

AGENDA

FINANCE STANDING COMMITTEE Monday, June 11, 2018 9:00 to 10:30 am COMMITTEE ROOM #2

- 1. MINUTES FOR ADOPTION – February 5, 2018 (attached)**
- 2. ELIMINATION OF ELECTED OFFICIAL NON-ACCOUNTABLE ALLOWANCE (attached)**

Report of the Director of Finance dated June 5, 2018
- 3. THE DISTRICT OF SAANICH Q4 2017 SUMMARY OF CONTRACTS (attached)**
Director of Finance
- 4. THE DISTRICT OF SAANICH Q1 2018 SUMMARY OF CONTRACTS (attached)**
Director of Finance
- 5. CONTROL OBSERVATIONS (attached)**
Director of Finance
- 6. OTHER**

... ADJOURNMENT ...



The Corporation of the District of Saanich

Report

To: Finance Committee
From: Valla Tinney, Director of Finance
Date: June 5, 2018
Subject: Elimination of Elected Official Non-accountable Allowance

Recommendation:

That the Committee recommend to Council an approach for managing the impacts of the elimination of the 1/3 non-accountable expense allowance on net pay.

Purpose:

At the March Special Meeting of Council the following motion was passed:

"That the item be referred to staff requesting preparation of a report for the Finance Committee on the impacts and process change requirements related to the 1/3 remuneration exemption for expenses being eliminated in 2019."

Background:

The 2017 Federal Budget, which received royal assent on June 22, 2017 included provisions to eliminate the tax exemption that may be applied to one third of certain municipal office-holders as a non-accountable expense allowance effective January 1, 2019 (Attachment A). The District of Saanich pays Mayor and Council this one-third non-accountable expense allowance and therefore this change will impact the Mayor and Council members elected this fall. As the allowance is "non-accountable", recipients were not entitled to claim employment expense deductions and were therefore not required to retain supporting documentation for their actual expenses. The premise of the allowance was the assumption that elected officials incurred expenses in the performance of their duties equal to 1/3 of their pay.

Discussion:

The effect of the elimination of the non-accountable expense allowance is that Council's full remuneration will be considered taxable income and net pay will be reduced by the additional income tax. As each Council member's financial circumstances, and therefore marginal tax rate differs, the actual impact to net pay for each individual cannot be calculated by staff. What is also not known is the amount of deductible expenses that councillors incur each year and impact their actual net pay under the new system. For example, if actual tax deductible expenses are equal to one third of remuneration, an adjustment to gross pay is not necessary to retain the same level of net pay.

As elected officials are considered to be employees of the District, from a process perspective, they will be entitled to claim employment expense deductions (Attachment B) and Canada Revenue Agency requirements for documentation would apply. It will be the responsibility of each individual council member to set up processes in this regard and consult with their own resource for income tax planning services. The District will be required to provide a T2200 – Declaration of Conditions of Employment annually and report on any reimbursement for expenses such as per diems and mileage claims for use of a personal car paid for by the District and allowed under the Council Remuneration and Expense Policy.

A complicating factor is that the Council's current remuneration policy sets Saanich's remuneration at the average of an established group of comparators. Therefore, regardless of the approach that Saanich adopts, Saanich's council remuneration will eventually fall in line with whatever approach is dominant if adjustments under the current Council Remuneration Policy are implemented in 2019.

The examples provided below assume contributions to CPP and calculate the difference taking only District of Saanich income into account and the marginal tax rate applied to that income. Any difference needed to actual tax deductions an individual councillor may require can be managed through completion of the TD1 form. In application, those councillors who are in higher marginal tax brackets will have reduced net pay unless they have offsetting deductible expenses.

