

MEMORANDUM

To: Patsy Morris

From: Mayor David Miller

At its meeting of May 10, 2006, Employee and Labour Relations Committee considered the report from Mercer Human Resource Consulting regarding the compensation review for Elected Officials.

The Committee adopted my recommendation to assemble an expert panel to obtain their opinions regarding the report so that we can ensure that the resolution of this issue is open and fairly addresses the concerns of all Torontonians.

Attached please find the Mayor's Salary Review Panel's recommendations. Please place this item on the July 18th, 2006 Policy and Finance Committee agenda.

Mayor David Miller

May 10, 2006

To: Etobicoke York Community Council
North York Community Council
Scarborough Community Council
Toronto and East York Community Council

From: Employee and Labour Relations Committee

Subject: Compensation Review: Elected Officials

Action taken by the Committee:

The Employee and Labour Relations Committee:

- (1) referred the report (April 24, 2006) from the City Manager respecting the "Compensation Review: Elected Officials" to the Mayor's Office for a report to the June meetings of the Policy and Finance Committee and City Council, if possible; and
- (2) forwarded this issue, including the following motions tabled by Councillor Soknacki and Deputy Mayor Bussin, to the Community Councils for consideration as a deputation item at their June 13, 2006, meetings for comment to the Mayor's Office to be forwarded to the Blue Ribbon Panel established by the Mayor:

Moved by Councillor Soknacki:

That the Employee and Labour Relations Committee recommend to the Policy and Finance Committee that City Council receive the recommendations in the report (April 24, 2006) from the City Manager and adopt instead the following:

"It is recommended that:

- (1) a study be done prior to the beginning of each term to determine the average cash compensation of City Councillors and Mayors in an appropriate comparator group defined by a specialist consultant;

- (2) the salary level of Councillors and the Mayor be set at the greater of their current compensation or at the 50 percent percentile of the comparator group as at January 1, 2007, at the beginning of the new term; and
- (3) during the term of office compensation be adjusted annually to the Statistics Canada cost of living index for the City of Toronto.”

Moved by Deputy Mayor Bussin:

“That Recommendation (2) of the motion by Councillor Soknacki be amended by deleting ‘50 percent’ and inserting instead ‘75 percent’.”

Background:

The Employee and Labour Relations Committee on May 10, 2006, considered the following:

- (i) report (April 24, 2006) from the City Manager reporting back on the results of the external review of compensation for elected officials.

Recommendations:

It is recommended that the recommendations from Mercer Human Resource Consulting be approved, specifically, that:

- (1) the salaries for City Councillors be adjusted to \$95,000; for the Mayor to \$160,000 and that the adjustments be implemented January 1, 2007; and
 - (2) for the longer term the City use an Advisory Council with members selected from experienced professionals in the business and education sectors to help establish a compensation philosophy for Elected Officials and facilitate credible, independent advice and recommendations; and
- (ii) communication (May 3, 2006) from Mayor David Miller advising that he would like to assemble an expert panel of Torontonians to obtain their opinions regarding the report entitled “Compensation Review: Elected Officials”; that it is his intent to arrange for the report of the expert panel to be available for the June Policy and Finance Committee meeting; and that he will be moving a motion to refer the report to his office for submission to the June Council meeting.

Mr. George Pappas addressed the Employee and Labour Relations Committee.

The following Members of Council also addressed the Employee and Labour Relations Committee:

- Councillor Doug Holyday, Etobicoke Centre;
- Councillor Frances Nunziata, York South-Weston;
- Councillor Jane Pitfield, Don Valley West; and
- Councillor Michael Walker, St. Paul's.

City Clerk

Candy Davidovits/cd
Item 5

Attachments

Sent to: Mayor David Miller
Etobicoke York Community Council
North York Community Council
Scarborough Community Council
Toronto and East York Community Council

c. City Manager
Administrator, Policy and Finance Committee
George Pappas

(Report dated April 24, 2006, addressed to the
Employee and Labour Relations Committee from the City Manager)

Purpose:

To report back on the results of the external review of compensation for elected officials.

Financial Implications and Impact Statement:

Any salary adjustments would be implemented coincident with the new Council, taking effect in 2007. The estimated annual cost for the salary adjustments in 2007 is \$433,000.00.

Recommendations:

It is recommended that the recommendations from Mercer Human Resource Consulting be approved, specifically, that:

- (1) the salaries for City Councillors be adjusted to \$95,000.00; for the Mayor to \$160,000.00 and that the adjustments be implemented January 1, 2007; and
- (2) for the longer term, the City use an Advisory Council with members selected from experienced professionals in the business and education sectors to help establish a compensation philosophy for Elected Officials and facilitate credible, independent advice and recommendations.

