

Labrador City

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REMUNERATION
REVIEW

REPORT AND
RECOMMENDATIONS

Table of Contents:

1.0	Introduction	p. 3
2.0	How Does Legislation Affect Compensation	p. 6
3.0	Labrador City - A Thriving and Prosperous Land	p. 10
4.0	Comparable Benchmarks	p. 18
5.0	Keeping It Simple	p. 29
6.0	Recommendations Going Forward	p. 31
7.0	Conclusion	p. 35

1.0 Introduction:

There are almost as many approaches, theories, and practices regarding the benefits of increasing municipal remuneration throughout the province of Newfoundland and Labrador, and indeed across the entire country, as there are municipalities.

Some try to correlate the quality of candidates a community is able to attract (and retain) for public service with the amount of remuneration or stipend that is paid. Proponents of such an approach cite many examples where attractive remuneration packages have garnered well qualified and committed community leaders. Others give little or no consideration to remuneration whatsoever, and feel that commitment and service to one's community is more a matter of civic pride and community involvement. For these people, it's more about giving back to one's community. These proponents cite many communities whose success and prosperity was led by individuals who received little or no remuneration for their work.

There has been a wealth of research conducted on this issue by various scholars, municipal leaders, consultants, government departments, and even the Conference Board of Canada. The purpose of our introduction or review is not to research the literature, share academic research, or even arrive at any definitive conclusion relating to the importance of compensation for members of council, but simply to acknowledge that there is an abundance of research and literature on this issue, and for the most part, it is very divided and inconclusive. One can find some support for almost any theory or position proposed.

On one issue there is unanimous agreement, however. Local government is difficult work. Community leadership requires considerable sacrifice that affects one's personal, family, and professional life, and subjects community leaders to ongoing public scrutiny and criticism. For some individuals, there isn't enough money available to get them involved in such thankless and conflicting community work. Others thrive on community involvement and consider involvement in their local government a "labor of love". These are the two opposing views.

Most provincial governments across Canada acknowledge the important role and commitment made by municipal leaders, and encourages local governments to provide a reasonable measure of remuneration to elected officials within its means. Some governments provide clear direction and place restrictions on the amount of money that can be paid to local government leaders, while other governments leave that entirely in the hands of local governments to determine. The Federation of Canadian Municipalities is continuously reminding all levels of government of the value of strong municipal government, and encourages governments to provide greater funding and increased resources to local governments and help attract capable leadership at all levels of municipal government in Canada.

Despite the sometimes inconclusive or conflicting reports that correlate remuneration with strong leadership, all reports acknowledge that local

*Be able to analyze statistics -
which can be used to support or
undercut any argument.*

Marilyn Vos Savant

government is difficult work. While there does not appear to be a direct or conclusive correlation between salary and a community's ability to attract "quality" candidates, many reports demonstrate a strong correlation between salary and commitment. This is an extremely important correlation, in our view.

A review undertaken by the Union of Nova Scotia Municipalities in 2008 concluded that there is a correlation between compensation and commitment – and this correlation is significant on a number of different levels. For starters, there tends to be a much higher degree of public accountability among municipal governments where members of council are reasonably well compensated. This is somewhat understandable. And councillors themselves feel a stronger sense of responsibility and accountability when they are being properly compensated for their work. So, while compensation may not necessarily "attract" more qualified community leaders, it usually does result in a more committed, transparent, and accountable council – and all tend to agree that

increased accountability and commitment makes for a more effective municipal government, in most cases.

So we begin by acknowledging that a fair and reasonable compensation package that is within the town's ability to pay should be what we are striving to achieve in this review. There are many different factors that must be considered when assessing a municipality's "ability to pay" or defining what is "within its means", but from the outset, it think it is important to acknowledge that what most local governments are seeking is local representatives that have the best interests of the community at heart, and who have the time, energy, and commitment to provide the level of leadership that is required to govern effectively and make decisions that reflect the priorities and values of the community they represent.

To better understand the issues of compensation as they pertain to Newfoundland and Labrador municipal councils, let's turn our attention to provincial legislation and how it addresses issues of compensation or remuneration for local elected officials.

2.0 How Does Legislation Affect Compensation?

The *Municipalities Act 1999* has very clear guidelines regarding remuneration or other forms of compensation for elected municipal officials. At one point in time, the total remuneration for elected officials could not exceed 1% of the municipality's operating budget for a given year derived through taxation. Article 99 of the *Municipalities Act 1999* specifically outlines expectations for remuneration for elected municipal officials.

Most municipalities are similar in the types of services they provide. The differences from place to place are usually more related to the size and magnitude of operations, programs, and services. And this, in turn, is most often related to the level of prosperity of a community – which is usually reflected in a municipality's operating budget.

The *Municipalities Act 1999* states the following:

99. (1) A council may, out of the funds at its disposal, pay salaries or remuneration to the councillors, officers, auditors and employees of the council, and all the other expenditures incurred in the execution of the powers and duties vested by this Act or another law in that council, subject to there being a provision for the expenditure in the adopted budget or revised budget.

At one time, councils were more restricted in the amount of money that could be paid to elected officials than they are today. The revised *Municipalities Act 1999* leaves decisions relating to compensation for both elected positions and professional staff more in the hands of council, and thereby forces councils to be accountable to the people who elect them – including the money they pay their elected officials in the form of remuneration or compensation.

The *Municipalities Act 1999* states:

205. Notwithstanding section 99, a council

(a) may pay to the chairperson, deputy chairperson, mayor, deputy mayor, and other councillors the annual and other remuneration that may be agreed upon by the council as determined by a 2/3 vote of the councillors in office in accordance with regulations; and

(b) may by a vote of the majority of councillors reimburse the chairperson, deputy chairperson, mayor, deputy mayor, and other councillors for reasonable expenses incurred by them in the conduct of municipal business

But there are also specific regulations and restrictions in place as to how taxpayers' money may (or may not) be spent, such as prohibiting municipalities to provide funding to political parties etc... For the most part, financial decisions, community investment, grant funding, compensation, and other decisions relating to programs, services, and operations are left in the hands of elected officials, and these officials have to be accountable to the people who elect them for the decisions they make on their behalf.



