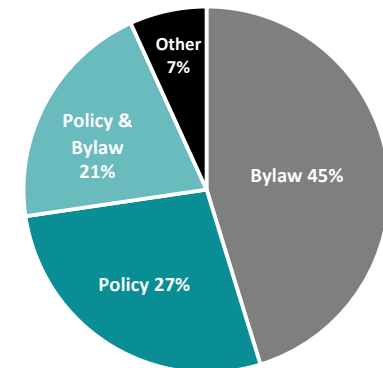
Local governments do not follow a single common practice with respect to the timing of remuneration reviews. An examination of existing approaches over the past decade shows that some councils and boards (e.g., Vancouver) have conducted reviews early in their terms, whereas others (e.g., Comox Valley Regional District, Oak Bay, Esquimalt, Prince George) wait until the final year of their mandate. Some local governments (e.g., Kamloops, Abbotsford, Metro Vancouver) initiate reviews closer to the middle of their terms. In general, most councils and boards that undertake reviews initiate them in the second half of their terms.

The preferred timing for a review will depend on a number of factors, including local economic conditions, reliance on established policy, the election cycle, and tax system changes over which local governments have no control. Each of these points is considered, as follows:

- > *Local Conditions* — In all of their initiatives, remuneration reviews included, councils and boards need to be sensitive to local economic conditions. Elected officials' compensation and benefits, it is important to remember, are paid for by local taxpayers. In times of economic growth and optimism, when local employment is strong and consumer confidence is high, news of a remuneration review for elected officials will be greeted much differently than during periods of economic stress. A council or board would be well-advised, for example, to postpone a review, no matter how warranted one may be, in a single-industry community that is dealing with the loss of a major employer.
- > *Established Policy* — The survey conducted for the *Guide* found that 27% of responding local governments have a formal policy in place on elected official remuneration, 45% have a remuneration bylaw, and 21% have both (see sidebar). Several of these policies and bylaws

#### ESTABLISHED POLICY

*Most local governments that responded to the survey have either a formal policy in place on elected official remuneration, a bylaw, or both. Several policies and some bylaws address the timing and frequency of reviews.*



speak to the timing of future remuneration reviews. When such schedules are applied consistently, local governments are perceived to have less discretion over the question of when to review. The issue of timing in these cases tends to attract less attention than it would otherwise.

- > *Election Cycle* — Change to elected officials' remuneration is an item of interest and discussion in many communities across the province. It is important for local governments to recognize remuneration as a legitimate issue for scrutiny and discussion, and to allow opportunities for discussion to occur. It may not be useful, however, for remuneration to dominate public discourse, particularly in the lead-up to an election when other important issues also deserve attention. To avoid this situation, local governments should consider conducting reviews, and reporting results, at least one year before the next election.
- > *Tax System Changes* — Changes to the *Federal Income Tax Act* were introduced by the federal government in 2017 to eliminate a long-standing federal tax exemption for local government elected officials, effective January 1, 2019. This change resulted in substantial changes to the after-tax income for elected officials, and prompted many local governments to adjust elected officials' 2019 pre-tax compensation in order to maintain after-tax 2018 remuneration. The need to review remuneration and change base amounts to maintain after-tax compensation was driven by changes that were beyond local government control. The timing of the review to initiate the changes was also driven by events outside of local government.

#### **BEST PRACTICE**

- > *Local governments should consider conducting remuneration reviews, and reporting the results, at least one year before the next election.*

#### **FREQUENCY OF REVIEWS**

Regular reviews of elected official remuneration levels should be undertaken in order to ensure that remuneration remains fair over time as job conditions, expectations, and circumstances change.

#### **ELECTION CYCLE**

*Change to elected officials' remuneration is a legitimate issue for public scrutiny and discussion. To avoid having remuneration dominate public discourse in the lead-up to elections, however, at the expense of other important issues, local governments should consider conducting reviews, and reporting results, at least one year before the next election.*

Failure to do so may undervalue the time spent by elected officials, and the level of responsibility associated with the job. Failure could also result in remuneration becoming a barrier to participation, and make it difficult for a diverse range of individuals to stand for election.

As noted earlier, several local governments that responded to the survey have policies or bylaws that set out schedules for formal reviews of base remuneration levels. In some of these documents the frequency of reviews is set out — once-per-term appears to be the most commonly prescribed schedule in these documents. Regular adherence to these schedules ensures that reviews happen on a regular basis, and helps to ensure that remuneration does not become a barrier to elected office. Local governments with policies and/or bylaws that do not identify a specific frequency typically experience longer intervals between reviews.

Relying on policies and bylaws to automatically trigger a review, in keeping with a prescribed frequency, is a useful practice to follow. It relieves councils and boards — as well as their individual members — from having to take the politically-difficult decision to request a review.

#### **BEST PRACTICES**

- > *Local governments should consider conducting remuneration reviews once per term.*
- > *Local governments should consider setting out the timing for subsequent reviews in remuneration policies or bylaws.*

#### **Annual Adjustments**

Local governments undertake remuneration reviews to assess the fairness of elected officials' pay, expenses, and benefit packages. When done properly, reviews take time, energy, and other resources to complete. A best practice, identified earlier, is to conduct a full review once per term — it is neither necessary nor reasonable to schedule reviews more frequently.

In the years between reviews, it is common for councils and boards with policies and/or bylaws in place to automatically adjust elected official pay to reflect changes in the cost of living. In almost

#### **ANNUAL ADJUSTMENTS**

*It is common for municipalities and regional districts with policies and/or bylaws in place to automatically adjust remuneration to reflect changes in the cost of living. The year-over-year change to the consumer price index is the default adjustment factor.*

every case, the previous year's Consumer Price Index (CPI) for British Columbia, Vancouver, or Victoria is the adjustment factor applied by local governments, depending on their location within the province.<sup>3</sup> Automatic adjustments, defined and set out in policies and/or bylaws, ensure that the real value of elected officials' remuneration remains stable between formal reviews, and can help to reduce the need for more significant increases at the time of review. Failure to make annual adjustments may place a burden on future councils and boards to address remuneration levels that have been left to stagnate in the face of regular cost-of-living increases. For these reasons, annual adjustments using a CPI index is a best practice.

#### **BEST PRACTICE**

- > *Local governments should consider including in their policies or bylaws provision for an automatic cost-of-living adjustment, using the CPI, to elected officials' base remuneration.*

#### **IMPLEMENTATION OF CHANGES**

When considering the issue of timing as it relates to the implementation of changes, it is important to distinguish among the types of changes being put forward. The three key types include: changes to base remuneration that emerge from full reviews; changes that are prompted by shifts in the tax system; and annual adjustments to reflect increases in the cost of living.

- > *Base Remuneration* — Councils and boards have full control over the timing of their remuneration reviews, even in cases where timing is prescribed by policy and/or bylaw. Similarly, councils and boards have full authority to choose when to implement any changes that emerge from reviews. In general, it is preferable to have such changes take effect at the beginning of the following term. This best practice is particularly important to follow when reviews conclude that significant increases to base pay and/or benefit packages are warranted. A decision to implement changes immediately, or even during the existing term, can create perceived conflicts of interest.

<sup>3</sup> Other indices include annual increases to general wages in BC, and increases to unionized or exempt staff wages.

#### **IMPLEMENTATION**

*It is preferable for councils and boards to implement the outcomes of remuneration reviews at the beginning of the following council or board term. A decision to implement changes earlier, during the existing term, can easily create perceived conflicts of interest.*

There will be some cases where implementation during the existing council or board term is considered necessary, perceptions of conflict notwithstanding. Consider the situation in which a council or board entered office following an election in which stagnant compensation was portrayed as a barrier to participation. The council or board could decide that implementation of changes that emerged from a review conducted early in the new term is necessary.

