

July 2010

City of Toronto

2010 Elected Officials Compensation Study (Final)

HayGroup[®]

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I. Executive Summary

Overview

In March, 2010, Hay Group was contracted by the City of Toronto to conduct a market compensation review for the elected official positions of Councillor and Mayor.

Using the City's 2006 "Elected Official Market Compensation Review" as a background study, Hay Group invited the same comparator group used in 2006. In addition, Hay Group broadened the comparator group to include more cities & regions for the City's consideration.

All municipalities were asked to provide salary information for the positions of Councillor and Mayor, including: base salary, tax free compensation portions, any payments from agencies / boards / commissions, and other forms of cash compensation. Questions regarding annual operating budgets, current population and number of Councillors forming the municipal council, as well as demographic information were also asked (see Appendix A).

Hay Group also conducted a "Councillor Opinion Survey" which was emailed to each of the 44 Councillors and the Mayor, to which only 6 individuals responded. Due to the low response level, there is no consensus of Councillor opinions that impact this report (see Appendix B).

The current established City of Toronto policy is to pay the greater of actual base salary or the 75th percentile (P75) total cash of the comparator market. Based on the results of this study and various other contextual insight, Hay Group believes that the City may want to consider a modified pay policy that is not solely dependent on residents per Councillor and the notions, intents and changes of others, and ensure that it appropriately reflects the size, complexity, diversity and responsibility of the Toronto government relative to other orders of government and not just municipalities.

In addition, the City's current annual adjustment has not kept pace with the comparator market adjustments. It is critical that an appropriate mechanism be in place that provides for annual adjustments to ensure competitive market position is maintained.