Description	With 1/3 tax exemption	Without exemption	With offsetting increase	Increase \$	Increase %
Council Remuneration	41,310	41,310	46,133	4,823	0.12%
1/3 Expense Allowance	(13,770)	-	-		
Taxable Income	27,540	41,310	46,133		
Tax Deduction	2,618	5,477	6,521		
CPP Deduction	1,190	1,872	2,110		
Net Pay	37,501	33,960	37,501		
Reduction in net pay		(3,541)	-		
Mayor Remuneration	102,887	102,887	121,250	18,363	0.18%
1/3 Expense Allowance	(34,295)	-	-		
Taxable Income	68,592	102,887	121,250		
Tax Deduction	12,735	23,808	31,098		
CPP Deduction	2,594	2,594	2,594		
Net Pay	87,558	76,485	87,558		
Reduction in net pay		(11,073)			

Gross remuneration increase - 8 Council, one mayor

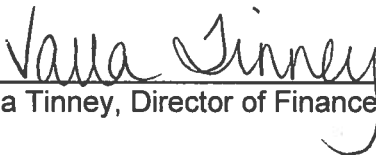
56,947

Tax deductions are calculated using the remuneration as the sole income source. Actual impact will vary depending on each individual's personal financial circumstances so cannot be factored into the analysis.

Options:

1. Fully gross up current remuneration levels effective the first pay of 2019 to ensure the same net pay is retained at the base marginal tax rate. Cost impact - \$57,000
2. Assume that elected officials will have some level of deductible expenses and gross up current remuneration levels effective the first pay of 2019 to offset the difference. Cost impact – less than \$57,000.
3. Do not adjust gross remuneration levels on the assumption elected officials have deductible expenses to offset the increased taxable income. No cost impact.
4. Do not make an adjustment at this time and rely on implementation of the Council Remuneration Policy in 2019. This would result in Council receiving the average increase of the comparator municipalities and will ultimately reflect the decisions other communities make with respect to the removal of the tax exemption allowance.

Report prepared by:


Valla Tinney, Director of Finance

CHIEF ADMINISTRATIVE OFFICER'S COMMENTS:

I endorse the recommendation of the Director of Finance


Paul Thorkelsson, CAO

Municipal officer's expense x

Secure | <https://www.canada.ca/en/revenue-agency/services/tax/businesses/topics/payroll/benefits-allowances/municipal-officer-s-expense-...>

Apps Saanich Pacific Blue Cross MFA GFOABC CivicInfo Community Charter JD Edwards

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Municipal officer's expense allowance

A municipal corporation or board may pay a non-accountable expense allowance to an elected officer to perform the duties of that office.

If the expense allowance is more than one-third of the officer's salary and allowances, the excess amount is a taxable benefit. Enter it in box 14, "Employment income," and in the "Other information" area under code 40 at the bottom of the employee's T4 slip.

If the expense allowance is not more than one-third of the officer's salary and allowances do not include this amount in box 14, "Employment income," or in the "Other information" area under code 40 at the bottom of the employee's T4 slip.

In either of the above situations, you have to identify the non-taxable share of the allowance by entering the corresponding amount in the "Other information" area under code 70 at the bottom of the employee's T4 slip.

For more information, see [Interpretation Bulletin IT292, Taxation of Elected Officers of Incorporated Municipalities, School Boards, Municipal Commissions and Similar Bodies](#).

Note

For 2019 and later tax years, non-accountable allowances paid to elected officers will be included in their income. This change was stated in the 2017 federal budget, which received royal assent on June 22, 2017 (Bill C 44).

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Attachment B

The screenshot shows a web browser window with the URL <https://www.canada.ca/en/revenue-agency/services/tax/individuals/topics/about.html>. The page is titled "Salaried employees - Canada..." and features the Government of Canada logo and a search bar. The breadcrumb trail is: Home → Taxes → Income tax → Personal income tax → All about your tax return → Completing a tax return → Deductions, credits, and expenses → Line 229 - Other employment expenses.

Salaried employees

You may be eligible to claim a deduction for employment expenses if you incurred any of the following expenses.

Use [Form T777, Statement of Employment Expenses](#) to calculate your total employment expenses. The following are the types of deductible expenses that appear on **Form T777**.

Topics

- [Accounting and legal fees](#)
- [Allowable motor vehicle expenses](#)
- [Travelling expenses](#)
- [Parking](#)
- [Supplies](#)
- [Salary expenses](#)
- [Office Rent](#)
- [Work-space-in-the-home expenses](#)
- [Excess employees profit-sharing plan \(EPSP\) amounts](#)

Note

You cannot deduct the **cost** of travel to and from work, or **other** expenses, such as most tools and clothing.