- > *Tax System* — Councils and boards have no control over changes to the income tax system — the elimination of the federal tax exemption for local government elected officials that took effect on January 1, 2019, is an example of one such change. In anticipation of this change — it was announced in 2017 — some local governments designed remedies, before the 2018 local general election, to take effect on January 1, 2019, in the new term. Several local governments, however, delayed taking action until after the federal tax change came into force. Immediate implementation of changes designed to protect elected officials from financial loss is considered reasonable and defensible by most.
  
- > *Annual Adjustments* — As explained earlier, annual adjustments to remuneration are designed to protect base rates from erosion as a result of inflation. These adjustments, which result in nominal rather than real increases, are expected to be implemented immediately.

#### BEST PRACTICES

- > *Local governments should consider having changes to base levels, determined through remuneration reviews, take effect at the beginning of the following term.*
- > *Local governments should consider allowing for immediate implementation of changes to remuneration that are designed to protect elected officials from financial loss that would otherwise occur as a result of tax system shifts.*
- > *Local governments should consider allowing for immediate implementation of annual cost-of-living adjustments.*

#### FEDERAL TAX SYSTEM

*Local governments have no control over shifts in the federal income tax system. Offsetting changes to base remuneration levels that are designed to protect council and board members from financial loss are reasonable. Local governments should consider implementing such changes immediately.*

## SECTION 4

### SETTING REMUNERATION

On a regular or periodic basis, local governments undertake remuneration reviews to determine the remuneration, expense payments, and benefits to provide to elected officials. The previous two sections of the *Guide* tackled a number of issues related to remuneration reviews, including:

- > who should conduct the reviews
- > when, during an elected body's term of office, reviews should be initiated
- > how frequently reviews should occur
- > when changes to remuneration that result from reviews should be implemented

This section of *Guide* — Section 4 — explores the factors that local governments should consider using in their reviews to determine remuneration levels that are fair and defensible. The text deals separately with the three main components of a complete remuneration package, namely remuneration (i.e., pay), expenses, and benefits.

#### REMUNERATION

Remuneration consists, first and foremost, of a base amount of pay for mayors, board chairs, councilors, municipal directors, and electoral area directors. Base amounts are intended to reflect the expectations and duties associated with the specific roles, and for that reason are expected to differ by role. Remuneration also includes any payments that are made to elected officials, on top of base pay, for attending different types of meetings, leading committees, sitting as appointees on external bodies, performing the roles of deputy mayor or deputy chair, and undertaking other duties. These supplemental payments, where offered, recognize differences in workload and responsibility among elected officials in the same role.

#### Bases of Comparison

For many jobs in our economy, wages and salaries are set through a process of comparison — that is, a process that takes into account remuneration associated with other jobs that are deemed to be comparable. The approach to setting remuneration for local elected officials is no different. The most common basis of comparison used by local governments across the province is remuneration paid to

elected officials in other, similar local governments. Some councils and boards, however, look to additional bases for guidance. Four bases to consider, including remuneration paid in similar jurisdictions, are as follows:

- > *Similar Jurisdictions* — Remuneration levels paid to elected officials across a set of other, similar local governments can be used to approximate an "industry rate". The use of comparable remuneration data, as noted, is widespread across municipalities and regional districts, and is considered a defensible approach. The challenge faced by those who use the approach, however, comes in choosing jurisdictions that are truly comparable. Population, the most common factor, goes some way toward establishing similarity, but may not be adequate on its own. Other factors may need to be combined with population to establish a more valid comparison group. Such factors could include location, geographic size, scope of services provided, growth rate, the urban (vs. suburban or rural) nature of a jurisdiction, economic make-up, tax base, average house price, size of operating budget, and number of staff (full-time equivalents).
- > *Local Labour Force* — A few jurisdictions in the province determine remuneration for council and board members using local earnings data collected by Statistics Canada — specifically, the average employment income earned by individuals aged 15 and over, who work year-round and full-time.
- > *Provincial MLAs* — Only one of the local governments in the survey pointed to remuneration paid to Members of the Legislative Assembly as a basis for determining local elected official pay. A few other jurisdictions, however, believe the comparison may be useful.
- > *Local Government Staff* — Changes to staff pay are used in some jurisdictions as an index to adjust council and board pay each year. Base pay for staff, however, is not generally used to help set elected official pay.

Each of the four bases identified here — as well as others not identified — has both strengths and shortcomings. Figure 4.1 highlights some of the pros and cons.

#### COLLECTING DATA

*It is important to ensure that data on other local governments are comparable. Care must be taken to confirm that data have been collected using similar methodologies, and that data sets measure the same factors. Sources of data include CivicStats (accessed through CivicInfo), and Statistics Canada. Direct contact with comparison group local governments may be warranted in some cases to produce "apples to apples" comparisons.*

**Figure 4.1  
Pros and Cons of Alternative Bases**

Alternative Bases	Pros	Cons
<b>Similar Jurisdictions</b>	<ul style="list-style-type: none"> <li>&gt; jobs of local elected officials in similar jurisdictions, while not identical, are comparable ("apples to apples")</li> <li>&gt; large enough comparison set can neutralize outliers</li> </ul>	<ul style="list-style-type: none"> <li>&gt; difficult to establish truly comparable set of jurisdictions (may be subject to accusations of "cherry picking")</li> <li>&gt; potential for salary escalation if other places in comparison set initiate significant increases</li> </ul>
<b>Local Labour Force</b>	<ul style="list-style-type: none"> <li>&gt; attempts to create strong linkage to local community that pays elected body's remuneration</li> <li>&gt; sensitive to local economic conditions</li> </ul>	<ul style="list-style-type: none"> <li>&gt; jobs of elected officials not comparable to majority of other jobs in the community in terms of time commitment, duties, responsibility</li> <li>&gt; not clear that average salary of entire workforce reflects value of elected officials' work</li> </ul>
<b>Provincial MLAs</b>	<ul style="list-style-type: none"> <li>&gt; remuneration reflects need in both orders of government to attract diversity of people to serve in elected office</li> </ul>	<ul style="list-style-type: none"> <li>&gt; role of MLA considerably different than roles of mayor and chair (much different than councillor/director)</li> <li>&gt; invites linkage to full MLA remuneration and benefits package</li> </ul>
<b>Local Government Staff</b>	<ul style="list-style-type: none"> <li>&gt; both groups (elected officials and staff) involved in same organization</li> <li>&gt; comparison to staff used in other orders of government to help set elected official remuneration</li> </ul>	<ul style="list-style-type: none"> <li>&gt; roles of staff considerably different than roles of elected officials</li> <li>&gt; perceived conflict on part of elected officials who approve staff salaries</li> <li>&gt; invites linkage to full staff remuneration and benefits package</li> </ul>

Arguably, there may be no single best basis of comparison to use in setting council and board remuneration. As suggested in Figure 4.1, however, some bases are better than others.

Remuneration levels paid to elected officials in similar local government jurisdictions represents the preferred basis, and the best practice for local governments.