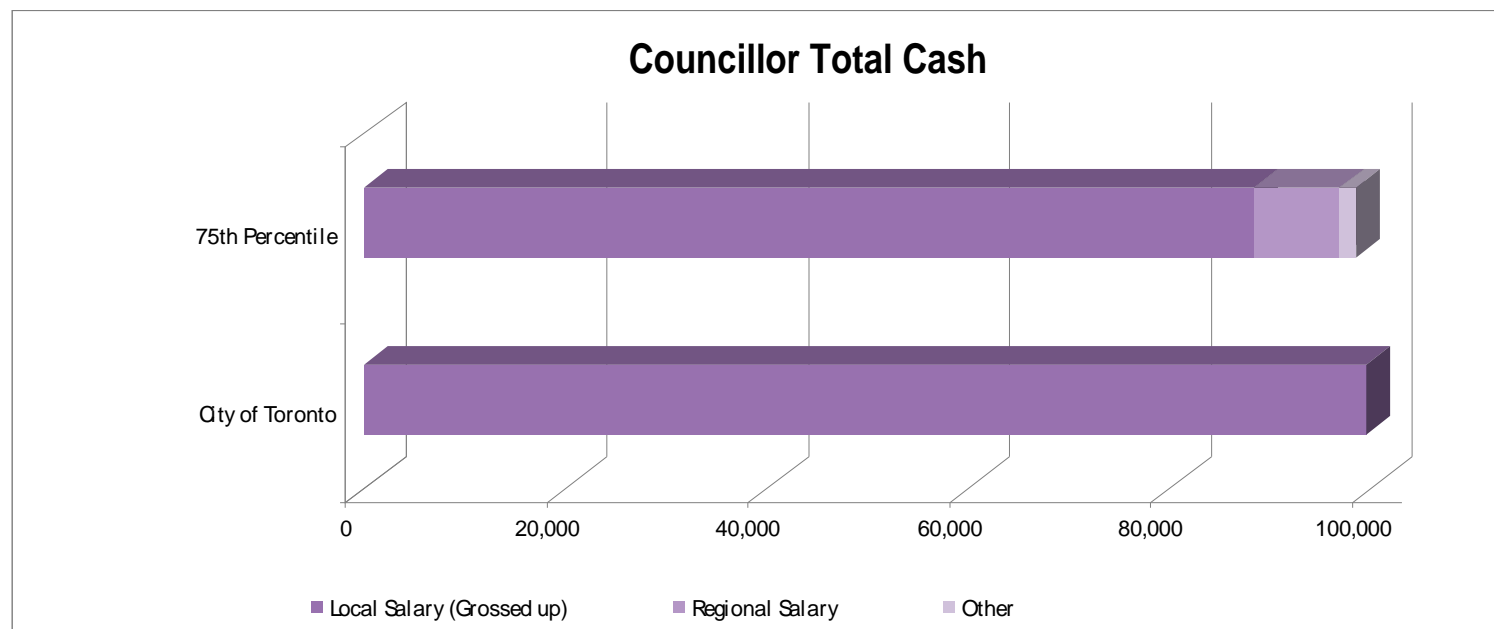
Observations - Councillor

Based upon a sample of 12 comparators, the current Councillor salary of \$99,620 is 1% above the P75 Total Cash market value of \$98,575, and is specifically positioned at the 77.5th percentile of the market.

The tables and graphs below summarize the current market for the position of Councillor.

Summary Table: Councillor Market

Percentiles	Salary (Local)	Grossed up Salary (Local)	Total Salary (Regional & Local)	Total Cash
P90	91,159	96,334	112,452	112,862
P75	80,244	88,426	96,981	98,575
P50	66,769	76,410	90,200	90,380
P25	58,468	63,430	80,037	81,989
Average	67,552	74,228	89,851	92,250
City of Toronto	99,620	99,620	99,620	99,620
Market Position	>P90	>P90	P83	P77.5



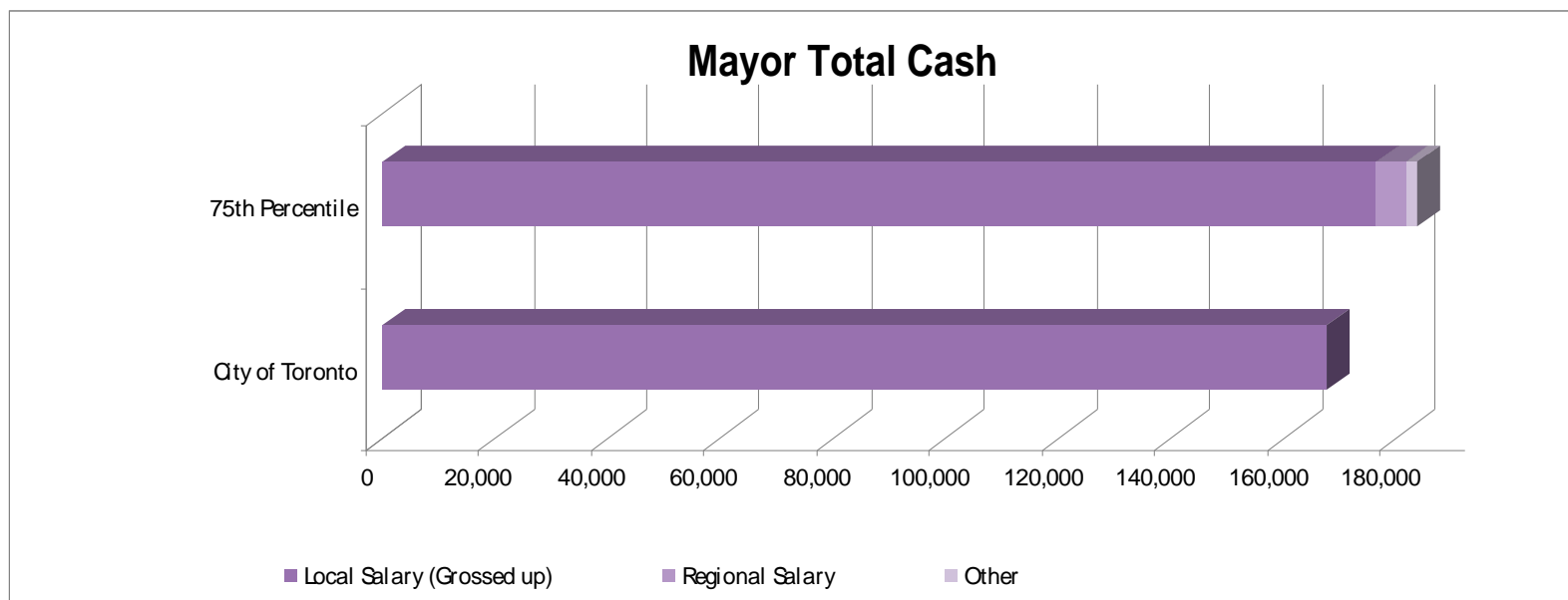
Observations - Mayor

Based upon a sample of 16 comparators, the current Mayor salary of \$167,770 is 9% below the P75 market value of \$183,604, and is specifically positioned at the 46th percentile of the market.