Background:

City Council, on April 12, 13 and 14, 2005, requested the City Manager to use the results of the review of the compensation and benefit policies for senior staff in informing potential changes to future salary and benefit packages for City Councillors.

Comments:

An external firm, Mercer Human Resource Consulting, was selected to undertake the executive senior management compensation review. As part of the review, they were also asked to conduct a market compensation review of Elected Official positions. The results of the market compensation review are presented in the Consultant's report (Appendix A). The comparator group included neighbouring municipalities and regions as well as the other Canadian cities.

The Consultant's market findings indicate that City Councillors' salary level is currently aligned with the 50th percentile of the comparator group. The Consultant notes, however, that the size of the City of Toronto, both population and budget, is significantly greater than all of the organizations in the comparator group. On a size-adjusted basis, the current salary of the City Councillor role is positioned at the 25th percentile of the comparator groups. The same is true when comparing the salary level of the City's Mayor to the comparator group.

The Consultant concludes that in order to align the annual salaries of Elected Officials with positions of similar scope in the comparator market, the City should target the salary levels at least at the 75th percentile.

The Consultant recommends a two-phased approach in order to ensure that any salary adjustments are reasonable and fairly reflect the true market value of the positions:

- (1) Adjust the current salaries in line with a conservative view of the desired positioning in the comparator group. An increase that would bring the City's salaries to a position that is in the 3rd quartile of the comparator market is recommended. Adjusted for a 2007 implementation, the salary levels recommended for that year are: Councillors \$95,000.00, Mayor \$160,000.00.
- (2) For the longer term, the Consultant recommends the City use an Advisory Council to help establish a compensation philosophy for Elected Officials. They suggest that members be selected from experienced professionals in the business and education sectors in order to facilitate credible independent advice and recommendations.

Conclusion:

An external market compensation review was conducted by Mercer Human Resource Consulting in order to inform potential changes to future salary and benefit packages for elected officials. As a result of the review the recommendations from Mercer are brought forward for approval.

Contact:

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Attachment: Appendix A

(A copy of Appendix A referred to in the report dated April 24, 2006, from the City Manager was forwarded to all Members of Council with the May 10, 2006, agenda of the Employee and Labour Relations Committee and a copy is on file in the City Clerk's Office, City Hall).

(Communication dated May 3, 2006, addressed to the
Employee and Labour Relations Committee from Mayor David Miller)

At Council's directive at its meeting of April 12, 13, and 14, 2005, the City Manager was requested to use the results of the review of the compensation and benefit policies for senior staff in informing potential changes to future salary and benefit packages for City Councillors.

A report to the Employee and Labour Relations Committee dated April 24, 2006, has been prepared regarding the results of the external review of compensation for elected officials. This report is attached under Item 5 and will be discussed at the May 10, 2006, meeting. The report recommends certain salary changes for elected officials commencing with the next term of office.

I would like to assemble an expert panel of Torontonians to obtain their opinions regarding this report. My intent is to arrange for the report of the expert panel to be available for the June Policy and Finance and Council meeting.

I look forward to their suggestions so that we can ensure that the resolution of this issue is open and fairly addresses the concerns of all Torontonians.

I will, therefore, be moving a motion to refer the report to my office for submission to the June Council meeting.

July 11 , 2006

CITY CLERK'S OFFICE
SECRETARIAT SECTION

Mayor David Miller
City of Toronto
Mayor's Office
100 Queen St. West
2nd Floor
Toronto, Ontario
M5H 2N2

2006 JUL 13 P 1: 17

Dear Mayor Miller:

Re: Panel Recommendation
Compensation Review: Elected Officials

On behalf of the Panel members, I advise that we have completed our review of the recommendations contained in the report from Mercer Human Resource Consulting on the Compensation Review for Elected Officials.

We reviewed all documentation that was before the City's Employee & Labour Relations Committee at their meeting of May 10, 2006 including the April 24, 2006 report from the City Manager and the appended complete report from Mercer Human Resource Consulting. We also reviewed the comments from the four Community Councils' meetings of June 13, 2006.

The panel concurs with the recommendations made by the Consultant, specifically;

1. We support the recommendation that an Advisory Council be selected to establish a compensation philosophy for elected officials.
Organizations need a compensation philosophy in order to establish the rationale and process for maintaining fair and reasonable compensation for the skills and commitment that make the organization successful. At this point, however, the City of Toronto addresses compensation for its elected officials on an ad hoc basis and, for the most part, in a very reactive manner. Determining appropriate compensation for elected officials is a complex task, made even more difficult by the public nature of the role, the numerous stakeholders who wish to observe or comment on the process, the perceived conflict of interest and by the political sensitivity of the issue. The development of a compensation philosophy would assist the City in moving away from the continuing debates and opinions about what is "fair" and "reasonable." The compensation philosophy should obviously incorporate the views of stakeholders, but it must also bring objective, relevant and informed decisions to the process in order to more clearly define the particular market comparisons and rationale for establishing pay levels for the elected officials. In addition, the compensation philosophy can provide a framework for the ongoing administration of compensation for elected officials, including a process for determining

if adjustments are required and the magnitude of any adjustments.