#### **BEST PRACTICE**

- > *Local governments should consider using base remuneration paid to elected officials in similar local government jurisdictions as the preferred basis for determining remuneration.*

#### **Comparison Group**

In establishing a valid comparison group of similar jurisdictions, local governments will need to give careful thought to the most important measures to use. Population is a good starting point in every case — it is a useful proxy for elected official workload, and is easy to explain. As well, data on population are easy to obtain. Other measures can be combined with population to make the comparison set more defensible. Factors that influence elected officials' workload and level of responsibility are particularly useful to consider. The list of such factors will vary by jurisdiction, but may include:

- > location
- > geographic size
- > scope of services
- > growth rate
- > operating budget

Finally, local governments will need to give some thought to the number of jurisdictions to include in the comparison set. Larger sets will allow for a more robust comparison, and will make it easier to neutralize the impact of outliers (i.e., jurisdictions that have significantly high or low pay levels, relative to those of other places). If the set is too large, however, it may be difficult to obtain the necessary comparative data, especially in cases where a range of measures, in addition to population, are used. Given these points, a practicable and defensible minimum size is five to seven jurisdictions. The maximum size will depend on the number of factors being considered, and the capacity of the body conducting the remuneration review. Comparison set sizes vary considerably across local

#### *SIZE OF COMPARISON GROUP*

*The size of comparison groups that are used to help determine elected official remuneration varies considerably across local governments. The City of Prince George uses a peer review group of ten municipalities for the purposes of its quadrennial review. The group includes cities with similar populations — Chilliwack, Kelowna, Saanich, Langley Township, Delta, Kamloops, North Vancouver District, Nanaimo, Victoria, and Coquitlam.*

governments. Kamloops has used 14 municipalities; Comox Valley Regional District recently used nine. Metro Vancouver bases the salary of its Chair on the median salary of mayors in 21 municipalities (all Metro municipal jurisdictions).

#### **BEST PRACTICE**

- > *Local governments should consider establishing comparison groups using population, combined — as deemed necessary — with other factors that influence elected official workload and level of responsibility.*
- > *Local governments should consider including at least five jurisdictions (preferably more) in the comparison groups.*

#### **Using the Data**

Once the remuneration data from comparable jurisdictions have been obtained, local governments need to determine how to best use the data to determine pay levels for the range of elected officials in place. It is useful at this stage to make the exercise as straightforward as possible so that it can be undertaken easily (and relatively quickly), and so that it is easy to explain and understand. Simple formulas can be effective in meeting these goals.

For municipal councils, the following formula-based approach — or variations of it — is used in a number of places:

- > Set the salary for the mayor as the median value of all mayors' salaries from the comparison set of municipalities. Calculate the salary for councillors as a percentage (e.g., 40%) of the mayor's salary to reflect the part-time nature of the councillor position, as well as its lower workload and level of responsibility relative to those of the mayor.

Figure 4.2 illustrates, using hypothetical data from a comparison set of seven municipalities, how this formula works in practice. To be clear, all numbers, including the percentage factor, are hypothetical examples only, presented solely for the purpose of illustration.

#### **SIMPLICITY**

*When determining how to use comparison data to calculate remuneration levels, it is preferable to apply simple formulas. Formulas allow the exercise to be undertaken easily and relatively quickly. Approaches based on formulas are easy to explain, easy to understand, and defensible.*

Figure 4.2  
Sample Formula for Municipal Elected Officials

Comparison Set		Subject Municipality		
Mayors	Median Value	Mayor's Salary	%	Councillor Salary
\$ 101,000	\$ 92,000	\$ 92,000	40	\$ 36,800
\$ 92,000				
\$ 100,500				
\$ 90,000				
\$ 72,500				
\$ 93,000				
\$ 83,000				

In applying the formula, local governments should consider the following points:

- > *Percentage Factor* — The percentage factor that is applied to identify an appropriate councillor salary needs to be set after careful consideration of the position's workload, time commitment, and level of responsibility relative to those of the mayor. In municipalities where the mayor's role is full-time (or greater), the difference between the positions may be greater, and the percentage factor may be lower than 40%. Jurisdictions that use this formula (or variations of it) tend to apply percentages that range from 30% to 50%, depending on local conditions. Forty percent is a reasonable starting point.
- > *Median Value* — The median value effectively neutralizes low and high outliers, and is therefore preferable to the average value.
- > *Applying the Outcome* — It is possible, particularly if a new comparison set is used, that the resulting, recommended salaries for mayor and councillor will be lower than the actual salaries being paid. If the difference is significant, local governments may choose to "red circle" existing salaries for a period of time. In the calculated salaries are higher than those being paid, either a one-time adjustment, or a phased increase may be required.

- > *Alternative Percentile* — The median value represents the 50<sup>th</sup> percentile in the comparison set. Some local governments may determine, based on local circumstances, that remuneration should be set higher — for example, at the 75<sup>th</sup> percentile. In this situation, careful thought would need to be given to the rationale for such an approach.

While less common among regional districts, formulas may be just as useful in providing a relatively simple, easy to understand, defensible approach. In developing a formula for regional boards, provision needs to be made for a greater number of elected roles. In most cases, four specific roles should be considered, including the chair, vice chair, electoral area director, and municipal director. The distinction between electoral area and municipal directors is particularly important to recognize. Regional districts are the local government for electoral areas, responsible for providing all basic local services. Electoral area directors are accountable directly to their local electors, and are expected to consult directly with electors on local service and other topics. Many electoral area directors represent vast geographic areas, often with numerous small communities or settlements to serve. The time commitment required to provide proper contact and representation can be considerable. Electoral area directors' full local government salary comes from their regional districts.

The role of municipal director is also important and can be demanding. Municipal directors, however, are accountable to their councils and do not face the same expectations as their electoral area counterparts regarding consultation with residents on regional district matters. Residents of municipalities receive most of their local services from their municipal councils. Municipal directors sit on these councils, and are paid separately as council members to perform municipal duties.

A reasonable formula that takes into account the differences between electoral area and municipal directors, as well as the unique duties, expectations, and responsibilities of the chair and vice chair, is as follows:

- > Set the salary for municipal director based on the median value of all municipal directors' salaries from the comparison set of regional districts. Calculate the salary for electoral area director by applying a multiplier (e.g., 2.0). Calculate a stipend for the chair by applying a multiplier (e.g., 2.5) to the municipal director salary. Use a separate multiplier (e.g., 0.5) to determine a stipend for vice chair.

Figure 4.3 illustrates how this formula works in practice, using hypothetical data for a comparison set of seven regional districts. All numbers, including the multipliers, are examples only.

**Figure 4.3**  
**Sample Formula for Regional District Elected Officials**

Comparison Set		Subject Regional District				
Municipal Director	Median Value	Mun Director Base Salary	X	EA Director Base Salary	Chair Stipend*	Vice Chair Stipend*
\$ 17,000	\$ 12,500	\$ 12,500	2.0	\$ 25,000	\$ 31,250	\$ 6,250
\$ 11,000						
\$ 12,200						
\$ 9,000						
\$ 12,500						
\$ 15,000						
\$ 16,500						

\* These stipends would be paid in addition to the base director pay.

The considerations raised for municipal council remuneration formulas regarding percentage factor, median value, applying the outcome, and alternative percentile apply to the regional board formula as well. In addition, it is important in the regional district context to consider the need for supplemental payments, over and above the base salary amounts.

**BEST PRACTICE**

- > *Local governments should consider using simple formulas that make the calculation of remuneration levels as straightforward as possible, easy to explain, and easy to understand.*

### Regional District Supplemental Payments

On a municipal council, the expectations on a councillor in terms of workload, time commitment, and responsibilities, are, in general, the same for all councillors. Almost all councils, as a consequence, pay councillors the same base salary without additional payments for committee meetings. Supplemental fees may be paid in some cases to councillors who participate in external agencies on behalf of council; however, these payments are the exception rather than the rule. Approximately 25% of municipalities that responded to the survey pay stipends to council members for time spent as deputy mayor or acting mayor. In most cases, these stipends tend to be nominal in value.