The tables and graphs below summarize the current market for the position of Mayor.

Summary Table: Mayor Market

Percentiles	Salary (Local)	Grossed up Salary (Local)	Total Salary (Regional & Local)	Total Cash
P90	182,166	184,014	185,035	187,626
P75	160,072	176,381	181,702	183,604
P50	140,564	156,370	166,477	168,217
P25	120,173	138,658	153,908	155,256
Average	142,891	152,856	164,574	166,756
City of Toronto	167,770	167,770	167,770	167,770
Market Position	P80	P60	P52.5	P46



II. Comparator Group

Reference Market

Sixteen municipalities were invited to participate in the compensation study, and all opted to provide data to Hay Group. The information in this report is as of April, 2010.

Hay Group invited the same comparator group used in 2006 by a previous study. In addition, Hay Group broadened the comparator group to include more cities & regions for the City's market comparison.

The following municipalities form the comparator groups used in this compensation review:

City / Town / Region	In 2006 Comparator Group	2010 Councillor Market Comparators	2010 Mayor Market Comparators
City of Calgary	✓	✓	✓
City of Edmonton	✓	✓	✓
City of Hamilton	✓	✓	✓
City of Mississauga	✓		✓
City of Montreal		✓	✓
City of Oshawa	✓		✓
City of Ottawa	✓	✓	✓
City of Vancouver	✓	✓	✓
City of Winnipeg	✓	✓	✓
Halifax Regional Municipality		✓	✓
Region of Halton (with Oakville underlay)	✓	✓	✓
Region of Peel (with Mississauga underlay)	✓	✓	✓
Regional Municipality of Durham (with Oshawa underlay)	✓	✓	✓
Regional Municipality of York (with Markham underlay)	✓	✓	✓
Town of Markham			✓
Town of Oakville	✓		✓

III. Survey Methodology & Statistical References

Methodology

Salary Survey of Elected Officials:

Municipalities were contacted in March 2010 to request their participation in the City of Toronto Elected Officials Study; surveys were distributed in late March and returned in April to Hay Group.

Participants were contacted for data verification as necessary and Hay Group initiated a number of follow-up actions to clarify information provided by the participants.

Opinion Survey of Toronto Council:

On April 16, 2010, all members of Council were advised via internal memo that Hay Group would be contacting them to share their opinions regarding remuneration for elected city officials. Emails were sent to each Councillor by Hay Group on April 19th advising of a due date return of April 23rd.

Councillors were provided with the following options to submit their opinions:

- Fax
- Email
- Mail
- Over the phone
- Online survey link

However, the option of sharing opinions with Hay Group via the online survey link was removed on the morning of Tuesday, April 22nd as the link that was sent to Councillors was published by the media. Given that the survey was set up in a manner which would not trace Councillor identification, the publishing of the link meant that opinions expressed in the survey could have been from anyone redirected by the media website. Thus, the online survey was taken down as Hay Group could not be certain that any input would be a Councillor's response. At the time the survey was taken down, there were no responses to the online survey.

The other four forms of survey response were maintained for the Councillors to submit their opinions.

As we received only six Councillor responses to the opinion survey, we were unable to establish any consensus opinion to add to the report findings.

Compensation Elements The following compensation elements were considered in the remuneration of elected officials:

Base Salary (Local and Regional): The actual base salary paid to an elected official by a municipality.

Annual Compensation for Additional Responsibilities (Other Cash): Fees paid to an elected official as a Board Member of a City-owned Agency, Board, Commission or Utility.

Tax free portions of salary: Where a portion of the salary paid to an elected official was noted as non-taxable, the dollar value of the salary was grossed up for the calculation of the market based at highest marginal tax rates relative to the province in question. For example, the Ontario marginal tax rate of 46.41% creates a gross up factor of 1.289 of local salary.

