

Confidential

REGIONAL DISTRICT OF NANAIMO

DIRECTORS' REMUNERATION REVIEW

APRIL 2022

May 4, 2022

CONFIDENTIAL

Ms. Delcy Wells
General Manager, Corporate Services
Mr. Jim Tait
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Via email: DWells@rdn.bc.ca; jimtait@rdn.bc.ca

Dear Ms. Wells and Mr. Tait:

Re: Regional District of Nanaimo - Directors' Remuneration Review

Attached is the report on the Directors' Remuneration Review conducted on behalf of the Regional District of Nanaimo.

I look forward to discussing this report with you and your colleagues. If you have any questions in the meantime, please call.

Yours truly,

SAINAS CONSULT INC.



Katherine M. Sainas

REGIONAL DISTRICT OF NANAIMO
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MAY 2022

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INTRODUCTION

The Regional District of Nanaimo ("RDN") is the fourth largest regional district in the province and serves about 173,000 residents from seven electoral areas and four municipal governments throughout the central east coast of Vancouver Island.

The Board of Directors is comprised of 19 members including twelve directors from locally-elected municipal councils, and seven directors elected by Electoral Area residents. Board members also sit on a variety of regional select and standing committees for key services, as well as the RDN Committee of the Whole.

The RDN commissioned a comprehensive review of Director remuneration in 2017, which involved a survey of remuneration, perquisites, benefits, and expenses from a number of British Columbia local government organizations. The survey was conducted before the tax change at January 1, 2019 when the Municipal Officers' Allowance was discontinued and the remuneration paid to elected officials became fully taxable. Following the elimination of the tax exemption, most local government organizations adjusted their Board and Council remuneration to maintain members' net pay at the same levels as before the tax change.

The RDN requested a review of the current remuneration paid to elected officials by the RDN's comparison organizations to determine the appropriateness of its current compensation. This report contains the market findings.

COMPARISON ORGANIZATIONS

It is difficult to find comparison regional districts with similar population, number and complexity of services, budgets, and number of employees and contractors as the RDN. Since the RDN is a fairly urban regional district with service demands that are similar to a municipality, the Board approved a comparison group comprised of three regional districts and six municipalities. These are shown in the table below, along with information regarding their estimated 2021 population and 2020 consolidated expenses.

Table 1 - Board Approved Comparison Organizations

COMPARISON ORGANIZATIONS	2021 EST POPULATION	2020 CONSOLIDATED EXPENSES
Capital Regional District	432,062	\$182,827,962
Cowichan Valley Regional District	91,913	\$61,391,365
Comox Valley Regional District	74,727	\$54,391,496
City of Kelowna	149,687	\$287,565,695

COMPARISON ORGANIZATIONS	2021 EST POPULATION	2020 CONSOLIDATED EXPENSES
City of Delta	113,695	\$241,627,618
City of Nanaimo	101,987	\$166,635,898
City of Kamloops	101,603	\$203,771,002
District of North Vancouver	91,790	\$189,177,601
City of Prince George	82,326	\$172,138,000
REGIONAL DISTRICT OF NANAIMO	173,721	\$86,938,270

Source: Local Government Division of the Ministry of Municipal Affairs & Housing

SOURCES OF REMUNERATION INFORMATION

For this review, we obtained the remuneration information for the regional districts and municipalities from a number of sources.

For the municipalities, we issued a questionnaire to obtain the current information for Mayor and Council remuneration. The municipal council information analyzed for this report is effective as of March 2022.

For the regional districts, because of the complexity and variety of remuneration models that exist, we considered both the design of the remuneration plan and the total remuneration paid to the Directors. This involved reviewing the current Regional District Director Remuneration Bylaws as well as their 2020 Statements of Financial Information (SOFI), which provide the total remuneration paid to each Director, including benefits, for the most recent year available. We excluded expenses from our analysis.

When combining the market data for the municipalities with that for the regional districts to determine the RDN's compensation relative to the policy-defined comparison market, we updated the 2020 SOFI information to 2022 based on average market adjustments to ensure all of the data is reported in current dollars.