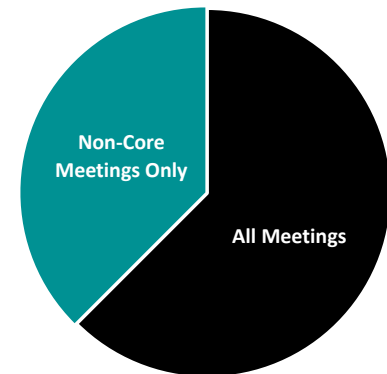
The situation for regional district directors is different. As noted already, the base remuneration for role of electoral area director is typically greater than the base remuneration paid to the municipal director role — the gap is intended to reflect the inherent differences in the roles. Differences in workload, time commitment, and level of responsibility, and level of interest also exist, however, among individual directors. Some directors may represent large jurisdictions that participate in a broad range of regional district services, some of which may have committees or commissions in place. These directors may be compelled to play, or be interested in playing, an especially active role in regional district service governance. Other directors will represent jurisdictions that are less involved in, or reliant on, their regional districts. These directors may not be involved in regional district matters to the same degree as others.

To account for differences among individual directors, regional districts may choose to provide supplemental payments, over and above base remuneration levels. Where provided, payments take the form of per-meeting stipends that are paid to directors who attend specified regional district meetings, as well as external meetings to which directors are sent to represent their local governments. The amounts of the supplemental payments vary; most regional districts, however, pay between \$75 and \$200 per meeting.<sup>4</sup>

<sup>4</sup> An exception is Metro Vancouver, which pays \$397 to each director for every board, committee and other approved meeting attended. For all Metro Vancouver directors other than the (sole) electoral area director, board chair, board vice chair, committee chairs, and committee vice-chairs, however, the meeting stipend constitutes the entire remuneration (i.e., there is no base amount). Central Coast Regional District and Peace River Regional District also pay higher per-meeting rates in lieu of base salaries for directors.

### SUPPLEMENTAL PAYMENTS

*Fifteen of the 24 regional districts that pay base remuneration to directors also provide supplemental payments for board, committee of the whole, and all other meetings. Nine of the regional districts provide supplemental payments for non-core meetings only.*



The use of supplemental, per-meeting payments is not uniform across regional districts. A review of the 24 regional districts in the province that pay base remuneration to directors shows that, while almost all provide payments to attend meetings of external agencies, 15 of the 24 also provide payments to attend board and committee of the whole meetings. Nine (9) regional districts provide no supplemental payments for these "core" regional district meetings — remuneration for attendance at these meetings is included in the directors' base salaries.<sup>5</sup>

Supplemental payments are intended to reflect workload differences among individual directors. It is not clear that such payments are also intended, however, to provide additional compensation to directors for attending core regional district meetings of the board, including committee of the whole meetings. Indeed, it may be argued that all board members are expected to attend these meetings as a basic requirement of their roles as directors.

In setting regional district board remuneration, careful attention needs to be given to the use of supplemental payments. Regional districts may wish to consider targeting such payments to non-core meetings, and structuring base levels to include attendance at board, committee of the whole, and any other core meetings.

#### **BEST PRACTICE**

- > *Local governments should consider targeting supplemental payments to non-core meetings, and structuring base remuneration levels to include attendance at board and committee of the whole meetings.*

#### **Alternate Directors**

It is important to note that all regional districts use per-meeting payments to remunerate alternate directors for attendance at all meetings, including core meetings, that the director would normally

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<sup>5</sup> Travel expenses for all meetings are paid (see later).

attend. These payments are the only form of remuneration for alternate directors; alternates do not receive a base salary.

## **EXPENSES**

Local government elected officials regularly incur expenses to travel to meetings, attend conferences and sanctioned events, communicate with residents and the local government office, and deal with the broad variety of other duties associated with the job. It is both important and legitimate that expenses which are incurred by council and board members on the job, and in order to do the job, be reimbursed by the local government. Policies and bylaws on expenses are used to set out the types of expenses that are eligible for reimbursement, the conditions under which reimbursements will be made, and the procedures that must be followed to obtain reimbursement.

A guiding principle for councils and boards on the matter of expenses is as follows:

- > Local elected officials should not themselves be expected to pay expenses that are incurred in order to perform their roles.

A related principle, however, is that compensation paid to elected officials for expenses incurred on the job should not be viewed as an additional source of remuneration. This point requires local governments, first, to identify the specific types of expenses for which elected officials can expect reimbursement.

### **Eligible Expenses**

Local governments have similar, but not identical, lists of expenses that are eligible for reimbursement. In the case of municipalities, expenses that are reimbursed by councils tend to be limited to those that are incurred by members on out-of-town business. Such expenses include:

- > travel by personal automobile (paid as a rate per kilometre) to out-of-town meetings
- > travel by taxi, bus, train, ferry, rental car, or air to out-of-town meetings
- > accommodation
- > conference fees
- > per diem payments for meals and incidentals

### *GUIDING PRINCIPLES (EXPENSES)*

*Local elected officials should not themselves be expected to pay expenses that are incurred in order to perform their roles. Compensation paid to elected officials for expenses incurred on the job should not, however, be considered or pursued as an additional source of remuneration.*

Some councils also provide funding for a smartphone, tablet, and/or computer (or provide the hardware itself), and the associated communications plan. Some will provide transportation costs within the municipality, including a mileage rate for personal car use, taxi and/or transit fees, and parking. Monthly car allowances for mayors are common; similar allowances for councillors are less common but do exist in some centres.

Regional district boards, similar to councils, reimburse members for smartphones and for attendance at out-of-town meetings. Most regional districts also, however, pay for travel, travel time, meals, and accommodation for attendance regional district board and committee meetings. These additional items reflect the large geographic size of many regional districts, and the need for directors to spend considerable time to travel to core meetings. Monthly transportation allowances provided by some regional districts to electoral area directors also reflect geographic realities.

Most local governments provide additional expense amounts for their mayors or chairs. A monthly car allowance, noted earlier, is standard for mayors and is becoming common for chairs. Hosting allowances are also recognized by several jurisdictions.

Regional district expense policies should anticipate and provide special direction to municipal directors to avoid instance of "double dipping". In some cases, expenses that are incurred by municipal directors can and should be reimbursed by the directors' municipal councils, not charged to the regional district. An example of such an expense is attendance at the UBCM annual conference. Council members who serve as municipal directors attend the annual conference, first and foremost, as representatives of their municipalities.

### **Local Considerations**

Lists of eligible expenses are common across most jurisdictions, as noted earlier. When developing expense policies and bylaws for a specific local government, however, it may be important to explore particular types of expenses that, while less widespread, are appropriate given the local context. Some regional districts (e.g., Squamish Lillooet) provide differential mileage rates to account for travel on unpaved roads. Others (e.g., Cariboo) provide reimbursement to replace car windshields that are damaged during regional district travel on winter roads. Parking in many urban centres is expensive.

### **FEDERAL TAX SYSTEM**

*Changes to the Federal Income Tax Act were introduced by the federal government in 2017 to eliminate a long-standing federal tax exemption for local government elected officials, effective January 1, 2019. The exemption was in place to recognize that, in the course of their duties, elected officials incur various expenses for which they may not be reimbursed (e.g., home office costs, meals while meeting with constituents, etc.). This change resulted in substantial changes to the after-tax income for elected officials, and prompted many local governments to adjust elected officials' 2019 pre-tax compensation in order to maintain after-tax 2018 remuneration.*

Municipalities and regional districts in these centres may feel it necessary to reimburse parking costs to elected officials.

### **Evolving Lists**

Finally, local governments should not view eligible expense lists as static documents. Indeed, in order to ensure that costs do not become barriers to participation, it is incumbent on local governments to periodically consult elected officials and review eligibility considerations. One potential expense that stands out is childcare. Councils and boards that have, or that seek to attract, young parents as members may find it both fair and necessary to reimburse child care expenses that are incurred to attend council and board meetings.