**Statistical
References**

Hay Group statistical references require a minimum number of observations to be considered relevant for use in market comparisons.

Market data are reported using the following statistics:

- P90** – the 90th percentile, below which 90% of the values fall (requires a minimum of 10 organizations to calculate).
- P75** – the 75th percentile, below which 75% of the values fall (requires a minimum of 7 organizations to calculate).
- P50** – the 50th percentile (Median), below which 50% of the values fall (requires a minimum of 4 organizations to calculate).
- P25** – the 25th percentile, below which 25% of the values fall (requires a minimum of 7 organizations to calculate).
- Average** – the arithmetic mean of all values (requires a minimum of 3 organizations to calculate).

IV. Councillor Salary Review

Councillor Salary Comparison

Councillor salaries are compared to other municipalities' salaries as detailed in the data below.

Table 1: Councillor Market Position

	Municipality	Operating Budget (\$Millions)*	Population*	Number Of Councillors*	Residents Per Councillor	Salary (Local)	Tax Free Portion	Grossed up Salary (Local)	Salary (Regional)	Total Salary (Regional & Local)	Other Cash	Other Cash Source	Total Cash
Ontario	Region of Durham (City of Oshawa)	1,147	561,258	28	20,045	34,052	1/3	43,882	47,978	91,860	9,787	Chairing Committees	101,647
	Region of Halton (Town of Oakville)	585	439,256	20	21,963	45,737	No	45,737	42,804	88,541			88,541
	Region of Peel (City of Mississauga)	1,600	1,159,405	24	48,309	81,614	No	81,614	48,496	130,110	4,000	See Note 1	134,110
	Region of York (Town of Markham)	1,350	892,712	20	44,636	65,901	No	65,901	48,207	114,108			114,108
	City of Hamilton	649	504,559	15	33,637	67,637	1/3	87,162		87,162			87,162
	City of Ottawa	2,518	812,129	23	35,310	92,219	No	92,219		92,219			92,219
Other Provinces	City of Calgary	2,600	988,193	14	70,585	97,551	No	97,551		97,551			97,551
	City of Edmonton	1,700	730,372	12	60,864	79,787	1/3	96,791		96,791			96,791
	Regional Municipality of Halifax	570	372,679	23	16,203	71,206	No	71,206		71,206			71,206
	City of Montreal	4,298	1,620,693	64	25,323	48,851	1/3	64,015		64,015	15,000	See Note 2	79,015
	City of Vancouver	924	578,041	10	57,804	61,674	No	61,674		61,674		See Note 3	61,674
	City of Winnipeg	787	633,451	15	42,230	64,392	1/3	82,980		82,980			82,980

Percentiles													
P90	2,592	1,142,284	28	60,558	91,159			96,334		112,452			112,862
P75	1,905	916,582	23	50,682	80,244			88,426		96,981			98,575
P50	1,248	681,912	20	38,770	66,769			76,410		90,200			90,380
P25	753	547,083	15	24,483	58,468			63,430		80,037			81,989
Average	1,561	774,396	22	39,742	67,552			74,228		89,851			92,250
City of Toronto	9,200	2,503,281	44	56,893	99,620			99,620		99,620			99,620
Market Position	>P90	>P90	>P90	P81	>P90			>P90		P83			P77.5

*Operating Budget, Population and Number of Councillors are based upon the Region, and the parenthesis show the source of local salary paid to a regional Councillor. All population data are from the Statistics Canada census of 2006.

Note 1: City of Mississauga Councillors on the Enersource board may receive additional remuneration, the maximum amount received in FY 2009 by a Councillor was \$4000.

Note 2: City of Montreal Councillors receive additional remuneration for Chairing committees. This amount excludes additional cash earned for being a party leader, or borough Councillor / Mayor.

Note 3: City of Vancouver Councillors may receive \$316/meeting for serving as a director on the Metro Vancouver (GVRD) Boards / Committees, and \$632 for meetings lasting more than 4 hours. Remunerations amounts were not disclosed yet for FY 2009 at the this survey.

Councillor Market Observations

With the gross up of some market comparators for tax free portion of salaries, the \$99,620 salary for the Toronto Councillor is 13% above the 75th percentile of the market, which positions Toronto at greater than the 90th percentile of the market.

