

1980 October 30.

MAYOR AND MEMBERS OF COUNCIL:

FILE:2078

Re: COUNCIL INDEMNITIES

This report submits for Council consideration, a proposal of how to deal with the problem of Council indemnities. Council indemnities are presently arrived at by an ad-hoc, irregular method with consideration of the possible political implication.

A. BASIS FOR SETTING GROSS COUNCIL INDEMNITY.

It has been stated that some formula or regulated process might be desirable. This report proposes a process of arriving at Council indemnities that will:

1. express the area of Council responsibility.
2. make provision for increases or decreases in this responsibility of Council.
3. provide for the impact of inflation.
4. provide a formula which will express the responsibility by numeric conversion to a value figure for Council gross indemnities.
5. provide a formula to apportion gross indemnities to Mayor and Aldermen.
6. provide an automatic annual review.
7. provide flexibility.

Responsibility

Council responsibility is proposed to be the monies spent each year for Municipal programs and services, not including school costs.

| | |
|-------------------------------|---------------|
| i.e. 1980 Gross Annual Budget | \$101,678,871 |
| Deduct School | 39,726,133 |
| Gross Municipal Less School | \$ 61,952,738 |

Council provides many programs and services to the citizens of Burnaby. The cost of providing these services is shown in the approved Annual Budgets of the Municipality. Accordingly, for the purposes of this report, responsibility of Council is defined as the cost to provide the services as reflected in each Annual Budget.

Changes in Council responsibility in the event of increased or decreased responsibility, transfers to Council such as transferred programs from or to senior levels of government will be reflected in either increases or decreases in Annual Budgets. In the past, there have been cost transfers to the Provincial Government such as:

- a) Human Resources direct cost;
- b) Human Resources administration cost; and
- c) Courts, etc.

Also, in 1979 the transfer of Reserves from Annual Budget to Statutory Reserves.

There have been increases in contribution to regional programs, hospitals, sewer treatment, transit, etc. All of these transfers reflect changes in the cost to the Municipality. The moving in and out of these costs in Annual Budgets provide a measure of Council responsibility.

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Inflation

The effect of inflation will be accurately reflected in the Municipal Budget. The same responsibility will simply be shown as a larger figure.

Formula to determine Council indemnity

Considerable research was done to try to determine whether there was some sort of historic pattern to past Council indemnities. A review of the Burnaby Municipal Budgets, 1970 through 1980, showed that Council indemnities did have a fairly consistent pattern. This pattern indicated that Council indemnities annually were approximately .0020 (2/10 of one percent of the previous years' Annual Municipal Budget, excluding school costs).

| | |
|---|----------|
| i.e. 1971 indemnities - actual total | \$50,000 |
| 1971 indemnities as expressed as .0020 of 1970 Annual Budget | \$50,370 |

(SEE TABLE A AND B FOR TEN YEAR COMPARISON)

CONCLUSION

It has been concluded that gross Council indemnities be determined for each following year by applying a fixed percentage of .0020 to the approved Annual Budget of the current year.

| | |
|---|--------------|
| i.e. 1980 Municipal Budget responsibility | \$61,952,738 |
| .0020 of this figure is | \$123,905. |

Proposed Council gross indemnity for 1981 - \$123,905.

B. DISTRIBUTION OF GROSS COUNCIL INDEMNITY

It is recommended that the proposed gross Council indemnity be distributed into eleven (11) shares. Other numbers of share distributions were tried and discarded because they did not fit the historic dollar pattern over the years.

Mayor to receive 3.5 shares
8 Alderman to receive 7.5 shares

| | |
|--|-----------|
| i.e. 1981 gross Council indemnity - | \$123,905 |
| Shares - \$123,905 divided by 11 = | \$11,264 |
| per share. | |
| Mayor's portion - 3.5 x \$11,264 per share = | \$39,424 |
| 8 Aldermen's portion - 7.5 x \$11,264 divided by | |
| 8 per share = | \$10,560 |

Flexibility

In the event of unusual variations, the Council of the day can adjust for the variations by changing the formula up or down to cushion the impact of any unusual or temporary circumstances. Council could, if it so chose, also adjust the number of shares and the distribution of same.