#### **BEST PRACTICES**

- > *Local governments should provide clarity in regional district expense policies/bylaws to ensure that municipal expenses incurred by municipal directors are reimbursed by the appropriate municipal governments.*
- > *Local governments should consider including in their expense policies and/or bylaws the principle that elected officials should not themselves be expected to pay expenses that are incurred in order to perform their roles.*
- > *Local governments should recognize that the range of legitimate expenses incurred to perform the roles of mayor and board chair will be greater than that incurred to perform the roles of councillor and board director.*
- > *Local governments should ensure that lists of eligible expenses reflect unique local conditions.*
- > *Local governments should periodically re-examine decisions on eligibility to ensure that lists of eligible expenses evolve to reflect changing needs and to reduce barriers to participation.*

## **BENEFITS**

Medical services plan premiums, extended health and dental plans, employee and family assistance programs, and life and accidental death insurance are common examples of benefits that local governments may choose to make available to all or some of their elected officials. Current practices across the province vary with respect to the provision of benefits. Some local governments provide full benefits to all elected officials at no cost to the members. In a number of places, benefits are made available only to the mayor, since this position is the only one considered full-time. Councillors and directors in some of these places may opt-in to packages, but only at their own cost, or on a cost-share basis with the municipality. Certain regional districts provide benefit packages at the local government's cost to electoral area directors, but require municipal directors to pay all premiums. Other regional districts pay 50% of the cost of packages for all directors who opt-in. Family members of elected officials are entitled to join benefit programs in some jurisdictions, but must pay the full cost. Almost all local governments provide personal accident insurance to elected officials who are traveling on local government business.

### **Provision of Benefits**

The provision of benefits to elected officials is becoming an increasingly important topic of consideration in local governments, particularly because of the potential barriers — real or perceived — that a lack of benefits pose for some. In an effort to avoid this situation, local governments may wish to consider making benefits available. Eligibility and responsibility for cost are two factors to include in any such consideration.

- > *Eligibility* — There is a strong rationale for providing benefits to mayors, and to other elected officials who occupy what are considered to be full-time positions. Many individuals who may wish to put their names forward for these positions would need, upon election to office, to leave other full-time employment in which they may receive benefits coverage. The prospect of giving up such coverage, and facing four or more years without replacement benefits, would prevent some from running.

The argument for benefits may not be as strong for elected positions that are structured and paid as part-time roles. In these cases, there is an assumption that individuals with access to benefits through their employment will be able to retain at least some access to those benefits

simply because they will not be need to leave their existing employment entirely. This reasoning fails in cases where existing benefits would be lost as a result of an individual being converted to part-time status with their employer after being elected to office.

An additional point in the discussion on eligibility concerns the position of municipal director on regional district boards. Municipal directors are, first and foremost, municipal councillors. The municipalities, as the local governments to which the councillors are elected to serve, should be responsible for addressing the benefits issue with these elected officials. Electoral area directors, by contrast, are directly elected to the regional district boards. Electoral area directors should look to these bodies for benefits.

- > *Responsibility for Cost* — Local governments should consider paying for elected official benefits on a pro-rated basis. Using this approach, municipalities would pay 100% of the benefit premiums for mayors, and 50% of the premiums for councilors. Regional districts would pay 50% of the cost of benefits for electoral area directors. Regional districts could also choose to pay 100% of the cost of premiums for regional district chairs who are deemed to occupy full-time roles, irrespective of whether the chairs are also electoral area or municipal directors.

In all, the principle governing the provision of benefits is that, in an effort to reduce barriers to participation, local governments should make benefits available to their elected officials, and should contribute to the cost of associated premiums on a pro-rated basis, in accordance with the full- or part-time nature of the positions.

### **Smaller Jurisdictions**

Smaller local governments who wish to provide some level of benefits coverage for their elected officials may have concerns regarding the cost of premiums. In an effort to minimize costs, local governments may consider extending existing staff programs to include elected officials, or joining with other local governments to create larger beneficiary pools. To that end, UBCM offers comprehensive group insurance coverage to all local government elected officials in the province. To join the plan, however, at least three officials from a local government must opt-in to the coverage.

## Evolving Range of Benefits

Finally, as with expenses, the list of benefits provided to local elected officials will change over time in response to local needs, societal trends, and other forces. In many jurisdictions today, standard benefits such as extended health and dental coverage, counselling services, and accidental death and dismemberment insurance will address needs. Some other local governments, however, may be under pressure to provide some form of parental leave, RRSP contributions, education allowances, and other benefits that prospective candidates for election receive in their existing careers. In the coming years, the number of local governments that will need to consider these types of benefits is likely to increase. And, to the extent that failure to provide them creates barriers to participation, local governments may need to consider taking action.

### ► Transition Payments

One specific benefit that may receive greater attention in the coming years is a transition allowance for local elected officials who leave office at the end of a term, either through their own choice, or as the result of an unsuccessful re-election bid. This benefit, which may be referred to as a retirement allowance, a separation payment, a pension, deferred remuneration, or a retraining and adjustment payout, is not offered in many jurisdictions today in the province — indeed, there are only eight municipalities that provide the benefit, and all of them are within Metro Vancouver. The benefit is provided to local elected officials on a broader basis, however, in other parts of Canada, namely Quebec and Ontario.

In some of the BC jurisdictions that offer a transition allowance, the benefit is intended as a bridge to help individuals re-enter the workforce, either in a new occupation, or back into a career that may have been placed on hold. In other cases, the benefit is presented in lieu of pension contributions that would have been paid by an employer if the elected officials had been considered employees and eligible for the existing municipal pension plan. Some transition allowances are intended to achieve both purposes. Consider some current examples:

- > The City of Vancouver provides one week of salary for every year of office served (provided that the departing council member served his or her full term). This benefit translates to 1.9% of the member's annual salary, and is intended to help facilitate the member's return to the workforce.

## TRANSITION ALLOWANCES

*Elected official transition allowances — referred to in some places as retirement allowances, separation payments, pensions, deferred remuneration, or adjustment payouts — are not common in British Columbia's local government system today. Experiences in other provinces and in the Metro Vancouver area, however, suggest that the benefit may become a matter for greater attention, at least for larger cities, in the coming years. The lack of transition and pension-like benefits could be a barrier to participation for different groups of individuals (e.g., mid-career professionals).*

- > The City of Port Coquitlam provides one month of salary for every year in office to the departing mayor (persons who served as councillors are not eligible). The benefit payment is capped at six months.
- > The City of New Westminster provides the equivalent of 10% of the annual indemnity for each year of service, to a maximum of 12 years of service. This benefit is a form of pension.
- > The City of Burnaby structures its benefits as an ongoing, annual payment to service council members. The payments reflect the employer contributions to the municipal pension plan that would be made if the council members were eligible for the plan. Payments can be invested by members as annual RRSP contributions.

Transition allowances may be most relevant and defensible in local governments with elected officials in roles that require a *de facto* full-time commitment (even though some roles may be paid at part-time rates). Individuals in these positions place their existing careers and jobs on hold while in office, and may not, as a consequence, be able to participate in a work-related pension or savings program. Individuals in full-time elected positions may also have more difficulty than others in transitioning back into the workforce following their time in elected office.

Experience in Ontario and Quebec supports the view that such benefits may be of most interest to positions that require significant time commitments. In Ontario, the majority of municipalities with populations over 100,000 offer pensions to elected officials, whereas only 7% of centres with populations under 10,000 provide the benefit.<sup>6</sup> It is generally the case that elected positions in larger centres are more demanding in terms of time than the same positions in smaller centres. In Quebec, the municipal pension plan is made available to all municipalities; however, local governments in centres with populations under 20,000 may choose to provide the benefit to the position of mayor only — the one position that typically requires a greater time commitment than others.