Local governments have the legislative authority to make decisions relating to compensation paid to elected officials or to its professional staff, and these expenditures must be included in the town's budget (or revised budget) for review and approval by officials of the Department of Municipal Affairs on an annual basis in accordance with the provisions of the *Municipalities Act 1999*.

The *Municipalities Act* outlines the role of local governments in the Province of Newfoundland and Labrador and specifies particular areas of responsibility and accountability that elected officials (and professional staff) have to the people they represent. There are clear guidelines, expectations, and parameters in almost all areas of local government, and all local governments – regardless of their size or municipal status – are ultimately accountable to the provincial government for its operations and financial decisions.

A municipality's failure to comply with provincial guidelines and legislation can result in clear penalties or even dissolution of the council. It is the province's responsibility to provide oversight and support to municipal governments, and to provide clear guidelines and expectations through the *Municipalities Act 1999* and other legislation and statutes (33 in total)

which govern municipal operations and services in the province of Newfoundland and Labrador.

On the matter of compensation for elected officials, the guidelines that councils must adhere to and be accountable for are very clear. And it is the general view that these guidelines are reasonable and fair, are not particularly restrictive.

Under Section 416 of the Municipalities Act 1999, the Lieutenant Governor in Council makes the following regulations:

Remuneration

3. A council may, by a 2/3 majority vote of the councillors in office, vote to pay remuneration to a councillor and shall fix the amount to be paid to him or her

Total Remuneration

4. The total remuneration voted to be paid by a council in a year under section 3 shall not exceed
 - (a) 2% of a total fixed revenue of more than \$1,000,000 in the approved budget for the financial year of the council; or
 - (b) 3% of a total fixed revenue of \$500,000 to \$1,000,000 in the approved budget for the financial year of the council but shall not exceed \$20,000; or
 - (c) 4% of a total fixed revenue of \$250,000 to less than \$500,000 in the approved budget for the financial year of the council but shall not exceed \$15,000, or
 - (d) 5% of a total fixed revenue of less than \$250,000 in the approved budget for the financial year of the council but shall not exceed \$10,000

While there is a limit placed upon the amount of money that can be paid to elected officials from a town's operating revenue generated through taxation and other sources, the limit is not generally deemed to be restrictive or cumbersome.

For example, if you look at the total amount currently allocated for remuneration for the Labrador City council, the amount set aside is \$62,500, or approximately 0.44% of the total revenue of \$14,000,000. The town is permitted to allocate up to 2.0% of revenues. So the town is allocating less than one half of 1%, and this represents one of the lowest proportionate rates paid to any elected government in the province, and

the lowest by far of any of the benchmarks used for comparison in this review, as we'll see later in this report. It should be noted that with one seat currently vacant on council, the amount "actually" taken for council remuneration at present is only \$55,000 annually, and this is as a result of the current vacancy on council. This is an extremely low rate and a small amount of money paid in compensation.

By any reasonable standard of comparison, we will safely conclude that the current rate of compensation for council in Labrador City is extremely low. Now we must look at what is a reasonable stipend to pay given the circumstances at play in Labrador City and the particular demands of the job at this time – especially acknowledging that this is not considered a full-time paid position. And to do so fairly, we must compare Labrador City with other reasonable benchmarks both within Newfoundland and Labrador as well as elsewhere in Atlantic Canada.



3.0 Labrador City – A Thriving and Prosperous Land:

The Hub of Lab West

Labrador City is the hub of western Labrador, and the town appears to provide incredibly good services, programs, and recreational facilities to the taxpayers it serves.

The 2011 census data provided by Statistics Canada places Lab City's population at approximately 7,367. But with the rapid rate of growth and the intensity of the mining operations (and housing) markets in the past couple of years, we realize that these population figures have increased substantially. But for the sake of consistency for comparison purposes, we will assume that the population is as stated in the most recent census information. Towns such as Torbay, Paradise, and Portugal Cove-St. Philips also claim considerable increases in population, as well, and claim that the 2011 census data is not accurate for their communities either. So to use the 2011 census data appears to be useful and fairly reliable for comparison purposes – even though we acknowledge that the population of Labrador City is probably significantly higher than stated.

Labrador City is a reasonably compact municipality with a total service area of 38.83 square kilometers. This would normally not be a particularly large area to service for a population its size – even by NL standards. But, of course, Labrador City is located in northwest Labrador and has an extremely harsh and cold northern climate. This provides a number of servicing challenges for more than 60% of the year, with extreme cold affecting roads, underground infrastructure, fleet vehicles and heavy equipment, and other town mechanical equipment and infrastructure.

The demands and expectations for services are very high. The town's economy is based almost entirely on mining operations, and like most industry towns, the demands of the community fluctuates dramatically depending on the success of its mining operations and world-wide markets (and prices) for ore. In recent years, and for the foreseeable future, the mining industry has enjoyed incredible growth and prosperity, and as a result, there is a great deal of employment available through the

mining sector. And when times are good in mining operations, the relative wealth in Labrador West is high.

But as we all know, employment and prosperity brings its own problems from a local government perspective. The housing demands and the exorbitant cost of housing in Lab West is a direct result of the spike in mining operations and the need for a skilled workforce to support the mining industry. Economically, it is a simple situation of "supply and demand". When times are good, the demand for housing is high and housing costs soar to almost astronomical levels.



When mining operations fall off, as they are inclined to do periodically, employment opportunities decrease, the demand for housing decreases, and housing values drop. Therefore, it is extremely difficult to properly plan for appropriate levels of housing or other kinds of local development in Labrador City because the economy is subject to such fast and unexpected change.

Wealth generated through mining places unreasonable demands and inequity on other sectors within the community, as well. There are increased demands for fire and police protection, health and education supports, increased recreation programming and facilities, hotel space, increased demands for air travel, demands for construction sites and camp housing, and a wealth of other mining related services.

At the same time, there is a widening gap between those who work in mining operations and those that do not. Many smaller local industries and business operators find it very difficult to keep pace with the extraordinary demands for wages and benefits, and access to a readily available workforce, especially for typical service and/or retail sector positions is extremely difficult to attain. And where people are willing to work, their demands for wages to keep pace with soaring housing costs and other expenses as a result of the heated local economy makes

meeting those demands very difficult for employers. So, somewhat ironically, even prosperity doesn't come without a price.