The lack of consensus among the Community Councils highlights the need for this approach, as recommended by the Consultant.

We would recommend that a specific timeline be set for the completion of the development of the compensation philosophy and would suggest June 2008 as a reasonable target.

2. We concur with the recommendation that no salary adjustments be made as a result of this review for the current term. The Consultant does recommend a salary adjustment to be effective January 1, 2007, the beginning of the new term, as follows:

City Councillor adjusted to \$95,000
Mayor adjusted to \$160,000

Based on the methodology and data that we reviewed, it is evident that the current compensation levels for elected officials at the City of Toronto are not commensurate with comparable roles of similar scope in other large Canadian municipal organizations. The recommended adjustment is a modest “catch-up” in that it brings the Councillors’ salary up to the average of the large Ontario Municipalities, although still below Mississauga (\$115,500), Brampton (\$104,800) and York Region (\$100,500). These are the amounts cited in the Consultant’s report as of November 2005, including a gross-up of any tax-free portion. Similarly, the recommended adjustment for the Mayor still places Toronto’s Mayor below that of Mississauga (\$179,300) and Brampton (\$168,400). Again, these amounts are as of November 2005, including a gross-up of any tax-free portion. Increases for this comparator group for 2006 will create a further gap between these municipal organizations and the City of Toronto. Given these facts, in our judgement the recommendation is both financially conservative and appropriate.

Again, we emphasize the need that this short term measure be followed by the implementation of the Consultant’s recommendation for an Advisory Panel to determine a compensation philosophy and mechanism for review for the longer term.

Honorable Brian V. Tobin, P.C., ICD.D (Chair)

Ellen Malcolmson, Senior Vice President Customer Experience, Bell Canada

Ian D. Clark, President of the Council of Universities

02 March 2006

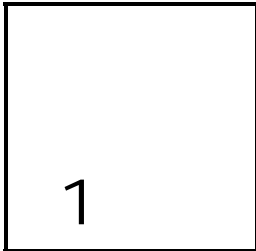
Elected Official Market Compensation
Review
The City of Toronto

MERCER

Human Resource Consulting

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Executive Summary

Mercer Human Resource Consulting (“Mercer”) was engaged by the City of Toronto (“the City”) to conduct a market compensation review of Elected Official positions. The information in this report is effective as of November 1, 2005. As requested by the City, the following positions and comparator organisations are included in the review:

Positions	Comparator Group ¹	
Councillor	City of Brampton	Region of Durham
Mayor	City of Calgary	Region of Halton
Chair of Council	City of Edmonton	Region of Peel
	City of Hamilton	Region of York
	City of Mississauga	
	City of Ottawa	
	City of Vancouver	
	City of Winnipeg	

¹Please note that the Cities of Halifax and Montreal were contacted but did not provide data.

Executive Summary (cont'd)

Data were compiled on:

- Salary
- Eligibility for 1/3 tax free compensation
 - Where compensation is provided 1\3 tax free, data were grossed up for the calculation of market statistics.
- Value of other cash compensation (e.g., serving on a related board or council)
- Total cash (grossed-up salary plus other cash compensation).

The following table summarizes the market data for Councillors in the comparator group.

Market Position	Organization Budget (\$M)	Population	# Residents per Councillor	Councillor Total Cash Compensation	Councillor Total Cash Compensation per capita (1)
75 th Percentile	\$864	973,748	54,810	\$93.4	\$2.36
50 th Percentile	\$723	846,300	44,500	\$82.0	\$2.03
25 th Percentile	\$504	568,700	36,492	\$74.7	\$1.55
Average	\$820	783,788	46,905	\$85.2	\$2.14
City of Toronto	\$4,710	2,480,000	56,364	\$85.5	\$1.52

(1) Salary per capita reflects salary relative to the number of residents per Councillor

The raw market data would suggest that the salary level (\$85.5K) of the City's Councillors is currently aligned with the market average (\$85.2) and the market 50th percentile (\$82.0K) of the comparator group of other large Canadian cities. However, this comparison does not take into account the difference in the scope or complexity of the role of the City's Councillor relative to this comparator market. The size of the City of Toronto (expressed in terms of either population or budget level) is significantly greater than all of the organizations in the comparator group. In line with industry practices, compensation levels are typically compared on a size-adjusted basis in order to provide a comparison that incorporates the size/scope of the position relative to positions with similar roles but different scope in the comparator group. In general, the scope of the Councillor role can be expressed in terms of the number of residents per Councillor. Based on this comparison, the market data indicates that the scope of the City's councillor role (56,364 residents per Councillor) is comparable to the 75th percentile (54,810 residents per Councillor) in the comparator group and the corresponding salary level should, therefore, approximate the 75th percentile of the market (\$93.4).