With the inclusion of additional salaries earned from Regions, the \$99,620 salary for the Toronto Councillor is 3% above the 75th percentile of the market, which positions Toronto at the 83rd percentile of the market.

With the inclusion of additional sources of cash compensation for some market comparators, the \$99,620 salary for the Toronto Councillor is 1% above the 75th percentile of the market, which positions Toronto at the 77.5th percentile of the market.

Taking into account the population of Toronto (2,503,281) and council size of 44 Councillors, there are 56,893 residents per Councillor. Compared to other municipalities, this is 12% above the 75th percentile of the market and positions Toronto at the 81st percentile for the market.

However, population is just one factor and there are other factors that should be considered.

V. Mayor Salary Review

Mayor Salary Comparison

The Toronto Mayor's salary is compared to other municipalities' salaries as detailed in the data below.

Table 2: Mayor Market Position

	Municipality	Operating Budget (\$Millions)	Population*	Salary (Local)	Tax Free Portion	Grossed up Salary (Local)	Regional Salary	Total Salary (Regional & Local)	Other Cash	Other Source	Total Cash
Ontario	City of Hamilton	649	504,559	118,518	1/3	152,731		152,731	15,600	Hamilton Utilities Corp Board	168,331
	Town of Markham (Region of York)	351	261,573	116,645	No	116,645	48,207	164,852			164,852
	City of Mississauga (Region of Peel)	548	668,549	136,641	No	136,641	48,496	185,137			185,137
	Town of Oakville (Region of Halton)	311	165,613	111,496	No	111,496	42,804	154,300			154,300
	City of Oshawa (Region of Durham)	109	141,590	82,702	No	82,702	47,978	130,680	6,000	Chair of Standing Committee	136,680
	City of Ottawa	2,518	812,129	168,102	No	168,102		168,102			168,102
Other Provinces	City of Calgary	2,600	988,193	183,094	No	183,094		183,094			183,094
	City of Edmonton	1,700	730,372	144,061	1/3	174,763		174,763			174,763
	Regional Municipality of Halifax	570	372,679	139,330	No	139,330		139,330			139,330
	City of Montreal	4,298	1,620,693	141,126	1/3	184,934		184,934	7,301	Agglomeration Council	192,235
	City of Vancouver	924	578,041	140,001	No	140,001		140,001	*	See Note 1	140,001
	City of Winnipeg	787	633,451	120,725	1/3	155,575		155,575			155,575
Regional Chairs	Region of Halton	585	439,256	157,165	No	157,165		157,165			157,165
	Region of Peel	1,600	1,159,405	157,395	No	173,273		173,273		Includes Peel Regional Police Chair Compensation	173,273
	Region of Durham	1,147	561,258	181,238	No	181,238		181,238	6,000	Chair of Standing Committee	187,238
	Region of York	1,350	892,712	188,013	No	188,013		188,013			188,013
Percentiles											
	P90	2,559	1,073,799	182,166		184,014		185,035			187,626
	P75	1,625	832,275	160,072		176,381		181,702			183,604
	P50	855	605,746	140,564		156,370		166,477			168,217
	P25	565	422,612	120,173		138,658		153,908			155,256
	Average	1,253	658,130	142,891		152,856		164,574			166,756
City of Toronto		9,200	2,503,281	167,770	No	167,770		167,770			167,770
Market Position		>P90	>P90	P80		P60		P52.5			P46

* All population data are from the Statistics Canada census of 2006.

Note 1: The City of Vancouver Mayor also may receive \$316/meeting for serving as a director on the Metro Vancouver (GVRD) Boards / Committess, and \$632 for meetings lasting more than 4 hours. Remunerations amounts were not disclosed yet for FY 2009 at the time of this survey.

Mayor Market Observations

With the gross up of some market comparators for tax free portion of salaries, the \$167,770 salary for the Mayor of Toronto is 5% below the 75th percentile of the market, which positions Toronto at the 60th percentile of the market.

With the inclusion of additional salaries earned from Regions, the \$167,770 salary for the Mayor of Toronto is 8% below the 75th percentile of the market, which positions Toronto at the 52.5nd percentile of the market.