Local governments are usually saddled with dealing with all these issues. But on top of these issues, new or increased mining operations in and around Labrador City means the town is directly engaged in meetings and discussions with multi-national mining operators seeking information and support for everything from permits to operate, office space, housing, retail opportunities, road access, recreation, access to water and sewer services, waste water treatment, and other related local services. The demands are extraordinary and the stakes are very high. One would think that communities would readily embrace opportunities for employment and prosperity – and indeed they do. But such prosperity places extraordinary and sometimes unreasonable demands on local governments for programs, facilities, operations, and services that are difficult to sustain when mining operations drop off - as they most certainly will at some time in the future.

This kind of economic prosperity is exactly what Lab West is experiencing right now. Striking a healthy balance by providing local infrastructure that is both affordable and sustainable is easier said than done. Prosperity provides far greater demands on local government (and government officials), and the local government in Labrador City is certainly feeling the effects of these demands right now. Things have never been busier and the demands have never been greater than they are right now. And while people would probably not want to have it any other way, growth and prosperity takes its toll on local government at all levels – elected officials, public works employees, planning and engineering staff, recreational programming, and the town's senior staff.

Other Unique Considerations:

Over the years, IOC and the local government have invested millions of dollars to ensure that residents of Labrador City have the basic amenities such as schools, roads, water and sewer, emergency services, health care, housing, and recreational facilities to attract families to invest in Labrador City and to make this their home. Traditionally, community life was built around the mining operations has resulted in a flourishing local

community with a strong and committed volunteer base. Families enjoyed year round recreational programming and activities, and churches and service clubs were provided with a committed volunteer base to support their activities, as well. Life has always been reasonably good in Labrador City.

Changing Times - A Commuting and Transient Workforce:

In more recent years, and with new mining developments, the work force has become more migratory in nature – with many workers content to fly in to Lab West for their work shifts, and fly out to their homes (and families) elsewhere on a rotational basis. This is becoming the “new normal”. Unfortunately, while this is predicated more on the availability of a skilled workforce and the changing nature of a more migrant workforce, it doesn't add much to community life in Labrador City. Workers who commute and stay in camp-like environments contribute little to the local economy, offer little in the way of volunteer work or community service, yet still place a considerable drain on roads, operations, recreational facilities, and other municipal infrastructure and services. The problem for local government is that, despite the fact these workers make very good wages from extracting minerals from under the ground in and around Labrador City, they pay no taxes at the local level, and for the most part, they spend the money they make from Labrador mineral development in their hometowns elsewhere. This is becoming an increasingly more worrisome trend, and it is placing incredible demands on local services, facilities, and operations in Labrador City - with very little return.

New Mining Developments Emerging:

Lab West is anticipating new mining developments through Alderon (and other) mineral holdings, and new mineral deposits have been identified and reserved in several areas within the region. Unfortunately, Labrador City has few areas for residential, commercial, or industrial growth and expansion available to them, and the town continues to be engaged in high level talks with wealthy and influential mining operators, new commercial and retail investors, real estate developers, and others interested in investing in the area.

At the same time, there are cutbacks in critical areas of provincial funding, and decreases in provincial funding for programs such as the arts and other important programming that helps sustain vibrant and healthy communities. The town has been engaged in talks with the provincial government about access to Crown lands for housing and commercial/industrial to support mining operations, and when everything is considered, the expectations for council and the demands on their time (basically as community volunteers) can only be described as excessive at this time.



Current Demands Unreasonable:

Something has to change. The town will not continue to retain people willing to serve on council if there is not at least a reasonable level of compensation. Regardless of the age or circumstances of councillors, there must be an appropriate level of compensation provided for the time dedicated to council business. The frequency and length of meetings are considerable, and the intensity of discussions with developers and wealthy multi-national corporations are intense. Councillors must be well read and fully prepared to participate in debate and discussion about topics that are critically important to the future of the community. And members of council face the normal “second guessing” and public accountability that goes with any elected position – but this public scrutiny is significantly magnified because of the multitude of issues and challenges facing council during periods of almost unprecedented growth and development in all sectors.

Some councillors are being forced to take time away from work (without pay), while other employers appear to be a little more supportive (for the time being) – but that level of support is frivolous and subject change at any time. There are many after-hours demands for meetings whereby some members of council are forced to pay “babysitting” or “child care” out of pocket - which can become quite expensive and excessive in the current financial climate.

Council Service – A Significant Commitment:

Regardless of the age or circumstances of councillors, the truth is there are always other demands placed on your time and there always other productive things that individuals can do with their time if they were not serving on council. Being on council places huge demands on your personal and family life, it restricts your leisure time and time for such things as travel abroad if you are at an age and circumstance to avail of such things, it interferes with other community-based involvement and activities, it sometimes places unreasonable demands and discomfort on councillors because of public scrutiny and accountability (which is sometimes unreasonable), and it places incredible demands on parents of young families because of the many "after hours" commitments for meetings, public hearings, and appearances at community events and functions. It is not an easy job, and with the expectations and demands placed on council in Labrador City at this time, it appears to be becoming increasingly more difficult and demanding.

No Review or Increase Since 2001

There has not been a review or an increase in council's compensation package since 2001, and needless to say, the town has fallen behind tremendously over the past 12 years.

Not only has the rate of remuneration in most other comparable municipalities been adjusted for inflation and cost of living over the past twelve years, but many councils have actually made additional adjustments to increase council compensation (in some cases twice) over that same 12 year period – making the current remuneration paid to members of council in Labrador City even more unbalanced and inequitable by comparison.

Members of council have varying opinions on whether or not council's remuneration should be adjusted, and even those who acknowledge the need for an increase are not suggesting that an immediate adjustment be made. There is an understandable perception that any adjustment will be viewed by some as being self-serving. This concern about being

indulgent or self-serving can never apply to this council – especially with the extremely low rate of remuneration paid to councillors. But the general level of awareness or fears of self-indulgence is heightened even more during a municipal election year. But this council does not appear to be selfish or self-serving in the least. In fact, some don't see the need for an increase at all, and even those who acknowledge a need for an increase don't want an increase to come in effect for this current term of office. They are more concerned about the future of the town and its ability to provide proper representation at the local government level in the future.