Executive Summary (cont'd)

On the size-adjusted basis, however, the current salary of the City's Councillor role is positioned well below this level and, in fact, reflects the 25th percentile of the comparator group. The same gap between the City's salary level and market is apparent when comparing to large municipal organizations both nationally and within the province of Ontario.

A similar situation exists when comparing the salary level of the City's Mayor to the comparator group, both nationally and within the province of Ontario.

In order to align the annual salaries of its Elected Officials with positions of similar scope in the comparator market, the market data would suggest that the City should target their salary levels at least at the 75th percentile. It should be recognized, however, that the market sample of large municipal organizations, by default, consists of a relatively small number of observations and the upper and lower quartiles can be skewed by a very small number of organizations, that may or may not have established salary levels that can be considered appropriate. Therefore, while it is evident that the City's salaries are "under market" relative to this comparator group, we would recommend the following two-phased approach in order to ensure that any salary adjustments are reasonable and fairly reflect the true market value of the positions:

1. Adjust the current salaries in line with a conservative view of the desired positioning in the current comparator group, thus avoiding any inflation of the salary levels based on significantly high salary levels in a few of the comparator organizations. We would recommend an increase that would bring the City's salaries to a position that is in the third quartile of the comparator market.

We understand that any salary adjustments would be implemented coincident with the new Council and would take effect in 2007. Applying the above recommendation and aging the 2005 market data in line with established industry practices would result in the following adjustments.

Position	Current Salary	Third Quartile Comparator Market (Aged to 2007 and rounded)	Total % Increase (Aging and Market Adjustment)
Councillor	\$85.5K	\$95.0K	11%
Mayor	\$145.0K	\$160.0K	14%

Executive Summary (cont'd)

2. In the longer term, it is recommended that City establish a compensation philosophy for Elected Officials with objective and clearly defined rationale for the elements of compensation, comparator market(s), and target market positioning. The compensation philosophy should also address the process for ongoing administration of salaries. Municipal organisations use a number of different approaches for determining annual adjustments for base salaries. There is no single, predominant practice in the market, but most organisations use one of the following three approaches:

- Use of annual surveys of peer organisations,
- A formula linked to the cost of living index,
- Equivalent to non-union salary adjustments in the organisation.

Given the current difficulties and diverse opinions surrounding the compensation of Elected Officials, the City may wish to consider the use of an Advisory Council, as outlined in Appendix B, in order to help establish a compensation philosophy for Elected Officials. It is recommended that the City select the advisory council members from experienced professionals in the business and education sectors in order to facilitate credible, independent advice and recommendations for the City.

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Introduction

Mercer Human Resource Consulting (“Mercer”) was engaged by the City of Toronto (“the City”) to conduct a market compensation review of Elected Official positions. The information in this report is effective as of November 1, 2005.

- As requested by the City, the following 3 positions are included in the review:
 - Councillor
 - Mayor
 - Chair of Council.

- The comparator group defined by the City for market compensation benchmarking is as follows:

Comparator Group (14 organisations)		
City of Brampton	City of Mississauga	Region of Durham
City of Calgary	City of Montreal	Region of Halton
City of Edmonton	City of Ottawa	Region of Peel
City of Halifax	City of Vancouver	Region of York
City of Hamilton	City of Winnipeg	

- Please note that data were unavailable for the Cities of Halifax and Montreal.

Introduction (cont'd)

- Also note that compensation levels in the following cities/towns were used to calculate the full value of Regional Councillor salaries:
 - Oshawa (Region of Durham)
 - Oakville (Region of Halton)
 - Richmond Hill (Region of York)

- Data were compiled on:
 - Salary
 - Eligibility for 1/3 tax free compensation
 - Where compensation is provided 1\3 tax free, data were grossed up for the calculation of market statistics.
 - Value of other cash compensation (e.g., serving on a related board or council)
 - Total cash (grossed-up salary plus other cash compensation).




- Market data are presented in thousands of Canadian dollars, are effective November 1, 2005 and were compiled from:
 - Custom compensation surveys
 - Telephone interviews.




- In the calculation of market statistics, three organisations are required to show an average; four to show percentile values. A double dash, "--", in-lieu of a figure indicates that insufficient data were provided to report any statistic.