With the inclusion of additional sources of cash compensation for some market comparators, the \$167,770 salary for the Mayor of Toronto is 9% below the 75th percentile of the market, which positions Toronto at the 46^h percentile of the market.

Population cannot be used as the only factor for determining the Mayor's salary. Toronto is the largest city in Canada and is more than twice the population of the second largest municipality. The Mayor has the largest voters' base of any politician in Canada. This factor should be considered in determining the Mayor's salary.

VI. Pay Implications & Suggestions

Pay Principle

The current principle of the City of Toronto is to pay to the greater of the actual base salary or the 75th percentile (P75) total cash of the market.

As Toronto is obviously the largest and most complex organization of all the market comparators, some adjustment should be considered in the establishment of its pay principle. The 2006 survey used the ratio of “residents per Councillor” as the best manner by which to establish some sort of potential market premium. In 2006, the City of Toronto residents per Councillor ratio was slightly above the P75 ratio of the market, which was the primary rationale of establishing the City of Toronto pay principle to be at P75 of the market.

The 2010 survey considered alternative factors than residents per Councillor by which to adjust for Toronto’s size and complexity, including:

- Budget per Councillor - which was rejected because firstly it is a proxy for residents per Councillor and secondly the residents per Councillor market data had a much higher statistical correlation than did budget per Councillor;
- Employees per Councillor – which was rejected as the ratio would be noticeably skewed relative to the degree that a municipality outsources its services; and
- Acreage per Councillor – which was rejected because consensus opinion was that it had minimal relativity to the challenge of managing a municipality.

All the above factors have their pros and cons in being used as a reference factor in determining the pay principle for Councillors, whether on their own or combined together. The important principle is to recognize the number of Councillors who are sharing the load of overseeing the business of the municipality, as well as recognition of the complexity, size, diversity and responsibility of Toronto as Canada's largest city and sixth largest government.

Table 3, below, summarizes the market data values which would frame the pay principles for the Councillor.

Councillor Perspective

Table 3 – Summary Data for Councillor

Percentiles	Residents Per Councillor	Total Cash
P85	58,875	106,008
P80	55,905	100,828
P75	50,682	98,575
City of Toronto	56,893	99,620
Market Position	P81	P77.5

Table 3, above, illustrates the City of Toronto residents per Councillor at 56,893, which is 12% above the market's respective P75 value of 50,862, and positions the City of Toronto's ratio at P81 of the market. A question then may be, "Should the City of Toronto increase its pay principle closer to the 81st percentile from its current pay principle of the 75th percentile?"

As it is questionable whether resident per Councillor is the only valid pay metric by which to establish a pay principle for Councillors, it should be noted that many other factors should be considered such as the size, diversity, complexity and responsibility of Toronto as Canada's largest municipal government. The determination of pay principle requires a much broader consideration beyond just the data that determine the market position of P81 versus P75.

Table 4 below summarizes the market data values which would frame the pay principles for the Mayor

Table 4 – Summary Data for Mayor

Percentiles	Total Cash
P85	186,713
P80	185,137
P75	183,604
City of Toronto	167,770
Market Position	P46

Mayor Perspective

Unlike the Councillor rationale, there is only one role of Mayor and therefore the residents per Councillor ratio has no meaning as a factor by which to adjust for the size and complexity of the City of Toronto.

It could be argued that the City of Toronto is noticeably larger and more complex than any comparable observation in Canada and therefore the pay principle of the Mayor could be higher than P75, and in fact the Mayor of Toronto could be the highest paid mayor / regional head in the country.

The Mayor's relative position to the market has dropped from the 75th percentile positioning that was intended in 2007 to the current position of the 46th percentile in 2010. The 75th percentile market for the Mayor moved from \$156,600 in 2006 to \$183,604 in 2010, which is an increase of approximately 17% over 4 years, and which is a simple average of approximately 4.25% per year. In contrast the Mayor of Toronto's salary has increased from \$160,000 in 2007 to \$167,770 in 2010 representing an increase of 4.9% over 3 years, which is a simple average of approximately 1.6% per year.