MARKET FINDINGS

The remuneration models for Regional District Directors are more complex than those for municipal elected officials. This is because the Regional District Boards are comprised of Municipal Directors who are Councillors or Mayors appointed by their municipalities, as well as Electoral Area Directors who are directly elected by voters in the unincorporated areas (electoral areas).

As the sole elected official for their unincorporated rural area, an Electoral Area Director has additional constituency and Board workload compared with the Municipal Director. In addition to the preparation for and attendance at meetings of all Directors, the Electoral Area Director's work includes Electoral Area Services Committee meetings, constituency meetings, public hall meetings, public hearings, frequent meetings at the Regional District offices regarding electoral area business, as well as other electoral area constituency work.

Because of this degree of involvement in Regional District business, Electoral Area Directors are typically provided with a higher rate or additional stipend to reflect their greater workload. The Chair of the Regional District is also provided an additional stipend to compensate for the work required to chair the Board.

Because the comparison organizations have different compensation models, this section presents the market findings for the comparison municipalities and regional districts separately, and then combined per the RDN's policy.

It should be noted that the data reported in Tables 2-5 in this report are for remuneration levels that are presently in effect. They may be materially affected by changes made by the comparison organizations as a result of their own reviews – beyond the typical annual adjustment – for their next term Boards and Councils.

MUNICIPALITIES: SALARIES PROVIDED TO MUNICIPAL COUNCIL MEMBERS

The municipalities provide flat amounts to the Mayor and Councillors. The following table provides the statistics for the current Mayor and Councillor salaries at the comparison municipalities.

Table 2 - Current (2022) Average Rates for the Comparison Municipalities

	MAYOR	COUNCILLOR
25th Percentile	\$114,842	\$39,388
Median	\$123,879	\$43,651
Average	\$124,936	\$46,427
75th Percentile	\$129,728	\$50,362

The statistics are defined as follows:

- 25th Percentile: This is also referred to as the first quartile. It represents the point below which 25% of the values fall.

- **Median:** This is also referred to as the 50th Percentile. When the values in the population are ranked by size, the median represents the point at which equal numbers of values are above and below. It is the “middle” salary in the population.
- **Average:** This is the simple average provided for matching positions. Also known as the mean, it is derived from summing all of the values and dividing by number of organizations. The average can be skewed by very high or very low values.
- **75th Percentile:** This is also referred to as the third quartile. It represents the point below which 75% of the values fall.

REGIONAL DISTRICTS: DIRECTOR REMUNERATION RATES AND TOTAL REMUNERATION

There is a range of models for regional district director remuneration in British Columbia. Amongst the three comparison regional districts, there are the following three different models:

1. The Director receives a base stipend, and all meetings – including Board meetings – are paid a fee in addition (Comox Valley Regional District).
2. The Director receives a stipend that includes a baseline number of Board and other meetings, and other meetings are paid a fee in addition (Capital Regional District). This similar to the RDN approach.
3. The Director receives a stipend that covers all meetings and commitments (Cowichan Valley Regional District).

REGIONAL DISTRICT DIRECTOR CURRENT BASE RATES

The following table summarizes the information contained in the comparison Regional Districts' Director Remuneration Bylaws, which set out the current base amounts and meeting rates. The average of the three comparison regional districts is shown in Table 3, along with the RDN's 2022 rates.

Table 3 - Current for the Comparison Regional Districts

	REGIONAL DISTRICTS - AVERAGE CURRENT RATE	RDN
MUNICIPAL DIRECTOR	\$18,566	\$19,711
ELECTORAL AREA DIRECTOR	\$44,726	\$39,421
BOARD CHAIR - ADDITIONAL PAYMENT	\$30,720	\$58,143
▪ MUNICIPAL DIRECTOR AS CHAIR	\$49,286	\$77,854
▪ EA DIRECTOR AS CHAIR	\$75,446	\$97,564
MEETING RATE	\$135	\$150

One of the comparison regional districts has not implemented 2022 adjustments and cannot confirm whether there will be any change prior to the election.