Your employment expenses include any GST and provincial sales tax (PST), or HST, you paid on **these** expenses. You may be able to get a rebate of the GST/HST you paid. For more information, see [GST/HST Rebate](#).



DECLARATION OF CONDITIONS OF EMPLOYMENT

Protected B
when completed

The **employer** must complete this form for the employee to deduct employment expenses from his or her income.

The **employee** does not have to file this form with his or her return, but must keep it in case we ask to see it. For details about claiming employment expenses, see Guide T4044, *Employment Expenses*, or interpretation bulletins IT-352, *Employee's Expenses, Including Work Space in Home Expenses*, and IT-522, *Vehicle, Travel and Sales Expenses of Employees*.

Part A – Employee information (please print)

Last name	First name	Tax year	Social insurance number
Home address		Business address	
Job title and brief description of duties			

Part B – Conditions of employment

1. Did this employee's contract require him or her to pay his or her own expenses while carrying out the duties of employment? <input type="checkbox"/> Yes <input type="checkbox"/> No Answer "yes" even if you provide an allowance or a reimbursement in respect of some or all such expenses. If no, the employee is not entitled to claim employment expenses, and you are not required to answer any of the other questions.															
2. Did you normally require this employee to travel to locations that were not your place of business or between different locations of your places of business, during the course of performing his or her employment duties? <input type="checkbox"/> Yes <input type="checkbox"/> No If yes, what was the employee's area of travel (be specific)? _____															
3. Did you require this employee to be away for at least 12 consecutive hours from the municipality and metropolitan area (if there is one) of your business where the employee normally reported for work? <input type="checkbox"/> Yes <input type="checkbox"/> No If yes, how frequently? _____															
4. Indicate the period(s) of employment during the year: From <table border="1"><tr><td>Year</td><td>Month</td><td>Day</td></tr><tr><td></td><td></td><td></td></tr></table> to <table border="1"><tr><td>Year</td><td>Month</td><td>Day</td></tr><tr><td></td><td></td><td></td></tr></table> If there was a break in employment, specify dates: _____				Year	Month	Day				Year	Month	Day			
Year	Month	Day													
Year	Month	Day													
5. Did this employee receive or was he or she entitled to receive a motor vehicle allowance? <input type="checkbox"/> Yes <input type="checkbox"/> No If yes, indicate: • the amount received as a fixed allowance, such as a flat monthly allowance \$ _____ • the per km rate used _____ (\$/km), and the amount received \$ _____ • the amount of the allowance that was included on the employee's T4 slip \$ _____ Did this employee have the use of a company vehicle? <input type="checkbox"/> Yes <input type="checkbox"/> No Was the employee responsible for any of the expenses incurred for the company vehicle? <input type="checkbox"/> Yes <input type="checkbox"/> No If yes, indicate the amount and type of expenses: <table border="1"><thead><tr><th>Amount</th><th>Type of expense</th></tr></thead><tbody><tr><td>\$ _____</td><td>_____</td></tr><tr><td>\$ _____</td><td>_____</td></tr><tr><td>\$ _____</td><td>_____</td></tr></tbody></table>				Amount	Type of expense	\$ _____	_____	\$ _____	_____	\$ _____	_____				
Amount	Type of expense														
\$ _____	_____														
\$ _____	_____														
\$ _____	_____														
6. Did you require this employee to pay for expenses for which he or she did or will receive a reimbursement? <input type="checkbox"/> Yes <input type="checkbox"/> No If yes, indicate the amount and type of expenses that were: <table border="1"><thead><tr><th>Amount</th><th>Type of expense</th><th>Included on T4 slip</th></tr></thead><tbody><tr><td>received upon proof of payment \$ _____</td><td>_____</td><td><input type="checkbox"/> Yes <input type="checkbox"/> No</td></tr><tr><td>charged to the employer, such as credit card charges \$ _____</td><td>_____</td><td><input type="checkbox"/> Yes <input type="checkbox"/> No</td></tr></tbody></table>				Amount	Type of expense	Included on T4 slip	received upon proof of payment \$ _____	_____	<input type="checkbox"/> Yes <input type="checkbox"/> No	charged to the employer, such as credit card charges \$ _____	_____	<input type="checkbox"/> Yes <input type="checkbox"/> No			
Amount	Type of expense	Included on T4 slip													
received upon proof of payment \$ _____	_____	<input type="checkbox"/> Yes <input type="checkbox"/> No													
charged to the employer, such as credit card charges \$ _____	_____	<input type="checkbox"/> Yes <input type="checkbox"/> No													
7. Did you require this employee to pay other expenses for which he or she did not receive any allowance or reimbursement? <input type="checkbox"/> Yes <input type="checkbox"/> No If yes, indicate the type(s) of expenses: _____															