There is an acknowledgement that the compensation paid to members of council in Labrador City is very low, and members of council agree that the amount of time and commitment required is not commensurate with the small stipend that is currently paid. One councillor who has served on council for several terms described the demands on the current council and the pace of work right now as "frantic".

The Research:

As referenced earlier, there is a great deal of research available on compensation for councillors who serve in local government in Canada. This research has been commissioned by individual municipalities and regional governments, by various provincial departments which oversee municipal affairs, by municipal agencies or representatives, and even by the Conference Board of Canada. Without getting into details or providing an academic review of the literature, the research seems to be quite clear. There does NOT appear to be much correlation between compensation and the ability to attract so called "qualified" candidates for elected municipal government positions. There is little in the research to support the argument that paying more actually attracts better candidates.

But interestingly enough, there is a reasonably high correlation between compensation paid and the level of commitment (and accountability) that councillors give to their elected municipal government positions. Councillors who are paid reasonably well feel more compelled to attend

meetings and participate more fully in council work. So, while an improved compensation package doesn't necessarily attract better or more qualified candidates, those who are elected to serve seem to feel a greater obligation to be accessible, accountable, and available to the people who elected them to attend meetings and other functions relating to their work if they are reasonably well compensated. This is extremely helpful and valuable information, and definitely makes a decision to increase council remuneration worthwhile. Towns and cities need elected officials who are accessible, committed, and accountable. That alone is enough of a rationale to support an increase in compensation.

Labrador City – A Prosperous Land:

Labrador City is part of a unique and prosperous region. While there is little or no direct taxation at the municipal level to equate with provincial royalties on mining operations, the town has benefitted in smaller ways through various grants in lieu and other arrangements with mining companies to ensure the town can provide a level of programs, operations, services, and recreational facilities to maintain a strong and skilled workforce. Mining companies will need to continue to fund and support local government services, as the continued success and well being of the community is critical to attracting and retaining a skilled workforce for the future.

The only limit to your impact is your imagination and commitment. (Tony Robbins)

While a more detailed comparison of revenues will be undertaken later in the review, it seems that the revenues generated in Labrador City are appreciably higher than most other municipalities of a comparable size – whether here in Newfoundland and Labrador or elsewhere in Atlantic Canada.

4.0 Comparable Benchmarks

When undertaking a review of council remuneration, it is important to have an understanding of compensation benchmarks in other jurisdictions - both within the province as well as in neighboring provinces. We normally like to use communities of a similar size and circumstance. Population is important, but there are other considerations such as the town's operational budget, the size of the service area, local infrastructure requirements, town owned and operated recreational and municipal facilities, and other critical factors. The most practical and useful benchmark for comparison with Newfoundland and Labrador municipalities outside the province is usually Atlantic Canada, and within Atlantic Canada, the province of Nova Scotia is often the preferred (and most accurate) choice for comparison purposes.

Nova Scotia has a slightly different system of municipal government whereby regional districts are formed to provide services to neighboring municipalities. But the actual governance models, operations, and powers of council applied in these municipal governments are almost exactly as they are in Newfoundland and Labrador. In fact, there is no other province that is more similar to Newfoundland and Labrador in terms of governance structure, legislative requirements, terms of office, provincial jurisdiction, authority of municipal councils etc., as Nova Scotia and Newfoundland and Labrador.

Because of the regional structure of municipalities in Nova Scotia, we were primarily looking for rural (not urban) districts there that were of a similar size to Labrador City in terms of population. The service areas are larger because of the regional structure of the districts, and the service area includes the distance from one community to another within the region. But all three regional districts in Nova Scotia that we used for benchmarking had similar responsibilities in terms of the provision of water, waste water treatment, roads maintenance, snow clearing and ice control, garbage collection, and oversight of recreational services and facilities. In all cases, fire services were provided through volunteer fire

departments or a mix of professional and volunteer services, and these services were part of the regional structure of each municipality.

Neither of the municipalities used has nearly the level of growth or economic development taking place as is currently taking place in Labrador City. But that shouldn't be surprising. Even among Newfoundland comparisons, there are very few (if any) valid benchmarks for Labrador City. We are satisfied that the basic requirements for all three municipalities used in Nova Scotia compare favorably with Labrador City. We acknowledge the choice of benchmark municipalities is somewhat subjective. But we could have easily chosen municipalities in Nova Scotia where benchmark data would have been more self-serving and provided even more stark and drastic differences in terms of compensation paid compared to Labrador City. But we chose not to take that route, but instead provide benchmarks and data that is reasonable, defensible, and more moderate by comparison.

Let's have a closer look at the various municipalities we used for comparison, and provide you with a brief profile of each.

Digby, Nova Scotia

Digby is located on the northwest side of Nova Scotia in the Bay of Fundy and also has a small regional airport called Digby-Annapolis Airport that services the area by air. It has many local retail amenities such as Walmart, Canadian Tire, Sobeys, and many restaurant chains such as Tim Horton's, McDonalds, Dairy Queen, KFC, Subway, Pizza Delight etc., as well as many local favorites. The local economy is strong and much of the town's economic base is steeped in the fishery and in tourism.

Barrington, Nova Scotia

Barrington is located on the south-west coast of Nova Scotia and has a substantial school system (including a regional high school), a Community College, museum, Chamber of Commerce, curling club, radio stations, golf and country club, yacht club and boat racers association, and most other familiar retail chains scattered throughout the region. It is an historic

and proud region that boasts a strong and healthy economy and deep sense of community pride.

Argyle, Nova Scotia

Argyle is a fairly large municipality that includes the island of Argyle, and it affords a full array of municipal services and amenities to residents. It has a small industrial park in Tusket, and it is known throughout neighboring New England for its birds, beaches, coastline, and incredible four-season outdoor adventure programs and recreational facilities. Argyle also has a thriving arts community and a strong history as part of the County of Yarmouth. It has a strong retail sector that provides a wide array of goods and services to residents. Argyle is proud of the West Pubnico Golf and Country Club, the Acadien Museum, its many retail stores, and its historic place in Nova Scotia's proud history.