It is important to reiterate that one of the comparison regional districts provides a base salary and then pays a meeting fee for all meetings, including board and committee of the whole meetings. One provides a base salary that covers all board, committee, and other meetings; i.e. no additional meeting fees. A third has a similar model to the RDN which provides a base salary that includes a baseline number of board, and committee meetings, and then provides a meeting fee for additional meetings.

REGIONAL DISTRICT DIRECTOR TOTAL REMUNERATION

Because of this difference in remuneration structures, the current rates presented in Table 3 do not provide a complete picture of the cash compensation (i.e. base salary plus meeting fees) provided to the Board members at the comparison regional districts. Furthermore, we do not have information regarding the number of meetings for which the various Board members at the comparison regional districts or the RDN would be paid in addition to their base salaries in order to estimate the total compensation earned.

Therefore, we reviewed the most recent available statements of financial information (2020) for the comparison regional districts to determine the total cash remuneration provided to board members. Expenses are not included in this analysis.

A summary of the actual remuneration paid to regional district Directors as disclosed in the most recent Statements of Financial Information (2020) is presented in Table 4, below, as well as the RDN's actual remuneration for 2021. Unlike the salaries for Municipal Councillors, the remuneration for Board Directors can range depending on factors such as the number and types of meetings attended, which is illustrated by the data in Table 4.

The Chairs of RDN and the comparison regional districts are municipal directors.

Table 4 - SOFI Remuneration Excluding Expenses

POSITION	COMPARISON REGIONAL DISTRICTS - AVERAGE 2020 SOFI			RDN 2020 SOFI			RDN ACTUAL 2021*		
	LOWEST	AVERAGE	HIGHEST	LOWEST	AVERAGE	HIGHEST	LOWEST	AVERAGE	HIGHEST
MUNICIPAL DIRECTOR	\$22,518	\$23,550	\$24,878	\$19,058	\$20,625	\$22,568	\$19,223	\$22,285	\$25,588
ELECTORAL AREA DIRECTOR	\$49,232	\$50,876	\$54,619	\$39,346	\$45,365	\$50,253	\$38,448	\$47,974	\$54,009
CHAIR (MUNICIPAL DIRECTORS)	\$50,333			n/a - 2 Chairs in 2020			\$75,931		

*38% greater meeting fees in 2021 than 2020

ALL COMPARISON ORGANIZATIONS: COMBINED MARKET DATA CONSISTENT WITH RDN POLICY

The RDN has indicated that the Electoral Area Director position is comparable to a municipal Councillor, and the Board Chair is comparable to a municipal Mayor. The Regional District Municipal Director does not have a comparable position on municipal council. As noted earlier, Municipal Mayor and Council remuneration is in the form of a flat base stipend or salary, but the Regional District Board Member remuneration is made up of base salary plus fees for some or all meetings attended, except for the one regional district that does not provide additional meeting fees.

Table 5, below, presents the projected average 2022 remuneration by position for the comparison market and RDN. See the note below for explanation of how the 2022 "actual" remuneration for regional district board members was estimated and combined with the 2022 municipal salaries.

Table 5 - Comparison of 2022 Estimated Total Remuneration

POSITION	AVERAGE OF MUNICIPALITIES AND REGIONAL DISTRICTS	RDN CURRENT REMUNERATION APPROACH
AVERAGE MUNICIPAL DIRECTOR	\$24,501	\$22,731
AVERAGE EA DIRECTOR	\$48,595	\$48,934
BOARD CHAIR	\$100,746	\$77,854 ¹ \$97,564 ²

¹ Municipal Director

² EA Director

The RDN projected 2022 total remuneration presented in Table 5 is based on 2021 actual information for RDN and 2020 SOFI information for the other regional districts, updated by average market adjustments. We used the 2021 actual RDN remuneration for these projections as we understand the total meeting fees increased by about 38% from 2020 to 2021 for RDN. We do not have information regarding changes in meeting levels for the other regional districts for 2021 vs. 2020.