8. Did you pay this employee wholly or partly by commission according to the volume of sales made or contracts negotiated? ☐ Yes ☐ No
- If **yes**, indicate the commissions paid (\$ _____) and the type of goods sold or contracts negotiated (_____).
- Is there a business development account or other similar commission income account available from which the employee's employment expenses are paid or reimbursed? ☐ Yes ☐ No
- If **yes**, is the commission income from this account included in box 14 of the T4 slip? ☐ Yes ☐ No

9. Did this employee's contract of employment require him or her to:
- rent an office away from your place of business? ☐ Yes ☐ No
 - employ a substitute or assistant? ☐ Yes ☐ No
 - pay for supplies that the employee used directly in his or her work? ☐ Yes ☐ No
 - pay for the use of a cell phone? ☐ Yes ☐ No
- Did you or will you reimburse this employee for any of these expenses? ☐ Yes ☐ No
- If **yes**, indicate the type of expense and amount you did or will reimburse:
- | Amount | Type of expense | Included on T4 slip |
|----------|-----------------|--|
| \$ _____ | _____ | <input type="checkbox"/> Yes <input type="checkbox"/> No |
| \$ _____ | _____ | <input type="checkbox"/> Yes <input type="checkbox"/> No |
| \$ _____ | _____ | <input type="checkbox"/> Yes <input type="checkbox"/> No |

10. Did this employee's contract of employment require him or her to use a portion of his or her home for work? ☐ Yes ☐ No
- If **yes**, approximately what percentage of the employee's duties of employment were performed at their home office? _____ %
- Did you or will you reimburse this employee for any of his or her home office expenses? ☐ Yes ☐ No
- If **yes**, indicate the type of expense and amount you did or will reimburse:
- | Amount | Type of expense | Included on T4 slip |
|----------|-----------------|--|
| \$ _____ | _____ | <input type="checkbox"/> Yes <input type="checkbox"/> No |
| \$ _____ | _____ | <input type="checkbox"/> Yes <input type="checkbox"/> No |
| \$ _____ | _____ | <input type="checkbox"/> Yes <input type="checkbox"/> No |

11. Did this employee work for you as a tradesperson? ☐ Yes ☐ No
- If **yes**, did you require this employee, as a condition of employment, to purchase and provide tools that were used directly in his or her work? ☐ Yes ☐ No
- If **yes**, do all of the tools itemized on the list provided to you by the employee satisfy this condition? ☐ Yes ☐ No
- Please sign and date the list.**

12. Did this employee work for you as an apprentice mechanic? ☐ Yes ☐ No
- If **yes**, was this employee registered in a program established under the laws of Canada or of a province or territory that leads to a designation under those laws as a mechanic licensed to repair self-propelled motorized vehicles? ☐ Yes ☐ No
- Did you require this apprentice mechanic, as a condition of employment, to purchase and provide tools that were used directly in his or her work? ☐ Yes ☐ No
- If **yes**, are all of the tools itemized on the list provided to you by the employee used in connection with the employee's work for you as an apprentice mechanic in the program described in this question? ☐ Yes ☐ No
- Please sign and date the list.**

13. Did this employee work for you in forestry operations? ☐ Yes ☐ No
- Did this employee, as a condition of employment, have to provide a power saw (including a chain saw or tree trimmer)? ☐ Yes ☐ No

Employer declaration

I certify that the information provided on this form is, to the best of my knowledge, correct and complete.