- This report includes the:
 - Summary market compensation data
 - Detailed and size-adjusted market compensation data
 - Observations
 - Appendices detailing:
 - Definitions
 - Advisory Council Process.

Introduction (cont'd)

Should you have any questions about the information contained in this report, please contact:

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3

Summary Market Compensation Data

The following tables summarise the market compensation data for the Councillor, Mayor and Chair of Council positions. Definitions for elements of compensation and market statistics are provided in Appendix A.

The City of Toronto's operating budget is based on the sum of budget per division numbers provided by the City.

Please note that where 1/3 tax free, actual salary was grossed up to the level required to keep the incumbent whole in a 100% taxable scenario. Gross-up calculations were based on the highest combined federal and provincial tax rate for the appropriate province.

Councillor

Compensation (\$CDN 000s)	Toronto	# of Orgs	25 th %ile	50 th %ile	75 th %ile	Average
Operating Budget (\$Millions)	\$4,710	11	\$504	\$723	\$864	\$820
Grossed-up salary	\$85.5	11	\$70.1	\$76.4	\$90.4	\$80.8
Other Cash Compensation	--	4	\$10.5	\$12.6	\$14.0	\$11.9
Total Cash	\$85.5	11	\$74.7	\$82.0	\$93.4	\$85.2

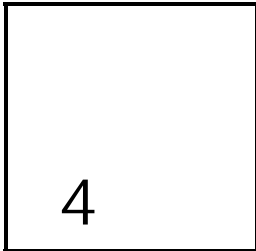
Summary Market Compensation Data (cont'd)

Mayor

Compensation (\$CDN 000s)	Toronto	# of Orgs	25 th %ile	50 th %ile	75 th %ile	Average
Operating Budget (\$Millions)	\$4,710	8	\$493	\$707	\$1,029	\$864
Grossed-up salary	\$145.0	8	\$128.2	\$139.9	\$143.4	\$138.6
Other Cash Compensation	--	2	--	--	--	--
Total Cash	\$145.0	8	\$139.9	\$142.0	\$156.6	\$147.5

Chair of Council

Compensation (\$CDN 000s)	Toronto	# of Orgs	25 th %ile	50 th %ile	75 th %ile	Average
Operating Budget (\$Millions)	\$4,710	4	\$693	\$830	\$906	\$769
Grossed-up salary	--	4	\$143.6	\$150.2	\$157.8	\$151.2
Other Cash Compensation	--	1	--	--	--	--
Total Cash	--	4	\$143.6	\$153.2	\$162.3	\$152.7



Detailed and Size-Adjusted Market Compensation Data

The following pages provide detailed and size-adjusted market compensation data for the Councillor, Mayor and Chair of Council positions.

Size-adjusted data are presented as salary per capita figures.

Please note that there may be some variations in the data depending on the information each organisation submitted. Some organisations, for example, indicated officials receive compensation from other sources (i.e. serving on a related Board or Council) but were unable to provide a dollar value. Other cash compensation excludes expense reimbursement and car allowances or benefits.

City of Toronto compensation for Elected Official positions is not eligible for 1/3 tax free provisions. Where an organisation's Elected Officials' compensation is 1/3 tax free it has been grossed up in order to normalize the compensation figures. We have identified these organisations where this applies.

For Councillors, data are provided for both the full comparator market and the subset of Ontario-based organisations.