Budget Impact

With this formula, the impact on the budget will be virtually the same as it is at present. The impact on the average taxpayer is approximately as follows:

| |
|---|
| Tax levy is 54% of Municipal Budget |
| Impact .0020 x .54 = .0011 |
| If Municipal portion of tax notice is \$500, it would |
| cost the taxpayer 55 cents for Council indemnities. |

C. AUTOMATIC ANNUAL REVIEW

The proposal provides a mechanism to have an automatic annual review because:

- a) the data measure year is the approved Annual Budget of the year previous which, by statute, must be approved by May 15 of each year.
- b) application of the formula will determine Council indemnities for the following calendar year.
- c) the formula of .0020 and the distribution of shares is in place by previous Council resolution. All that is required by Council is a confirmation of the formula for another year.

The staff should prepare, for the last Council meeting in the month of September each year, a report of projected Council indemnities for the next Annual Budget.

D. SUMMARY

This proposal is submitted with the intent to try to provide a known and fixed method of determining Council indemnities. All parties would know the methods by which the conclusions were determined. It also provides for flexibility for unknown and unforeseen circumstances.

E. RECOMMENDATION:

THAT Council indemnities for 1981 and subsequent years be established by using the following procedure:

- A. That Council responsibility be determined as being that portion of an annual budget less school tax.
- B. That Council gross indemnity for 1981 be measured as .0020 of the 1980 Annual Budget less schools.
More specifically:

| | |
|------------------------------------|---------------|
| 1980 Gross Budget | \$101,678,871 |
| Less School Levy | 39,726,133 |
| 1980 Gross Municipal - Less School | \$ 61,952,738 |

1981 Council Gross indemnity as .0020
of \$61,952,738 = \$123,905
- C. That gross Council indemnity for 1981 of \$123,905 be divided into eleven shares which amount to \$11,264 per share.
- D. That the Mayor's indemnity for 1981 be apportioned the proceeds of 3.5 shares - $\$11,264 \times 3.5 = \$39,424$
- E. That 8 Aldermen share for 1981 the proceeds of 7.5 shares - $\$11,264 \times 7.5 = \$84,480$
\$84,480 divided into 8 equal shares is \$10,560 per Alderman.
- F. That the Manager bring forward a report at the last Council meeting in 1981 September which would project Council indemnities for 1982 utilizing the same formula as described herein.

Submitted by:

Alderman Victor V. Stusiak,
Finance Liaison.

TABLE A

THIS TABLE INDICATES WHAT COUNCIL INDEMNITY WOULD HAVE BEEN OVER PAST 11 YEARS IF FORMULA WAS APPLIED TO ACTUAL BUDGETS FOR INDICATED PERIOD.

| <u>Year</u> | <u>Gross Municipal Budget</u> | <u>School Levy</u> | <u>Gross Municipal Less School</u> | <u>Projected Council Indemnity For Following Year @ .0020</u> | <u>Projected Indemnity Apportioned To 11 Shares Per Share</u> | <u>Mayor 3.5 Shares</u> | <u>Council 7.5 Shares Divided Into 8 Equal Parts</u> |
|-------------|-------------------------------|--------------------|------------------------------------|---|---|-------------------------|--|
| 1970 | 36,576,714 | 11,392,311 | 25,184,403 | 50,369 | 4,579 | 16,026 | 4,293 |
| 1971 | 40,190,364 | 12,262,836 | 27,927,528 | 55,855 | 5,078 | 17,772 | 4,761 |
| 1972 | 42,687,305 | 13,098,411 | 29,588,894 | 59,178 | 5,380 | 18,830 | 5,044 |
| 1973 | 49,062,280 | 14,730,249 | 34,332,031 | 68,664 | 6,242 | 21,847 | 5,852 |
| 1974 | 57,574,493 | 17,906,435 | 39,668,058 | 79,336 | 7,212 | 25,242 | 6,761 |
| 1975 | 67,920,404 | 21,741,439 | 46,178,965 | 92,358 | 8,396 | 29,386 | 7,871 |
| 1976 | 77,256,252 | 26,445,807 | 50,810,445 | 101,620 | 9,238 | 32,333 | 8,660 |
| 1977 | 79,971,430 | 27,976,259 | 51,995,171 | 103,990 | 9,454 | 33,089 | 8,863 |
| 1978 | 95,112,056 | 33,085,600 | 62,026,456 | 124,053 | 11,278 | 39,473 | 10,573 |
| 1979 | 100,320,117 | 35,577,211 | 64,742,906 | 129,486 | 11,771 | 41,198 | 11,035 |
| 1980 | 101,678,871 | 39,726,133 | 61,952,738 | 123,905 | 11,264 | 39,424 | 10,560 |