Within Newfoundland and Labrador, we have access to a large number of municipalities that we can use for comparison purposes. For this review, we thought the following would be appropriate benchmarks, for a number of different reasons. We have included:

Portugal Cove-St. Philip's, NL

The community of Portugal Cove-St. Philip's combines two prominent and historic communities from which it derives its name. Portugal Cove-St. Philip's does not have the same level of retail sector or commercial tax base as many of the other community we used in Nova Scotia or Newfoundland & Labrador, due mainly to its very close proximity to the neighboring capital City of St. John's and other larger municipalities. Portugal Cove-St. Philips also borders the fast growing Town of Paradise and is extremely close to the boundaries of the City of Mount Pearl. The town has a fairly large service area and provides a full array of municipal services and programs to residents of the community. The town is primarily residential in nature, but it has two excellent harbors (one of which services the Bell Island Ferry run) and a beautiful coastline that makes it a preferred location for home buyers who want the tranquility of a rural setting with the amenities of urban living close by.

Torbay, NL

The Town of Torbay is second to the Town of Paradise in terms of the relative pace of growth and new construction taking place over the past five to ten years. The Municipal Assessment Agency also cites Torbay as having the highest assessed values of residential housing on the Northeast Avalon – making Torbay a preferred location for both residential and



commercial investment. Torbay has changed tremendously over the past ten years. Torbay has been actively pursuing growth and expansion, has a substantial (and expanding) commercial core, and is actively pursuing plans for an industrial park at the entranceway to the town, immediately adjacent to the largest retail development in the province located at Stavanger Drive in St. John's - and very close to

St. John's International Airport. Torbay has a tremendous balance of historic, rural community life and modern urban living. Torbay has excellent growth potential but is somewhat restricted by a lack of readily available potable water.

Paradise, NL

The town's tagline proudly says, "The Name Says It All". Paradise boasts of being Atlantic Canada's fastest growing municipality. With a municipal operating budget of approximately \$28,000,000 and incredible growth in all areas of residential, commercial, and light industrial development, the Town of Paradise is growing rapidly and now has a population of in excess of 17,000 people. There is still room for considerable future development, making the Town of Paradise an interesting place and a growing concern in the region. Paradise is a vibrant, well serviced, and well administered town that continues to pursue growth and development at a considerable pace. While it is sometimes criticized for lacking some amenities and facilities for a town its size (such as recreational facilities), it is in the midst of addressing these shortfalls with considerable investments

in recreational infrastructure and new facilities as outlined in its recreation master plan. Although a little larger than Labrador City, it is a good comparison because of the rate of growth and the relative size of its budget, which combined with several other NL benchmarks which are considerably less, make for excellent benchmark comparisons.

Gander, NL

Once known as the “Crossroads of the World” because of its important and strategic location to support international air travel, Gander has had to reinvent itself in recent years, and the town has done an exceptionally good job in making best use of many of the amenities and facilities (like hotel rooms and meeting spaces) to continue to grow its local economy. Gander is strategically located in the center of the island, and because of the large number of hotels and meeting rooms that were built to support air travel when the airport played a much more significant role in the aviation industry, Gander now has the capacity to host large scale events, conventions, conferences, and meetings, and it is easily accessible by land or air. This makes Gander an excellent central location for meetings and gatherings of all kind, and it is the preferred location for many provincial organizations to meet because of the availability of rooms and meeting spaces. Gander also has excellent recreational facilities and continues to provide excellent municipal programs and services to residents. It has a substantial commercial and retail sector, and the airport still plays a prominent role in both the towns (and the region’s) economy. It is now very close in population to Labrador City and has a similar size operating budget.

Labrador City, NL

Labrador City is an industry town that has been developed primarily to service mining operations in and around Lab West. The town has extremely good infrastructure, programs, and facilities and has enjoyed an excellent and supportive relationship with the town’s main employer – Iron Ore Company of Canada. The strength of the local economy is driven almost entirely by international demands for ore, and the price that buyers are willing to pay at any given point in time. Supply and demand is the basic tenet of any economy, but this is magnified considerably in

industry based towns like Labrador City. The town (and region) is experiencing incredible growth and prosperity in recent years, and while things appear to have tapered off slightly in more recent months, there doesn't appear to be any indications that economic growth or international market conditions are about to change any time soon. Labrador City is a busy and prosperous town with huge demands placed on all facets of its operations and services as a direct result of the current economic boom. It is well accustomed to fluctuations associated with the mining industry. Housing prices are very high compared to the rest of the province, and the demands for housing have increased dramatically in the past couple of years. One of the town's biggest challenges is the lack of available land for housing and essential commercial and industrial development. There are few areas available in the town for future development and expansion, and this is presenting some very real challenges for members of council.

The following table provides some important and basic information relating to each of the communities that we chose to use to effectively compare with Labrador City.

(see table below)

Table 4.1

Community	Population	Area sq/kms	Budget	Remuneration
Lab City	7,367	38.83	\$14.0M	Mayor – 15,000 Deputy Mayor – 10,000 Councillor – 7,500
PC-St. Philips	7,366	57.35	\$7.3M	Mayor – 28,355 Deputy Mayor – 21,266 Councillor – 18,431
Torbay	7,397	34.88	\$7.4M	Mayor – 24,409 Deputy Mayor – 18,306 Councillor – 15,865
Paradise	17,695	29.24	\$28.2M	Mayor – 32,184 Deputy Mayor – 25,980 Councillor – 25,320
Gander	11,054	104.25	\$13.2M	Mayor – 23,972 Deputy Mayor – 18,070 Councillor – 16,510
Argyle, NS	8,252	1,528.0	\$7.3M	Mayor – 29,845 Deputy Mayor – 23,876 Councillor – 21,488
Barrington, NS	6,994	631.0	\$7.9M	Mayor – 23,929 Deputy Mayor – 20,428 Councillor – 19,147
Digby, NS	7,463	1,655.8	\$8.2M	Mayor – 31,240 Deputy Mayor – 22,220 Councillor – 20,790
AVERAGE	9,455	n/a	11.68M	Mayor - 26,116 Deputy Mayor- 20,018 Councillor – 18,131

NOTES:

1. Argyle, Barrington, and Digby are referred to as municipal districts in Nova Scotia. They combine a number of small rural towns into municipal districts for local government purposes, and the land area includes the distance between rural communities - which makes the service area ineffective for comparison purposes.
2. The 2008 remuneration figures were extracted from the 2008 report commissioned by the Union of Nova Scotia Municipalities and updated to reflect 2013 figures.