The mayor's salary position has deteriorated in part because the Mayor's adjustments might not have been equal to market, and in part because of high market observations noticeably from a significant increase to Hamilton and Ottawa relative to their 2006 values, and the introduction of the Regional Chair data and the Mayor of Montreal which are all high positions to the market.

As the salary of the Mayor clearly illustrated, adopting a P75 policy without the corresponding annual comparable increment will inevitably lead to the erosion of the salary level of Toronto's elected officials. This is the inherent issue with annual adjustments that are not in line with the adjustments of those in the comparable market.

Appendix A – Questionnaire for Municipalities

Survey

The following questionnaire was sent to each comparator city in an Excel file format for the purposes of data collection. Each tab is shown below.

All participating municipalities were contacted to clarify any questions that Hay Group had with regards to the submitted data and several municipalities also attached additional documentation for our review with regards to Councillor remuneration.

Elected Officials Survey – Tab 1

Compensation Survey

Sponsored by City of Toronto

Thank you for your time and effort in completing this data submission. Please return your completed submission by **April 16** to
Deirdre Chong Smith at Hay Group (Deirdre.Chong@Haygroup.com)
 121 King Street West, Suite 700, Toronto, Ontario M5H 3X7

If you have any questions, please call Deirdre Chong Smith of Hay Group at 416-815-6344 or 1-800-722-9945 ext 6344.

Your completed submission will consist of the following tabs in this questionnaire:

[Contact Information](#)

Fill out the contact information of the person completing the survey.

[City Profile](#)

Complete the information in this section.

[Compensation Information](#)

Provide cash compensation information for the two positions of Mayor and Councillor. Data elements definitions can be found by clicking the data element title.

Thank you for your participation.

Elected Officials Survey – Tab 2

Salary Survey
Sponsored by City of Toronto
Contact Information

City/Region:	
Completed By:	
Title:	
Telephone:	
Fax:	
E-mail Address:	

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Elected Officials Survey – Tab 3

Salary Survey
Sponsored by City of Toronto
Municipality Profile

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1. Indicate the annual operating budget for the municipality:

2. Indicate the current population of the municipality?

3. How many Councillors form the municipal council?

Please provide demographic data with this data submission via email.

Elected Officials Survey – Tab 4

Salary Survey Sponsored by City of Toronto Salary Information Sheet

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		Councillor	Mayor
1	Annual Base Salary From City / Region		
2	Annual Compensation - For Additional Responsibilities (e.g.: fees paid as a Board Member of a City-owned Agency, Board, Commission or Utility)		
3	Annual other cash compensation that does not require reimbursement invoices (e.g.: car allowance)		
4	Is a proportion of the salary paid tax free? And if so: please indicate the tax free percentage		
5	Is there a single salary rate for Councillors?		
5a	If no, please provide details:		

Appendix B – Councillor Opinion Survey

Opinion Survey

The following survey was sent to all Councillors. A small number of responses were received via email, phone and fax but as there was no consensus of opinion, the opinion survey findings were not added to this report.



City of Toronto - Opinion Survey Compensation Review of Mayor and Councillors

Preface

In 2006, after a compensation review of Elected Officials, the following Recommendation was adopted by City Council:

“...the salary level of Councillors and the Mayor be set at the greater of their current compensation or at the 75th percentile of the comparator market group as at January 1st of each new term...”

For your reference, the comparator group was comprised of the following list of twelve municipalities and regions: City of Brampton, City of Calgary, City of Edmonton, City of Hamilton, City of Mississauga, City of Ottawa, City of Vancouver, City of Winnipeg, Region of Durham, Region of Halton, Region of Peel, Region of York. The term “75th percentile” means the level of pay at which 75% of the Group of 12 pay less than, and 25% of the group pay more than.

We would like your opinion on the current pay principles used by the City of Toronto. Please submit your responses by **April 23**. All responses are confidential and Hay Group will not disclose individual responses. Hay Group will consider your opinions in developing its suggestions of the most appropriate salary levels for the municipal session starting January 2011.

Question 1: Do you believe the City of Toronto pay for elected officials should be set at the 75th percentile, or at a higher or lower standard? Please explain your rationale.

Question 2: What are your opinions on the principles for the pay for elected officials for the City of Toronto?

Question 3: Do you have any other suggestions/comments?

Thank you for your assistance!

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