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<sup>6</sup> Metro Vancouver, *Board Remuneration Review Findings and Recommendations*, Board Remuneration Independent Review Panel, April 17, 2019, Page 9.

This *Guide* does not provide advice to local governments on whether or not to provide a transition allowance to departing, or serving, elected officials. The *Guide* recognizes, however, that the lack of such a benefit may discourage some individuals from considering public office, and may become more of a barrier in future years, at least in some centres. Local governments that wish to explore the development of a transition allowance, may want to consider the following questions:

- > Does the lack of a transition benefit stand as a significant barrier to participation? Which groups of individuals may view the benefit as being particularly important?
- > What is the primary purpose of the benefit? Is it to provide a bridge for departing elected officials to re-enter the workforce? Or is it to provide pension contributions in lieu of contributions that elected officials could earn outside of office?
- > What is a reasonable cap on the benefit, expressed either in terms of benefit paid, or eligible service time?
- > Is there any rationale for regional districts to provide the benefit to municipal directors, or should the issue of transition allowance to municipal elected officials be addressed directly by the local governments (i.e., the municipalities) to which the officials are elected?

### *BEST PRACTICES*

- > Local governments should consider providing access to extended health, dental, vision and insurance benefits to all local elected officials.*
- > Local governments should consider contributing to the cost of benefit premiums on a pro-rated basis, in accordance with the full- or part-time nature of elected positions.*
- > Local governments should consider extending benefits coverage to family members of elected officials, provided that the elected officials themselves pay the full incremental cost of such coverage.*
- > Local governments should periodically re-examine the benefits provided to ensure that benefits programs reflect changing needs, and reduce barriers to participation.*

## SECTION 5 COMMUNICATION

Local governments in British Columbia have long recognized the importance of strong communication in local governance. Municipalities and regional districts regularly communicate in proactive ways with their communities on a broad range of public policy, service, and governance matters. Remuneration for elected officials is one additional item on which clear communication is necessary. This section of the *Guide* highlights information that is important to communicate, identifies audiences with which to communicate, and provides advice on how to communicate.

As in all communication efforts, information on elected official remuneration is provided, in part, as a way to report on actions and decisions that are underway or that have been taken. Communication is also undertaken, however, to explain why initiatives are important to take, and to promote transparency in local government.

### INFORMATION TO COMMUNICATE

The pieces of information that are important to communicate have been identified in the earlier sections of the *Guide*. In all, the key pieces are as follows:

- > *Nature of Elected Official Roles* — The level of knowledge in communities on the roles of local elected officials is not uniformly high across the province. Information to help residents understand the duties and responsibilities of the roles, the expectations on council members and regional board directors, and the time required to perform the jobs properly may provide important context for reviews of remuneration, and may help to pave the way for broad acceptance of their outcomes.
- > *Purpose of Remuneration* — The reasons for providing remuneration to elected officials, and the factors that inform the setting of remuneration levels, are important to communicate. Residents and prospective candidates, in particular, may find it helpful to understand the importance of representative decision-making bodies, and the need to identify and reduce barriers to participation that some groups in the community may encounter.

### EXPLAINING IMPORTANCE

*The Cariboo Regional District opens its Directors' Remuneration and Expenses Bylaw with a statement of principles. The statement begins as follows:*

*"It is important for local governments to ensure their elected official positions are compensated fairly and equitably to attract and encourage a variety of citizens from different economic and demographic backgrounds... to run for office and represent their communities..."*

- > *Guiding Principles* — The communication of principles to guide council and board decisions on remuneration can help to speak to the purpose of remuneration, and can also minimize any suggestion of arbitrariness in the remuneration levels selected.
- > *Remuneration Details* — Clear and complete listings of base remuneration levels, supplemental payments, the situations in which supplemental payments are made, annual adjustments, eligible expenses and the process for claiming them, and benefit programs are important to communicate. Such details bolster transparency.
- > *Remuneration Reviews* — Where determined, the process and timing of remuneration reviews, along with any guiding principles for reviews to follow, can help to de-politicize the efforts. Details on reviews underway, as well as the results of such reviews, are also important.
- > *Expenditures Made* — Finally, efforts above and beyond basic statutory reporting requirements to make available information on remuneration received and expenses claimed can enhance transparency and build trust.

#### AUDIENCES TO REACH

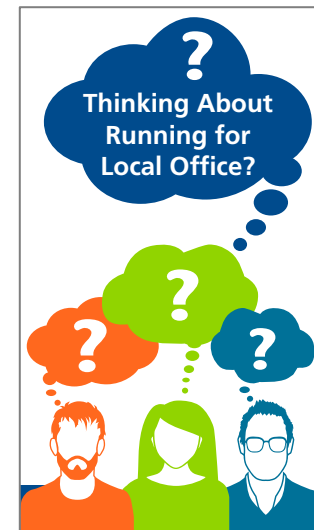
Residents in the community constitute the primary audience for communication efforts on elected official remuneration. Other audiences that may be targeted in communication strategies include ratepayer associations, business associations, and any other defined group that has expressed, or that may express, strong views on remuneration. An additional audience is the pool of prospective candidates for upcoming local government elections. This group should clearly understand the nature and level of the work involved, and the remuneration that is provided for the work.

#### COMMUNICATION TOOLS

Many local governments regularly make use of a range of different tools to connect with different audiences. For information on remuneration, councils and boards may find a combination of written materials, presentations, and information meetings to be most effective. Consider the following points:

#### UNDERSTANDING ROLES

*Prospective candidates for local government elected office should clearly understand the nature and level of the work involved, and the remuneration that is provided for the work. Resources such as "Thinking About Running for Local Office?" can help.*



- > *Written Materials* — Providing information in writing is a useful way to ensure accuracy of message, and to promote transparency. Written materials can also be made available in a number of formats in order to allow for distribution to various audiences. Examples of written materials to provide include:
  - remuneration policies and bylaws, complete with user-friendly introductions to explain the purpose and contents of the documents
  - information pamphlets on the reasons for, importance of, and principles in place to guide elected official remuneration
  - education booklets on the duties and responsibilities of local elected officials, as well as the time commitment involved
  - terms of reference to guide remuneration reviews
  - reports on the outcomes of remuneration reviews
  - regular disclosure of remuneration and expenses paid

Public surveys represent an additional written item that can be used not only to solicit public views on remuneration, but also to communicate the reasons for remuneration, and the existing remuneration, expense, and benefit programs in place.

- > *Presentations* — Public presentations (i.e., at open council and board meetings) of the results of remuneration reviews are effective communication methods, particularly when reviews have been completed by an independent panel, and presentations are made by the panel chair.
- > *Information Meetings* — Information meetings are used in several local governments to help prospective candidates understand the duties and responsibilities of the elected official jobs. Where not already the case, these meetings could include a component on remuneration. The reasons for remuneration, and the principles guiding remuneration, would be important to communicate in addition to the remuneration levels.

#### *PUBLIC INVOLVEMENT*

*Kamloops' Council Remuneration Task Force solicited input from the public through a carefully-constructed and -implemented engagement program. Five community events were attended by Task Force members. A survey was also provided for all interested residents.*

Information meetings can also be used as part of remuneration reviews. Such meetings are held in some centres to educate audiences on elected official remuneration, and to solicit views on appropriate packages to provide.