Name of employer (print)

Name and title of authorized person (print)

Date

Telephone number

Signature of employer or authorized person

Note: Please clearly print the name and telephone number of the authorized person in case we need to call to verify information.

The District of Saanich

Q4 2017 Summary of Contracts

Awards (including Single or Sole Source) valued at over \$200,000 (excluding GST) continue to be brought to Council for approval. Those with value (or expected value for "as and when requested" long term blanket orders) between \$75,000 and \$200,000 (excluding GST) are listed below.

AQ 35	Body Armour for Police (\$188,000 over 4 years)
Q 60	One (1) Only - Toro Groundskeeper 4500-D \$84,500
Q 75	Nimble Storage \$122,434
Q 83	Furniture Purchase re 760 Backfill Project \$124,846
RFP 19	Environmental Site Assessments for Public Works Yard - Consulting Services - Phase II and Phase III \$99,950
RFP 26	One Tandem Dump Truck \$148,132
RFP 29	Finnerty Road Upgrades - McKenzie to Arbutus Estimate (\$179,987 with optional work)
RFP 32	AV Cisco Equipment for SPD - Supply & Install \$87,037
S 46	Consulting - Network Communication Systems Upgrade \$82,500
T 33	Saanich Public Safety Building Rooftop Unit Replacement \$109,875
T 38	Tillicum/Burnside PRV Chamber \$112,263
T 39	GR Pearkes MUA-1 Upgrade \$143,950
S 50	Service Contract for Office Furniture (\$100,000 over 3 years)
S 51	Fire Consulting Services \$100,000
JQ 04	Armoured Car Services (\$94,770 over 5 years)

Awards (including Single or Sole Source) with value (or expected value for as and when requested long term blanket orders) less than \$75,000 (excluding GST) are listed below.

AQ 36	Elevator Maintenance @ Police/Fire Building
AQ 41	Irrigation Parts
AQ 46	Maxiflex Diving Board
AQ 47	Caliper Trees & Potted Trees
Q 43	Design, Supply and Install Filing Racks
Q 51	Storm Drain Trash Rack and Walkway
Q 53	2018 Bedding Plant Order
Q 54	Three (3) only Honda Trash Pumps

Q 55	Supply and Delivery of Pet Tags
Q 58	Supply and Install of Carpeting
Q 59	Envelopes
Q 61	Exhaust Venting at Saanich Municipal Hall
Q 62	Small Equipment - Parks
Q 63	One (1) Only - Toro Groundsmaster GM360 4WD Quadsteer Mower
Q 64	One (1) Only Spray Tank Assembly and One (1) Only Lip Broom for Toro Sand Pro
Q 66	Council Chambers Millwork
Q 67	Display Monitor - One (1) Sharp 70 Display QT8443
Q 68	Road De-Icing Salt
Q 69	Carpentry Services
Q 70	Couplings
Q 71	Cellular Concrete Supply & Install Carmen st
Q 73	Zamboni Battery Replacement
Q 74	Sharps Aquos Interactive Display Equipment
Q 76	Printing Business Forms
Q 78	Printing of Strategic Plan for Police
Q 80	Supply and Install of Crane Pedestal Extension
Q 82	Supply and Install Acoustic Panels at GHRC
RFP 22	GIS Consulting Services - Invasive Species
RFP 31	Modular EMS Unit
S 28	Retro Fit Safety Grates, Hinged Lids with Safety Grates
S 34	Asset Inventory Assessment
S 36	Lease of DS200 Ballot Scanner and Tabulators
S 47	Supply and Install Security Alarm Card Readers and CCTV Cameras
S 52	New Facility Modeling
S 53	Financial Analysis and Modeling for SCP
S 54	Records Management Project
S 55	Installation of PA System at Fire Stations
T 35	Vehicle - One (1) GMC Sierra 2500 HD Standard Box Truck
T 37	Gyro Park Roof Replacement

The District of Saanich

Q1 2018 Summary of Contracts

Awards (including Single or Sole Source) valued at over \$200,000 (excluding GST) continue to be brought to Council for approval. Those with value (or expected value for "as and when requested" long term blanket orders) between \$75,000 and \$200,000 (excluding GST) are listed below.