Detailed and Size-Adjusted Market Compensation Data

Councillor - Ontario-based Comparators

Compensation in (\$CDN 000s)															
Organization	Operating Budget (\$Millions)	Population (#)	No. of Councillors (#)	Residents Per Councillor (#)	Salary (Local)	Eligible for 1/3 tax free?	Grossed-Up Salary (Local) (1)	Salary (Regional)	Grossed-Up Salary (Total)	Receive Other Compensation ?	Other Cash Compensation (2)	Total Cash Compensation (3)	Source of Other Cash Compensation	Per Capita (\$)	
														Grossed-Up Salary (Total)	Total Cash Compensation
Region of Durham (Oshawa)	\$898	577,400	28	20,621	\$30.2	Yes	\$39.0	\$41.2	\$80.2	Yes	\$6.0	\$86.2	Chairs of Standing Committee	\$3.89	\$4.18
Region of Halton (Oakville)	\$487	427,000	20	21,350	\$32.2	Yes	\$41.5	\$36.5	\$78.1	Yes	n/a	\$78.1	-	\$3.66	\$3.66
City of Mississauga (Region of Peel) (4)	\$430	1,126,000	21	53,619	\$72.4	No	\$72.4	\$43.1	\$115.5	Yes	\$16.3	\$131.8	Board service	\$2.15	\$2.46
Region of York (Richmond Hill)	\$761	890,000	20	44,500	\$58.3	No	\$58.3	\$42.2	\$100.5	Yes	n/a	\$100.5	-	\$2.26	\$2.26
City of Hamilton	\$555	490,268	15	32,685	\$54.5	Yes	\$70.2	-	\$70.2	No	-	\$70.2	-	\$2.15	\$2.15
City of Ottawa	\$1,988	846,300	21	40,300	\$70.0	No	\$70.0	-	\$70.0	Yes	\$12.0	\$82.0	Police Service Board Chair	\$1.74	\$2.03
City of Brampton (Region of Peel) (4)	\$313	1,126,000	21	53,619	\$47.9	Yes	\$61.7	\$43.1	\$104.8	No	-	\$104.8	-	\$1.96	\$1.96
75th Percentile	\$830	1,008,000	21	49,060	\$64.2		\$70.1		\$102.7		\$14.2	\$102.7		\$2.96	\$3.06
50th Percentile	\$555	846,300	21	40,300	\$54.5		\$61.7		\$80.2		\$12.0	\$86.2		\$2.15	\$2.26
25th Percentile	\$459	533,834	20	27,017	\$40.1		\$49.9		\$74.1		\$9.0	\$80.0		\$2.05	\$2.09
Average	\$776	783,281	21	38,099	\$52.2		\$59.0		\$88.5		\$11.4	\$93.4		\$2.54	\$2.67
City of Toronto	\$4,710	2,480,000	44	56,364	\$85.5	No	\$85.5	-	\$85.5	No	-	\$85.5	-	\$1.52	\$1.52
Notes:															
(1) Where 1/3 tax free, salary was grossed up to the level required to keep the incumbent whole in a 100% taxable scenario. Gross up calculations were based on the highest combined federal and provincial tax rate for the appropriate province.															
(2) Compensation from another source for responsibilities performed within the capacity of the position. (ie. Serving on a related Board or Council)															
(3) Total cash compensation represents grossed-up salary (total) plus other cash compensation.															
(4) Population and number of Councillors is based on the Region of Peel.															

Councillor - Full Comparator Market

75th Percentile	\$864	973,748	21	54,810	\$61.6		\$71.3		\$90.4		\$14.0	\$93.4		\$2.21	\$2.36
50th Percentile	\$723	846,300	20	44,500	\$55.1		\$69.6		\$76.4		\$12.6	\$82.0		\$1.96	\$2.03
25th Percentile	\$504	568,700	15	36,492	\$49.5		\$54.7		\$70.1		\$10.5	\$74.7		\$1.40	\$1.55
Average	\$820	783,788	18	46,905	\$54.1		\$62.1		\$80.8		\$11.9	\$85.2		\$2.03	\$2.14
City of Toronto	\$4,710	2,480,000	44	56,364	\$85.5	No	\$85.5	-	\$85.5	No	-	\$85.5	-	\$1.52	\$1.52

Detailed and Size-Adjusted Market Compensation Data (cont'd)

Mayor

Compensation in (\$CDN 000s)

Organization(1)	Operating Budget (\$Millions)	Population (#)	Salary	Eligible for 1/3 tax free?	Grossed-Up Salary (2)	Receive Other Compensation ?	Other Cash Compensation (3)	Total Cash Compensation (4)	Source of Other Cash Compensation	Per Capita (\$)	
										Grossed-Up Salary	Total Cash Compensation
City of Brampton	\$313	412,503	\$130.7	Yes	\$168.4	No	-	\$168.4	-	\$0.41	\$0.41
City of Hamilton	\$555	490,268	\$108.9	Yes	\$140.3	No	-	\$140.3	-	\$0.29	\$0.29
City of Mississauga	\$430	688,000	\$121.3	No	\$121.3	Yes	\$58.1	\$179.3	Region (\$43,089) and board service (\$15,000)	\$0.18	\$0.26
City of Ottawa	\$1,988	846,300	\$140.0	No	\$140.0	No	-	\$140.0	-	\$0.17	\$0.17

Full Comparator Market - including Vancouver, Edmonton, Calgary, Winnipeg and Ontario-based cities above.

75th Percentile	\$1,029.0	868,099	\$127.1		\$143.4		-	\$156.6		\$0.23	\$0.27
50th Percentile	\$707.0	659,600	\$118.6		\$139.9		-	\$142.0		\$0.19	\$0.22
25th Percentile	\$492.5	542,567	\$113.6		\$128.2		-	\$139.9		\$0.16	\$0.16
Average	\$864.4	696,971	\$120.1		\$138.6		\$35.7	\$147.5		\$0.22	\$0.23
City of Toronto	\$4,710	2,480,000	\$145.0	No	\$145.0	No	-	\$145.0	-	\$0.06	\$0.06

Notes:

(1) Ontario-based Cities

(2) Where 1/3 tax free, salary was grossed up to the level required to keep the incumbent whole in a 100% taxable scenario. Gross up calculations were based on the highest combined federal and provincial tax rate for the appropriate province.