#### *BEST PRACTICES*

- > *Local governments should consider including in their communications programs information on the nature of elected official roles, the purposes of remuneration, principles to guide the setting of remuneration, details on remuneration levels, remuneration reviews, and expenditures made.*
- > *Local governments should consider using a range of tools to communicate information, including written materials, presentations, and information meetings.*

## SECTION 6

### BEST PRACTICES SUMMARY

This *Guide* has presented a series of best practices to assist local governments in setting elected official remuneration. Figure 6.1 pulls the best practices together into one table.

**Figure 6.1**  
**Remuneration Best Practices**

Section	Topic	Best Practices
Section 2: Conducting Reviews	Independent Task Force	<ul style="list-style-type: none"> <li>&gt; Local governments should consider establishing an independent task force to conduct reviews of elected official remuneration.</li> </ul>
Section 3: Timing and Frequency	Timing of Reviews	<ul style="list-style-type: none"> <li>&gt; Local governments should consider conducting remuneration reviews, and reporting the results, at least one year before the next election.</li> </ul>
	Frequency of Reviews	<ul style="list-style-type: none"> <li>&gt; Local governments should consider conducting remuneration reviews once per term.</li> <li>&gt; Local governments should consider setting out the timing for subsequent reviews in remuneration policies or bylaws.</li> </ul>
	Annual Adjustment	<ul style="list-style-type: none"> <li>&gt; Local governments should consider including in their policies or bylaws provision for an automatic cost-of-living adjustment, using the CPI, to elected officials' base remuneration.</li> </ul>
	Implementation of Changes	<ul style="list-style-type: none"> <li>&gt; Local governments should consider having changes to base levels, determined through remuneration reviews, take effect at the beginning of the following term.</li> <li>&gt; Local governments should consider allowing for immediate implementation of changes to remuneration that are designed to protect elected officials from financial loss that would otherwise occur as a result of tax system shifts.</li> </ul>

Section	Topic	Best Practices
Section 3: Timing and Frequency	Implementation of Changes	<ul style="list-style-type: none"> <li>&gt; Local governments should consider allowing for immediate implementation of annual cost-of-living adjustments.</li> </ul>
Section 4: Setting Remuneration	Bases of Comparison	<ul style="list-style-type: none"> <li>&gt; Local governments should consider using remuneration paid to elected officials in similar local government jurisdictions as the preferred basis for determining remuneration.</li> </ul>
	Comparison Group	<ul style="list-style-type: none"> <li>&gt; Local governments should consider establishing comparison groups using population, combined — as deemed necessary — with other factors that influence elected official workload and level of responsibility.</li> <li>&gt; Local governments should consider including at least five jurisdictions (preferably more) in the comparison groups.</li> </ul>
	Using the Data	<ul style="list-style-type: none"> <li>&gt; Local governments should consider using simple formulas that make the calculation of remuneration levels as straightforward as possible, easy to explain, and easy to understand.</li> </ul>
	Regional District Supplemental Payments	<ul style="list-style-type: none"> <li>&gt; Local governments should consider targeting supplemental payments to non-core meetings, and structuring base remuneration levels to include attendance at board and committee of the whole meetings.</li> </ul>
	Eligible Expenses	<ul style="list-style-type: none"> <li>&gt; Local governments should consider including in their expense policies and/or bylaws the principle that elected officials should not themselves be expected to pay expenses that are incurred in order to perform their roles.</li> <li>&gt; Local governments should recognize that the range of legitimate expenses incurred to perform the roles of mayor and board chair will be greater than that incurred to perform the roles of councillor and board director.</li> </ul>

Section	Topic	Best Practices
Section 4: Setting Remuneration	Eligible Expenses	<ul style="list-style-type: none"> <li>&gt; Local governments should provide clarity in regional district expense policies/bylaws to ensure that municipal expenses incurred by municipal directors are reimbursed by the appropriate municipal governments.</li> <li>&gt; Local governments should ensure that lists of eligible expenses reflect unique local conditions.</li> <li>&gt; Local governments should periodically re-examine decisions on eligibility to ensure that lists of eligible expenses evolve to reflect changing needs and to reduce barriers to participation.</li> </ul>
	Benefits	<ul style="list-style-type: none"> <li>&gt; Local governments should consider providing access to extended health, dental, vision and insurance to all local elected officials.</li> <li>&gt; Local governments should consider contributing to the cost of benefit premiums on a pro-rated basis, in accordance with the full- or part-time nature of elected positions.</li> <li>&gt; Local governments should consider extending benefits to family members of elected officials, provided that the elected officials themselves pay the full incremental cost of such coverage.</li> <li>&gt; Local governments should periodically re-examine the range of benefits provided to ensure that benefits programs reflect changing needs, and reduce barriers to participation.</li> </ul>
Section 5: Communications	Information to Communicate	<ul style="list-style-type: none"> <li>&gt; Local governments should consider including in their communications programs information on the nature of elected official roles, the purposes of remuneration, principles to guide the setting of remuneration, details on remuneration levels, remuneration reviews, and expenditures made.</li> </ul>
	Methods of Communication	<ul style="list-style-type: none"> <li>&gt; Local governments should consider using a range of tools to communicate information, including written materials, presentations, and information meetings.</li> </ul>



<b>Policy:</b>	7.2.1
<b>Approved By:</b>	Trust Council
<b>Approval Date:</b>	December 8, 2010
<b>Amendment Date(s):</b>	June 15, 2011; March 11, 2015; June 21, 2017; January 16, 2019
<b>Policy Holder:</b>	Director of Administrative Services

## TRUSTEE REMUNERATION

### Purpose

To define the process for determining the remuneration and benefits received by trustees, Executive Committee members, and members of Trust Council Committees.

### A. Definitions

#### Trustees

Trustees are elected officials as defined in the *Islands Trust Act*, Sections 6 (local trustees) and 7 (municipal trustees).

#### Population

Population for local Trust Areas is determined by the most recent census conducted by Statistics Canada.

#### Folios

1. Folios are individual properties as defined by BC Assessment.
2. The number of folios in each local Trust Area is determined annually by BC Assessment and reported to the Islands Trust.

#### Trust Council Committees

Trust Council Committees are the standing committees of Council as defined in Trust Council Policy 2.3.1, exclusive of the Executive Committee.

#### Executive Committee

Executive Committee means the committee referred to in section 20(1) of the *Islands Trust Act*, and is composed of the Chair and Vice-Chairs.

#### Benefits

1. Benefits are defined as:
  - 1.1 Premiums for Medical Services Plan (MSP)
  - 1.2 Premiums for dental plans available through the Union of BC Municipalities (UBCM)
  - 1.3 Premiums for extended health care available through the Union of BC Municipalities (UBCM)

## **B. Policy**

1. The Islands Trust endeavors to provide trustee remuneration that reflects the relative workload of individual trustees due to their membership on local trust committees (LTC), Trust Council and Trust Council Committees.
2. Trustee Remuneration will be calculated based on the sum of four factors:
  - 2.1 An amount for membership on Trust Council. This amount will be equal to the remuneration paid to municipal trustees and will be referred to as the “Trust Council Base Amount”.
  - 2.2 An amount for participation in LTC business and LTC meetings. This amount shall be referred to as the “LTC Local Base Amount”.
  - 2.3 An amount for the population within a Local Trust Area. This amount shall be referred to as the “Population Amount”.
  - 2.4 An amount for the number of folios within a Local Trust Area. This amount shall be referred to as the “Folio Amount”.
  - 2.5 The amounts for each of the above factors are defined in Section C: Implementation.
  - 2.6 Effective April 1, 2019, an amount for attendance at Trust Council committee meetings (excluding Executive Committee, which is remunerated in accordance with Section 3). Meeting attendance will be remunerated at \$100.00 per meeting attended for committee members, and \$150 per meeting attended for committee Chairs.
3. Additional Remuneration for the Executive Committee
  - 3.1 Members of the Executive Committee receive remuneration for carrying out their duties on the Executive Committee and their duties as chairs of LTCs.
  - 3.2 The vice-chairs’ remuneration shall be defined as equal to the Salt Spring Trustee Remuneration amount, plus 10%.
  - 3.3 The chair’s remuneration shall be defined as the vice-chair remuneration, plus 25%.
4. Payment of Benefit Premiums for Trustees
  - 4.1 Trustees will be offered the opportunity to have benefit premiums paid by the Islands Trust. Payments for trustee benefit premiums may be subject to income tax as defined by the Canadian Revenue Agency.
  - 4.2 Trustees who do not subscribe to benefit coverage through Islands Trust will receive an annual amount as defined in Section C: Implementation.