RFP 29/17	Finnerty Road Upgrades - McKenzie to Arbutus Design Consulting \$179,987
RFP 37/17	Coordinator of Volunteers for District of Saanich Blanket Order (\$105,300 over 5 years)
T 38/17	Tillicum/Burnside PRV Chamber \$112,263.00
T 39/17	GR Pearkes MUA-1 Upgrade \$143,950.50
AQ 03/18	Frames for Park Identification Signs (\$115,000 over 5 years)
AQ 05/18	Cleanup and Hauling Services (\$90,000 over 3 years)
Q 06/18	Server Hardware \$106,659
T 02/18	Saanich Lighting Upgrade - Installation of Light Fixtures and Electrical Consolidation in Municipal Hall \$107,260

Awards (including Single or Sole Source) with value (or expected value for as and when requested long term blanket orders) less than \$75,000 (excluding GST) are listed below.

AQ 47/17	Caliper Trees & Potted Trees
Q 79/17	Supply and Install Bathroom Stall at G.R. Pearkes Community Recreation Centre
JQ 04/17	Armoured Car Services
S 55/17	Installation of PA System at Fire Stations
AQ 02/18	Lighting Supplies for Saanich Stores
Q 01/18	One (1) Over Truck Dump Body & Tool Box
Q 03/18	Install of Handrail - Tillicum Road
Q 04/18	Envelopes – Assorted
Q 05/18	Fitness Equipment
Q 07/18	Envelopes - Assorted
Q 08/18	Water Polo Nets - SCP
Q 09/18	Irrigation System @ Copley Park

Q 12/18	Stand-Alone Copier for Public Works Yard
Q 13/18	Floor Scrubber
Q 14/18	Taxi Services for Medical Reasons
Q 15/18	Slab Assessment-GR Pearkes Gold Arena
Q 16/18	Aerial and Fire Ladder Inspections
RFP 04/18	Local Area Planning Rotational Consultant Process (individual call outs will be \$35,000 or less)
RFP 05/18	Home Energy Labelling
S 01/18	Police Clothing (Bike Wear; Motorcycle Wear; Pants)
S 02/18	Pix4D Mapper Software for Saanich Police Department
S 03/18	Property Legal Survey
S 04/18	Appraisal Contracted Services
S 08/18	Beverage Cart - Golf Course
S 09/18	Tolmie Park - Pickle Ball Noise Control Assessment
S 10/18	Hard Body Armour for Saanich Police
S 11/18	Bayview Park Furniture
S 12/18	Toter Wheeled Carts
T 01/18	One (1) Only - Vehicle Isuzu NrR Diesel

Control observations

We did not identify any control deficiencies that we determined to be significant deficiencies in internal control over financial reporting.

Other control observations are discussed below.

Description	Potential effect and recommendation
<p>Capital Asset Tracking</p> <p>During our testing of tangible capital assets, we noted the District's tangible capital asset tracking process is manual in nature, tracked only through spreadsheets and updated once per year during the year-end closing process.</p>	<p>With a manual tracking process, there is greater risk of human error in the value of tangible capital assets and transactions. We recommend management considers automating the manual system of compiling capital asset additions, disposals and developer contributed assets. The use of an automated system to perform this function would greatly reduce the risk of completeness and the possibility of manual overrides, input errors and mathematical errors.</p>
<p>Review of quarterly financial information</p> <p>Financial statements are currently reviewed only on an annual basis by Council upon completion of the audit. Quarterly financial information is not reviewed by a committee of the Council or Council.</p>	<p>Formal regular review of the financial position and operating results of the District assists Council to stay informed of key activities and their impact on the District's financial reporting. Better practice is to have quarterly financial information presented, and reviewed, by a committee of Council or Council.</p>