(3) Compensation from another source for responsibilities performed within the capacity of the position. (ie. Serving on a related Board or Council)

(4) Total cash compensation represents grossed-up salary plus other cash compensation.

Detailed and Size-Adjusted Market Compensation Data (cont'd)

Chair of Council

Compensation in (\$CDN 000s)

Organization	Operating Budget (\$Millions)	Population	Salary	Eligible for 1/3 tax free?	Receive Other Compensation ?	Other Cash Compensation (1)	Total Cash Compensation (2)	Source of Other Cash Compensation	Per Capita (\$)	
									Grossed-Up Salary (Total)	Total Cash Compensation
Region of Peel	\$928	1,126,000	\$139.8	No	Yes	n/a	\$139.8	Board service paid by the respective board.	\$0.12	\$0.12
Region of Durham	\$898	577,400	\$155.6	No	Yes	\$6.0	\$161.6	Chair of standing committee or appointment to the Police Service Board.	\$0.27	\$0.28
Region of York	\$761	890,000	\$164.6	No	No	-	\$164.6	-	\$0.18	\$0.18
Region of Halton	\$487	427,000	\$144.8	No	Yes	n/a	\$144.8		\$0.34	\$0.34
75th Percentile	\$905.5	949,000	\$157.8			-	\$162.3		\$0.29	\$0.29
50th Percentile	\$829.5	733,700	\$150.2			-	\$153.2		\$0.23	\$0.23
25th Percentile	\$692.5	539,800	\$143.6			-	\$143.6		\$0.17	\$0.17
Average	\$768.5	755,100	\$151.2			-	\$152.7		\$0.23	\$0.23

Notes:

(1) Compensation from another source for responsibilities performed within the capacity of the position. (ie. Serving on a related Board or Council)

(2) Total cash compensation represents salary plus other cash compensation.

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Observations and Recommendations

The following table summarizes the market data for Councillors in the comparator group.

Market Position	Organization Budget (\$M)	Population	# Residents per Councillor	Councillor Total Cash Compensation	Councillor Total Cash Compensation per capita¹
75 th Percentile	\$864	973,748	54,810	\$93.4	\$2.36
50 th Percentile	\$723	846,300	44,500	\$82.0	\$2.03
25 th Percentile	\$504	568,700	36,492	\$74.7	\$1.55
Average	\$820	783,788	46,905	\$85.2	\$2.14
City of Toronto	\$4,710	2,480,000	56,364	\$85.5	\$1.52

1. Salary per capita reflects salary relative to the number of residents per Councillor

Observations and Recommendations (cont'd)

The raw market data would suggest that the salary level (\$85.5K) of the City's Councillors is currently aligned with the market average (\$85.2) and the market 50th percentile (\$82.0K) of the comparator group of other large Canadian cities. However, this comparison does not take into account the difference in the scope or complexity of the role of the City's Councillor relative to this comparator market. The size of the City of Toronto (expressed in terms of either population or budget level) is significantly greater than all of the organizations in the comparator group. In line with industry practices, compensation levels are typically compared on a size-adjusted basis in order to provide a comparison that incorporates the size/scope of the position relative to positions with similar roles but different scope in the comparator group. In general, the scope of the Councillor role can be expressed in terms of the number of residents per Councillor. Based on this comparison, the market data indicates that the scope of the City's councillor role (56,364 residents per Councillor) is comparable to the 75th percentile (54,810 residents per Councillor) in the comparator group and the corresponding salary level should, therefore, approximate the 75th percentile of the market (\$93.4).

On the size-adjusted basis, however, the current salary of the City's Councillor role is positioned well below this level and, in fact, reflects the 25th percentile of the comparator group. The same gap between the City's salary level and market is apparent when comparing to large municipal organizations both nationally and within the province of Ontario.

A similar situation exists when comparing the salary level of the City's Mayor to the comparator group, both nationally and within the province of Ontario.

In order to align the annual salaries of its Elected Officials with positions of similar scope in the comparator market, the market data would suggest that the City should target their salary levels at least at the 75th percentile. It should be recognized, however, that the market sample of large municipal organizations, by default, consists of a relatively small number of observations and the upper and lower quartiles can be skewed by a very small number of organizations, that may or may not have established salary levels that can be considered appropriate. Therefore, while it is evident that the City's salaries are "under market" relative to this comparator group, we would recommend the following two-phased approach in order to ensure that any salary adjustments are reasonable and fairly reflect the true market value of the positions:

Observations and Recommendations (cont'd)

1. Adjust the current salaries in line with a conservative view of the desired positioning in the current comparator group, thus avoiding any inflation of the salary levels based on significantly high salary levels in a few of the comparator organizations. We would recommend an increase that would bring the City's salaries to a position that is in the third quartile of the comparator market.