## **C. Implementation**

1. The implementation of this policy will commence with swearing in of trustees elected in November 2011.

2. The defined annual compensation amounts for the first implementation of this policy are the sum of:
  - 2.1 Trust Council Base Amount = \$3,200.00
  - 2.2 LTC Local Base Amount = \$4,200.00
  - 2.3 Population Amount = \$1.30 per person
  - 2.4 Folio Amount = \$1.30 per folio
3. The defined annual compensation amounts in section C.2 of this policy, and the methodology for making adjustments as defined in sections C.4 and C.5 of this policy, will be incorporated into a Trust Council Trustee Remuneration Bylaw.
4. Overall Review of Trustee Remuneration
  - 4.1 The Trustee Remuneration calculations will be reviewed when the results are available from the most recent census. Any adjustments based on changes in population or folios will be implemented on April 1<sup>st</sup> of the following year.
5. Annual Adjustments for Inflation
  - 5.1 The defined annual compensation amounts in section C.2 of this policy will be adjusted on an annual basis, coinciding with the fiscal year, based on the annual change in the Victoria Consumer Price Index as reported by BC Statistics in December. Adjustments to Trustee Remuneration that result from inflation will be implemented on April 1<sup>st</sup> of the following year.
6. Payments to Trustees Who Do Not Register for Benefits Through Islands Trust
  - 6.1 Local trustees who do not register for benefits through Islands Trust will receive an annual payment of \$1,000.00, paid evenly over the fiscal year (i.e., \$83.33 per month).
  - 6.2 If local trustees take office part way through the fiscal year, this payment will be applied proportionately based on how many months are remaining in the fiscal year.

**D. Legislated References**

Annual Budget Document

*Islands Trust Act*

Report on Proposed Trustee Remuneration prepared by Paul McKivett of James R. Craven and Associates dated August 24, 2010

Trustee Remuneration Committee Report dated August 24, 2010

RFD on Trustee Remuneration approved by Trust Council September 15, 2010

Trust Council Policy 2.3.1 – Council Committee System

**E. Links to Supporting Forms, Documents, Websites, Related Policies and Procedures**

n/a



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## **DRAFT FOR FINANCIAL PLANNING COMMITTEE**

October 12, 2022

Dear Chair of the Financial Planning Committee 2022-2026,

Congratulations on being elected as Chair of the Financial Planning Committee (FPC), which I believe to be one of the most important committees of Trust Council. As outgoing Chair of the FPC 2018-2022, I want to provide you with some thoughts and reflections as the new FPC begins their term.

This letter summarises the routine, cyclical tasks that FPC performs each year, highlights some of the additional work that FPC undertook during the 2018-2022 term, and provides thoughts on areas that may need future attention. The hope is that this will be helpful to you in your role as the new Chair.

### ***Cyclical Tasks***

FPC maintains responsibility for a number of recurring tasks, including drafting the annual budget for Trust Council, oversight of financial management by way of quarterly financial reporting and financial forecasting, reviewing legislated financial reports prior to Council approving them, advising on the development of the Trust's budget public consultation process, and overseeing the annual audit via the Audit Committee. Details on these cyclical activities can be reviewed in the [FPC Terms of Reference](#).

### ***Areas of Special Focus during the 2018-2022 Term***

In addition to its cyclical responsibilities, this term FPC performed work over several other areas of interest. The following are a few of the more significant or interesting areas of focus from the 2018-2022 term:

*Bowen Island Municipal (BIM) Tax Levy* – An in-depth analysis of the BIM tax levy calculation was undertaken by staff and FPC to determine if the levy formula is sound, reasonable, and results in comparable tax rates to BIM property owners as compared to the rates other Trust Area property owners pay for the same services. Results showed that the formula set out in the Islands Trust Act and detailed in Trust Council policy, remains sound and applied correctly during the Trust budgeting process.

*Financial Management of Capital Expenditures* – A review of how capital purchases are handled in the Trust's budgeting and financial reporting practices was performed to ensure appropriateness in the context of Trust business. No revisions to these practices resulted from the review.

*Electronic meetings and meeting streaming* – FPC supported increased transparency with the public by resolving to livestream, record and post their public meetings. Similarly, FPC moved their meetings to a fully electronic platform allowing for reductions in travel time for Committee members, reduced greenhouse gas emissions, reduced cost to the organisation, and greater ease of public participation via electronic attendance during meeting Public Comment Period.

*Budget Public Consultation* – FPC has paid special attention to the budget public consultation process in recent years with the goal of increasing public engagement and generating better quality feedback on

the Islands Trust draft budget. In addition to supporting an enhanced public survey on the budget, FPC explored options and costs to engage in professional polling of island residents, supported the development and delivery of a budget webinar in 2022, and developed the first-ever Islands Trust tax notice insert to facilitate wide-reaching information sharing with Trust area property owners. More recently, FPC has reviewed the timing of the budget consultation process.

*Budget Reduction* – Shortly after Trust Council approved its 2020-21 budget in March 2020, the COVID-19 pandemic was declared. In April of that year, FPC recommended that Trust Council revise its approved budget to reduce the planned 2% tax increase to a 0% increase to alleviate financial pressures on Trust area property owners. Trust Council accepted FPC's recommendation and subsequently met to approve a revised budget. In the second year of the COVID-19 pandemic, FPC oversaw a directed budget reduction exercise to find areas of potential budget reduction across the organisation, while maintaining appropriate service levels. Results of this exercise informed budgets for the 2021-22 and the 2022-23 fiscal years.

*Review of Surplus Funds and Related Policies* – FPC reviewed the appropriateness of Trust policy-driven minimum surplus balances, recommending that Trust Council reduce the minimum balance required to be held in surplus. Trust Council accepted this recommendation, freeing up funds for specific projects during the term.

*Application Processing Costs* – Regional Planning Committee (RPC) undertook an exercise to review the average cost of processing application fees at the Trust, to inform Trust application fees revision. FPC received and reviewed reports related to this project to assist RPC in their work.

### ***Guidance to You as the Chair***

I am hopeful that your background education or experience is financial in nature. Without this, you may find the position quite challenging and I would suggest you request extra help in order to carry out the function.

You will find the accounting and administrative staff, with whom you will work most closely, to be extremely competent, helpful and supportive. They will provide you with excellent advice which should not be taken lightly. In turn it is essential that you support staff and their work and that you respond promptly and respectfully to their requests for your input or assistance. Any concerns should be addressed with them or senior management privately.

As Chair of FPC you will play an important role in ensuring that your fellow Trustees understand the financial information being brought to their attention, information upon which they will often be basing their decisions.

I have had the privilege of being a member of the FPC for eleven years, and as FPC Chair for eight. For the most part I have enjoyed the experience enormously, particularly working with staff and committee members. I hope you too will find your work to be enjoyable and fulfilling. I wish you the very best.

Sincerely,

Peter Grove, CPA  
Chair, Financial Planning Committee, 2014-2022  
Trustee, Salt Spring Island, 2011-2022