TABLE B

THIS TABLE SHOWS PROJECTION AS COMPARED TO ACTUAL COUNCIL INDEMNITY FOR 10 YEARS. YEAR 11 IS PROJECTED USING PROPOSED FORMULA.

| <u>Data Measure Year</u> | <u>Council Indemnity Year</u> | <u>Formula Mayor Indemnity</u> | <u>Formula Alderman Indemnity</u> | <u>Total Formula Council Indemnity</u> | <u>Actual Mayor Indemnity</u> | <u>Actual Alderman Indemnity</u> | <u>Total Actual Council Indemnity</u> |
|--------------------------|-------------------------------|--------------------------------|-----------------------------------|--|-------------------------------|----------------------------------|---------------------------------------|
| 1970 | 1971 | 16,026 | 4,293 | 50,370 | 18,000 | 4,000 | 50,000 |
| 1971 | 1972 | 17,772 | 4,761 | 55,860 | 19,170 | 4,260 | 53,250 |
| 1972 | 1973 | 18,830 | 5,044 | 59,182 | 21,500 | 5,000 | 61,500 |
| 1973 | 1974 | 21,847 | 5,852 | 68,663 | 23,220 | 5,400 | 66,420 |
| 1974 | 1975 | 25,242 | 6,761 | 79,330 | 27,040 | 6,000 | 75,040 |
| 1975 | 1976 | 29,386 | 7,871 | 92,354 | 29,440 | 6,600 | 82,240 |
| 1976 | 1977 | 32,333 | 8,660 | 101,613 | 31,206 | 6,996 | 87,174 |
| 1977 | 1978 | 33,089 | 8,863 | 103,993 | 32,922 | 7,381 | 91,970 |
| 1978 | 1979 | 39,473 | 10,573 | 124,057 | 35,000 | 9,000 | 107,000 |
| 1979 | 1980 | 41,198 | 11,035 | 129,478 | 37,625 | 9,675 | 115,025 |
| | | | | <u>TEN YEAR PROJECTED TOTAL</u> | | | <u>789,619</u> |
| | | | | <u>TEN YEAR ACTUAL TOTAL</u> | | | <u>789,619</u> |
| | | | | <u>DIFFERENCE</u> | | | <u>75,281</u> |
| 1980 | 1981 | 39,424 | 10,560 | 123,904 | 39,424 | 10,560 | 123,904 |

Mayor and Members of Council

Subject: Supplementary Report with Reference to Mayor's Indemnities

When considering my report of 1980 October 30 regarding the Council Indemnities, one should keep in mind that built into the Mayor's indemnity in 1975 was a one time increase of a 4% allowance folded into the indemnity which the incumbent could use to purchase a retirement benefit.

In other words, the 1981 indemnity of \$39,424 for the Mayor under the proposed formula includes \$1,516 which, at the volition of the Mayor, can be used for this purpose. The net indemnity of \$37,908 is then really the basic indemnity in this case.

Respectfully submitted,

Victor V. Stusiak,
Council Finance Liaison Alderman