We understand that any salary adjustments would be implemented coincident with the new Council and would take effect in 2007. Applying the above recommendation and aging the 2005 market data in line with established industry practices would result in the following adjustments.

Position	Current Salary	Third Quartile Comparator Market (Aged to 2007 and rounded)	% Increase
Councillor	\$85.5K	\$95.0K	11%
Mayor	\$145.0K	\$160.0	14%

2. In the longer term, it is recommended that City establish a compensation philosophy for Elected Officials with objective and clearly defined rationale for the elements of compensation, comparator market(s), and target market positioning. The compensation philosophy should also address the process for ongoing administration of salaries. Municipal organisations use a number of different approaches for determining annual adjustments for base salaries. There is no single, predominant practice in the market, but most organisations use one of the following three approaches:
 - Use of annual surveys of peer organisations,
 - A formula linked to the cost of living index,
 - Equivalent to non-union salary adjustments in the organisation.

Given the current difficulties and diverse opinions surrounding the compensation of Elected Officials, the City may wish to consider the use of an Advisory Council, as outlined in Appendix B, in order to help establish a compensation philosophy for Elected Officials. It is recommended that the City select the advisory council members from experienced professionals in the business and education sectors in order to facilitate credible, independent advice and recommendations for the City.

Appendix A

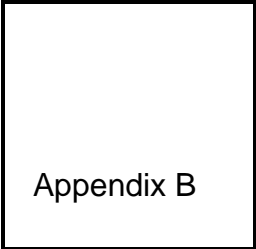
Definitions

Elements of Compensation

Actual salary	Annual fixed pay for the position effective November 1st, 2005.
Grossed-up salary	Where 1/3 tax free, actual base salary was grossed up to the level required to keep the incumbent whole in a 100% taxable scenario. Gross up calculations were based on the highest combined federal and provincial tax rate for the appropriate province.
Other Cash Compensation	Other sources of compensation such as serving on a Board or Council.
Total Cash Compensation	The sum of the grossed up base salary and other cash compensation.

Market Data

25 th Percentile	Twenty-five percent of job rates are less than this amount.
50 th Percentile	Fifty percent of job rates are less than this amount, fifty percent are more. The middle or median of the market.
75 th Percentile	Seventy-five percent of job rates are less than this amount.
Average	The sum of all observations divided by the number of observations.



Appendix B

Advisory Council on Compensation

Advisory councils (for purposes of establishing compensation levels) have been used by a number of public sector organisations with varying degrees of success. The use of an advisory group is typically predicated on some or all of the following conditions:

- Diverse views of stakeholders regarding appropriate levels of compensation,
- Difficulties in establishing rationale for peer comparisons in the market,
- Difficulties in attracting and retaining the quality of resources that are required to meet the organisation's objectives.

Perhaps the most visible council - and likely the most successful - is the Federal Government Advisory Committee on Senior Level Retention and Compensation. The Committee was established in 1997 with a three year mandate to provide independent human resources and compensation advice and recommendations concerning Deputy Ministers and other senior appointees. The Committee is still active and has produced a series of ongoing reports and recommendations to the President of the Treasury Board in order to assist the Federal Government in establishing appropriate levels and structures for cash compensation for senior managers.

A number of municipal organisations have instituted advisory councils, with varying degrees of success. Some are selected from an open solicitation to all community-minded volunteers, while many are appointed by the organisation's Board or Council from a selection of volunteer business and community leaders. Most advisory councils include a human resources consultant in order to provide the necessary professional expertise and guidance. An advisory council typically provides non-binding advice and recommendations to the organisation.

It is recommended that the City select the advisory council members from experienced professionals in the business and education sectors in order to facilitate credible, independent advice and recommendations for the City.

The mandate of most advisory councils does not include employees of the organisation since there are normally a number of direct market benchmarks upon which to base an objective analysis of reasonable compensation levels. It also adds an additional level of complexity and public debate to the organisation's ongoing compensation administration. Most often the role of the advisory council is focused on Elected Officials in order for the organisation to avoid any semblance of a conflict of interest in establishing and maintaining compensation for the elected members of the municipal council.

Ideally, the advisory council's first objective should be the determination of a set of compensation principles or a compensation philosophy, which can serve as a framework for the research, deliberations and advice.

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