Let's examine the results as they apply to members of council in Labrador City more carefully, and determine the implications of these recommendations and how they might address the current inequities and imbalance in terms of council remuneration.

Population:

We have consistently used 2011 Census Figures provided by Statistics Canada for all municipalities used for benchmarking. But we acknowledge that these are not always completely accurate in all circumstances. Many communities such as Labrador City, Paradise, Torbay, Portugal Cove-St. Philips, Gander, and Argyle all claim that their populations have increased somewhat significantly in the past couple of years. This is good, and makes using the 2011 census data even more defensible.

Labrador City probably has a population of approximately 10,000 people presently, and this makes the comparison base with other municipalities very reasonable and fair, in our view.

Service Area:

The service area is not particularly large, and overall, tends to be on the smaller side in terms of the area of service coverage. But Labrador City has many unique and distinctive features, is located in a cold and northern climate with special service challenges associated with that, and has special requirements for servicing and snow removal that are considerably heightened by the needs and demands of the mining industry. Lost time results in the loss of millions of dollars in mining operations. So, even extreme weather is not usually excusable when the local government is not able to provide necessary services and supports at any point in time.

Budget Comparison:

The budget comparison is interesting. Simply put, Labrador City has an annual operating budget considerably larger than most municipalities its size. In fact, compared with most municipalities of similar size, the revenue

generated through taxation in Labrador City is almost twice that of municipalities of a comparable population. Paradise, with an annual budget of \$28.2 million changes these average figures significantly. In fact, among the eight municipalities used for comparison, Labrador City has the second largest budget overall – second only to the Town of Paradise which has an operating budget of \$28.2 million.

This addresses the relative wealth of the local government of Labrador City. But of course, local governments are bound by the *Municipalities Act 1999* to provide an annual “balanced budget”. So, while the revenues generated in Labrador City are considerably high, the cost of providing municipal services, maintaining infrastructure, equipment, fleet, salaries and benefits of workers, maintaining facilities, and meeting the high expectations within the community for excellent year-round recreational programming and facilities is also high. Labrador City has expenditures of \$14 million annually, so wealth and prosperity is relative.

Don't let the opinions of the average person sway you. Dream, and he thinks you're crazy. Succeed, and he thinks you're lucky. Acquire wealth, and he thinks you're greedy.
(Robert Allen)

But one thing is certain, with an annual operating budget of in excess of \$14 million annually (and growing), the town can certainly afford to properly compensate its elected representatives at least as well as other municipalities of a comparable size. Not to do so is inexcusable and will eventually result in substantial erosion of commitment and retention of candidates who are willing to make the necessary sacrifices to serve in elected local government positions.

Furthermore, it is our opinion that the town should provide annual increases in remuneration as might be expected in any position, and should periodically and systematically review the remuneration for town council because of fluctuating economic conditions that are so prevalent in Labrador City. To that end, we are putting forth what we consider to

be reasonable annual increases in remuneration for council for the next four years – to December 30, 2017.

There are a few other areas that we will address, as well, in our recommendations – areas that we feel are pertinent to any council's overall compensation package.

Ratio of Payment Between Mayor/Council:

Everyone acknowledges that there are considerably more demands and expectations on the position of mayor for everything from media requests to public appearances. As Chair of the Board, the mayor has a far greater responsibility to allocate duties and responsibilities to other councillors, to strengthen and support the committee structure, to hold councillors accountable, to build and strengthen the council team, to defend the public record, and play an important ceremonial role within the community.

All councils seem to reward the additional time required and the added burden of responsibility of the mayor with a larger stipend or remuneration. But what is a reasonable degree of separation between what is paid to the mayor and what is paid to individual members of council? As you can readily see from the chart, there are varying degrees of separation among various councils both in Newfoundland and Labrador as well as in Nova Scotia. It is interesting to note that provincial legislation is silent on this issue. Legislation does NOT address this ratio or separation – but only addresses the TOTAL amount of compensation that is paid to elected members of council.

So what is a reasonable balance or ratio of compensation is something that is typically left to the discretion of individual councillors to decide. Balance is important. Mayors need to be compensated at a higher rate to better reflect the burden of responsibilities and the additional commitments and obligations often associated with the role. But that separation should not be so wide as to destroy the concept of a united council or a TEAM approach to local government, or to put councillors in a position to potentially dismiss their commitment in favor of someone

who is being paid “the big bucks” to do this work. It is noteworthy that in Labrador City this balance of payment is greater than any other municipality in our comparison group – either in Newfoundland and Labrador or in Nova Scotia. The mayor of Labrador City is paid exactly twice as much as any individual councillors there are paid. What does this say? Is it significant at all? Is it something that should be addressed? What is a healthy degree of separation in payment for the positions of mayor, deputy mayor, and councillor? This is something that we will also address in our recommendations.

Municipalities EXCLUDING Labrador City:

What’s interesting to note (and fairly telling) is the average stipend paid to various elected positions used in our benchmark data both here in Newfoundland and Labrador and in Nova Scotia with Labrador City excluded. Not including Labrador City, the average stipend paid to the various elected positions in all other seven (7) municipalities used for comparison purposes is as follows:

Table 4.2

Position	Excluding Lab City	Including Lab City
Mayor	\$27,698	\$26,116
Deputy Mayor	\$21,449	\$20,018
Councillors	\$19,650	\$18,131

It’s obvious that the average stipend paid to all three positions is considerably higher than that paid to members of council of Labrador City. At the same time, the average annual operating budget is considerably less than the annual operating budget in Labrador City. This just doesn’t seem to make sense. Based on this information, it’s obvious that there needs to be a substantial adjustment made to the remuneration paid to members of council in Labrador City.