The current actual rates are used for the RDN Chair position, since meeting fees are included in the Chair salary.

NOTE:

The municipal data included in the analysis includes the actual salaries in effect at March 1, 2022.

The comparison regional district information is based on the 2020 SOFI Director remuneration – which includes the remuneration paid for meeting attendance – updated to 2022 based on average annual increases. The RDN projection is based on actual 2021 information updated to 2022. The 2022 projections assume the same number of paid meetings for the RDN and the comparison regional districts in 2022 as in their prior years. We recognize that the taxable portion of benefits

premiums are included in the remuneration amounts for those Directors that participate in the benefits plans, but these are not significant. Equal weight is given to each of the regional district and municipal matches; i.e. the simple average across all nine comparators.

POLICIES FOR ANNUAL ADJUSTMENTS

The comparison organizations adjust their Board/Council remuneration as follows:

- Annual survey of comparison municipalities
- Vancouver CPI change - 2 organizations
- BC CPI change - 2 organizations
- Victoria CPI change
- Same as Exempt increase
- Same as Union increase

One municipality does not adjust Mayor and Council remuneration throughout the term between elections.

The RDN annually adjusts Board compensation based on the BC CPI change at November of the prior year.

SUMMARY AND RECOMMENDATIONS

The current RDN cash remuneration is within about 3% of the market for the EA Director, and for the Board Chair if the position is held by an EA Director. However the RDN Municipal Director average estimated actual total cash remuneration appears to be about 8% behind the market.

This section outlines two options for Director remuneration. It should be emphasized that the Current Model compensates for number of meetings attended beyond the monthly threshold of up to four Board or Committee of the Whole meetings, while the Salary Only Option does not differentiate Director pay based on number of meetings attended.

BASE RATE PLUS MEETING FEES (CURRENT MODEL)

- **Municipal Director:** To bring the RDN Municipal Director total remuneration in line with the average of the target market, the current base rate should be increased to about \$22,000. This assumes a similar average number of paid meetings as in prior years; e.g. average total meeting fees of about \$2,500 for total cash remuneration of \$24,500, which is the average of the target market for Municipal Director remuneration presented in Table 5.
- **Electoral Area Director:** Assuming the RDN maintains its policy to provide a 2:1 ratio of EA Director to Municipal Director base rate, the current EA Director additional allowance would also be \$22,000 (total \$44,000). Further assuming a similar number of paid meetings as in prior years – e.g. average total meeting fees of about \$8,000 – the total average cash remuneration would be \$52,000. We note this is higher than the average of the RDN's target market.
- **Board Chair add-on:** Adjust the current rate of \$58,143 by the CPI increase for 2023.

SALARY ONLY OPTION

The RDN Board requested an additional recommendation for a flat annual salary as an option; i.e. there would be no differentiation in remuneration based on number of meetings attended. Under this scenario, to maintain salaries at the average of the RDN's target market as shown in Table 5, the appropriate annual salaries in 2022 dollars would be:

- **Municipal Director:** \$24,500
- **Electoral Area Director:** \$49,000
- **Board Chair (Municipal Director):** \$80,143 (\$58,143 + \$22,000*)
- **Board Chair (EA Director):** \$102,143 (\$58,143 + \$44,000*)

**Assumes base rates from the first option*

COMPARISON OF OPTIONS

POSITION	OPTION 1: BASE RATE NOT INCLUDING MEETING FEES	OPTION 2: SALARY ONLY
Municipal Director	\$22,000	\$24,500
Electoral Area Director	\$44,000	\$49,000
Board Chair (Municipal)	\$80,143	\$80,143
Board Chair (EA)	\$102,143	\$102,143

Note: These rates should be adjusted for 2023 based on 2022 change in CPI

The RDN should adjust the rates above for 2023 consistent with its policy to annually adjust Board remuneration based on the BC CPI change at November of the prior year.