5.0 Keeping It Simple

When one looks at the stipend or remuneration paid to members of council as part of an overall compensation package, we are sometimes tempted to consider a broad array of demands and considerations that might be considered for legitimate compensation to various members of council. We know that there are different and very legitimate needs that should be considered. But this gets unnecessarily complicated and tedious. And even more importantly, it develops a compensation structure that is not applied equally to all members of council. Our view is this. Each member of council should be expected to make the same sacrifices to serve on council, and each individual councillor has his/her own set of needs or special circumstances that must be addressed and compensated.

Payment for loss of time at work, child care, provision of care for sick, elderly, or disabled family members, or a host of other circumstances are but a few of the many considerations that may need to be addressed as part of the extenuating circumstances for participation in council business by any member of council. Each council (and councillor) may have his or her own set of needs. Our advice is simple. Provide a reasonable, affordable, and defensible compensation package to members of council, and let each councillor determine how that stipend should be spent. This eliminates the debates and discussion about providing various levels of support for child care or family supports – or any other “special” circumstances of council. Each member of council has a particular set of circumstances or needs that must be dealt with to allow him/her to participate in council business, and no one set of circumstances should be considered more (or less) important than the next.

Our view is straightforward. Don't try to address every situation with a complex or convoluted arrangement of payments, fees, or guidelines to address each and every possible scenario or to compensate individual councillors. This gets too complicated and will eventually become divisive. Treat everyone the same, and above all else, compensate everyone fairly and consistently – within your ability to pay.

Council Supports A Simple Approach:

In individual meetings with members of council and senior staff, this somewhat generic approach to compensation seemed to meet with the greatest amount of approval and support among council. Simple is good. And more importantly – it is fair. There was an acknowledgement among council that it is almost impossible to cover off the multitude of possibilities or circumstances that *might* arise and need to be dealt with by council and/or staff as part of an overall compensation package, and this consumes a great deal of administrative time and paper work. Obviously, a small amount of policy development is required for any council (such as reimbursement for travel or expenses incurred while on council business), but even there, if policies and guidelines can be developed that are as

*Progress is sometimes man's
ability to complicate simplicity.
(Thor Heyerdahl)*

simple and straightforward as possible, we see this as the best way forward.

For example, many councils now provide a flat “per diem” rate of about \$100 per day for meals etc., while travelling on council business,

and this eliminates the need for submission of receipts or other paper work. Establish a reasonable rate that is fair for everyone and apply it consistently in all circumstances. This removes a tremendous amount of administrative work and bureaucracy, and achieves exactly the same purpose as far as establishing limits and providing public accountability is concerned. Simple and straightforward is often the best way to proceed and eliminates a lot of unnecessary headaches and confusion.

Such an approach is easier for both staff and members of council to abide by and administer, it is consistent and fair to everyone, it removes the need for tedious debate and policy-making, it covers off a multitude of extenuating circumstances, and it eliminates the possibility of hard feelings or divisiveness (that often occurs) among council when various forms and degrees of compensation is provided to one but not to others.

With that in mind, we will proceed to the next phase of putting forth a set of independent and objective recommendations that we feel are fair, appropriate, defensible, consistent, and affordable.

6.0 Recommendations Going Forward

Considering all the research and data at our disposal, as well as a review of the practices and rates attained through our benchmarking in many other jurisdictions of a similar size and circumstance in Newfoundland and Labrador and elsewhere, as well as input attained in our individual meetings with members of council and the Town Manager, our recommendations relating to the remuneration paid to members of the Town Council of Labrador City are as follows:

Recommendation #1

Effective January 1, 2014 a revised remuneration for council will come into effect to be compliant with guidelines provided by the Municipalities Act, and to be included in the town's 2014 budget submission to the Department of Municipal Affairs. The proposed annual rate remuneration is as follows:

Mayor – \$28,000

Deputy Mayor - \$22,000

Councillors - \$16,000

This amount totals \$130,000 for 2014, and still only represents less than 1% of the town's total revenue generated through taxation (0.92% to be exact). The town is permitted up to 2% of its revenue, and many municipalities take the full 2%. Many others take very close to the 2% limit as can be seen from the comparison chart provided in Table 4.1. But we feel what is proposed is a reasonable and fair adjustment to the council stipend that brings the stipend paid to council more closely in line with other councils of a similar size and circumstance. Furthermore, we feel that this rate of remuneration should cover off most (if not all) incidental expenses incurred by councillors relating to child care or other similar costs to help compensate them for their full participation in council related business. The same level of remuneration should be paid to all members of

council, and councillors will then be responsible for making whatever arrangements might be necessary to enable them to participate in council debate, attend meetings, or carry out other duties on behalf of taxpayers of the town.

Recommendation #2

Annual Adjustments and Review:

Furthermore, we recommend that for the three consecutive years following the 2014 implementation that adjustments of 3% be applied annually January 1 of 2015, 2016, and 2017. Because of the pace of economic development and growth taking place in Labrador West, and due to the relative uncertainty of market conditions that could quickly change in such a volatile resourced-based economic environment such as Labrador City, we recommend that a further review be undertaken in the spring of 2017 (four years from now) to determine the adjustments required to council remuneration going forward. The cost for such a review is minimal and provides objective information upon which to base recommendations. We believe periodic or systematic reviews should be undertaken in all municipal jurisdictions, but this would be especially important in a turbulent market driven primarily by a resource-based industry as is the case in Labrador City.

When all increases are calculated, the remuneration over the next four (4) years would be as follows (with all recommended adjustments applied):

Year	Mayor	Deputy Mayor	Councillors
2014	28,000.00	22,000.00	16,000.00
2015	28,840.00	22,660.00	16,480.00
2016	29,705.20	23,339.80	16,974.40
2017	30,596.36	24,039.99	17,483.63

This will provide certainty, stability, and fairness to council's remuneration formula, and will eliminate long and unnecessary periods of time when council salaries are not being adjusted (as is typically the case in all other

jurisdictions). If the research holds true, it should also help ensure a more consistent and improved commitment on the part of all members of council, because the research seems to suggest there is a high correlation between the amount of remuneration paid and the general (and more consistent) level of commitment of individual members of council. The current council appears to give little or no consideration to the stipend paid to councillors. But over time, the dedication of even the most generous, committed, and conscientious members of council will erode if there is not an appropriate level of remuneration provided. For the record, even if the town's operating budget of approximately \$14,000,000 remains exactly the same in 2017 as it is in 2013 (which is not likely to be the case), the 2017 stipend represents only 1.01% of the total revenues generated – still only half the allowable limit of 2%.

Recommendation #3

Professional Development / Travel:

While the town does make allowance in its budget preparations for its annual commitments for participation in council related business and travel, such as for various regional and provincial committees, conferences, and annual meetings (usually referred to as uncapped travel), there is no provision for a capped travel or a professional development budget for individual members of council. While this is NOT part of council's formal remuneration package, we recommend that beginning in 2014 that council consider the possibility of providing some discretionary funding for all members of council to utilize training and/or professional development with travel to workshops, conferences, seminars, or conventions that may apply to their work or to various committees of council. Attendance at such national or international conferences as the American Water Works Association or Athletic Business Conference (where many delegates from Newfoundland and Labrador regularly attend) can be extremely helpful and informative in enriching the knowledge and awareness of members of council, and provides tremendous networking opportunities to elected officials to bring back to Labrador City excellent contacts and many new and innovative ideas that have been tried and tested in other jurisdictions. Understandably, not all members of council may be able to have the time to dedicate to such

professional development, but if opportunities are there, there is far greater likelihood that councillors will show an interest in participating.

Recommendation #4

Pensions and/or Benefits Plan:

While provincial legislation does not currently provide for contribution to a pension plan for elected municipal officials (other than those regulated by various Cities Acts), and while no other municipal jurisdiction other than the City of St. John's has a municipal pension plan for councillors, the same cannot be said for a council benefits package.

This is something that we feel could be investigated by senior staff on behalf of members of council. While councillors are covered by the town's general liability insurance for council related travel and participation in other similar business, there is currently no health, dental, vision, or general insurance plan in place for councillors. In fact, many municipalities have an insurance plan for elected officials and their families, and some even provide council with an opportunity to continue to access the group insurance plan after their term on council has ended (at their own expense) if they choose to do so and avail of the cheaper group insurance rate. While we won't belabor this issue as part of a straightforward council remuneration review, we recommend that by June 30, 2014 senior staff undertake a review of general insurance plans in place for councils in other jurisdictions, and decide whether or not this is something that might be of interest or benefit to Labrador City's new council.

7. CONCLUSION

A review of the compensation or remuneration for any elected officials at any level of government will certainly be viewed by some members of the public with a degree of skepticism or doubt. It doesn't matter how objective, unbiased, defensible, or balanced the review may be. That matters very little to the cynics or to the arm chair critics.

Added to that, it appears that In Newfoundland and Labrador, above anywhere else in Canada, there is a culture of public service and volunteerism that seems to suggest that service to one's community (like service to one's church) is the ultimate sacrifice – and should be given freely and without compensation or reward. Based on the compensation paid to municipal leaders elsewhere in the country, this view does not seem to be as widely shared in other jurisdictions across the country.

But local government services are the most important and basic services provided to the people by any level of government – and the importance of attracting conscientious, committed, and concerned community-minded individuals willing to serve their communities in the capacity of municipal councillor cannot be overstated. Service to one's community through elected office on municipal council requires a long term commitment, many hours of meetings and debate, difficult decisions that often affect your neighbors, friends, and family, a great deal of "after hours" work, time away from one's family, and a level of accountability that is almost unprecedented even in other levels of government. There is no doubt that municipal government is the government that is closest to the people – and it extremely challenging work.

The personal and professional sacrifices required by those who serve on council are rarely seen or understood by most residents. Hardly any members of council that we have met over the years know anything about the stipend or remuneration paid to elected municipal officials when they make their decision to run for council. This is usually the furthest thing from their minds. Most councillors offer themselves as candidates for

council for the right reasons - to serve their communities, to try to have a positive impact, and to give back to the communities in which they live and raise their families.

But local government is difficult and trying work. It often pits neighbor against neighbor, and at times, councils are forced to deal with wealthy and powerful international companies or developers that have almost unlimited resources at their disposal to achieve their goals. Councils face ongoing public scrutiny and criticism from some residents who themselves are seldom inclined to come forward to offer themselves for public office, or worse again, freely criticize the decisions of council, but offer few (if any) alternative solutions. No amount of money can fully compensate individuals for some of the sacrifices that must be made in local government. To give a full and proper commitment to council means a great deal of personal sacrifice and hard work. Unless there is a deep and passionate commitment to serve and improve one's community, councillors tend not to stay around to take the inevitable criticism and abuse that is sometimes associated with the job.

So, at the very least, serving on council should not be a financial burden and should provide some measure of compensation for the time and effort required.

The recommendations we have put forth will more adequately compensate the new council for its public service, and will establish processes for incremental increases to the council stipend. Our recommendations offer other opportunities for professional development and learning associated with various aspects of council operations or services, as well as possible access to group insurance plans for elected officials that are consistent with insurance plans currently in place for elected officials in other municipal jurisdictions.

The facts speak for themselves. The Town Council of Labrador City is very poorly compensated at the present time, and this needs to change immediately if taxpayers hope to be able to continue to retain councillors who are willing to expend the time, energy, and commitment to carry out

the responsibilities of the position as the job currently demands. Not to have received an increase in stipend or any formalized increase in remuneration since 2001 is not something council should boast of, in our view. We view this as unfortunate and unrealistic, and does little to properly compensate or retain the commitment of council – especially with the current workload of council and the demands for service in Labrador City. But it is never too late to effect positive change. We believe the recommendations put forth will adequately address the shortcomings of the current system of remuneration, and will be a step towards the improved professionalization of local government in Labrador City.

Council is to be commended for its commitment and past service. But our advice is not to continue to take people's generosity for granted. Compensate councillors fairly and continue to demand a full-fledged commitment from each and every councilor who comes forward to serve in public office. The level of compensation proposed is still low when compared with many other municipal jurisdictions, but we feel it is an important (and necessary) step in the right direction.

We wish you well with your deliberations and the implementation process. Be proud of the work you do and the service you provide to your community. Thank you for choosing JW Consulting Associates to play a small role in the continued professionalization of your operations, and we extend an open invitation to call upon us anytime you feel we can be of assistance or support.

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