

ITEM 8
MANAGER'S REPORT NO. 60
COUNCIL MEETING 84/10/01

RE: COUNCIL INDEMNITIES - 1985
(ITEM 7c, COUNCIL MEETING 1980 NOVEMBER 17)

MUNICIPAL MANAGER'S RECOMMENDATION:

1. *THAT the recommendation of the Director Finance be adopted.*

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TO: MUNICIPAL MANAGER
FROM: DIRECTOR FINANCE
RE: COUNCIL INDEMNITIES - 1985
(ITEM 7c, COUNCIL MEETING 1980 NOVEMBER 17)

1984 September 26
File: C65

RECOMMENDATION

1. THAT this report be received for information purposes.

SUMMARY

Council in 1980 November adopted a formula for determining Council indemnities for 1981 and subsequent years.

The formula was used in 1981 to determine the 1982 indemnities. Applying the formula would have caused the 1983 and 1984 indemnities to increase by 15.3% and 4.2% respectively. Council, however, changed the formula factor, with the result that the 1983 and 1984 indemnities were the same as in 1982. Had 1983 and 1984 indemnities been adopted using the 1980 formula of .0020, the 1985 projected increase would be 9.2%.

This report shows the results of the 1980 formula applied to current circumstances. When the formula is applied to the 1984 expenditure base, 1985 indemnities are projected to increase by 31.2%. If the adopted 1984 factor of .00167 is repeated, the 1985 indemnities increase by 9.5% over 1984.

The policy adopted in 1980 recognized that the Council of the day might wish to change the formula to cushion the impact of unusual or temporary circumstances. Council direction will therefore be required.

REPORT

BACKGROUND

Council on 1980 November 17 adopted the following recommendations for calculating Council indemnities:

"1. 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	<u>39,726,133</u>
1980 gross municipal - less school	<u>\$ 61,952,738</u>

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 x 3.5 = \$39,424.

E. That eight Aldermen share for 1981 the proceeds of 7.5 shares - \$11,264 x 7.5 = \$84,480. \$84,480 divided into eight 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."

The formula uses a percentage of 2/10 of 1% of the budget less school levy to determine the gross annual indemnities. It was determined by examining the relationship that indemnities had to budget over the years 1970 to 1980. The share split was also determined by the trend that existed over that ten year period. The 1980 report recognized the need for flexibility and stated:

"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."

1983 and 1984 CALCULATIONS

The 1983 indemnity calculation presented to Council using the multiplier of .0020, resulted in a projected increase of 15.3%. Council chose to reduce the multiplier to .00174, which produced an indemnity identical to that of 1982.

The 1984 indemnity calculation presented to Council using the multiplier of .0020, resulted in a projected increase of 20.1%. Council chose to reduce the multiplier to .00167, which produced an indemnity identical to that of 1982 and 1983.

1985 CALCULATION

The 1985 indemnity calculation using the 1980 formula, i.e. the gross indemnity measured as .0020 of the 1984 annual budget less the school levy, produces the following results:

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A. The budget for which Council is responsible, determined in accordance with the formula, is \$91,205,726.

1984 gross annual budget	\$146,124,544
Less school levy	<u>54,918,818</u>
1984 gross municipal - less school	<u>\$ 91,205,726</u>

The gross annual budget figure shown here is determined in accordance with the reporting methods recommended for municipalities by the Province of B.C. in order to ensure uniform accounting amongst B.C. municipalities. It is the same cost base used to determine the relationship that indemnities had to budget over the years 1970 to 1980.

B. The gross Council indemnity based on 2/10 of 1% of \$91,205,726 is \$182,411.

C. The gross indemnity divided by eleven shares equals \$16,583 per share.

D. The Mayor's indemnity for 1985 calculated on 3.5 shares @ \$16,583 per share equals \$58,040, rounded to \$58,043 in order to remove cents from the calculations.

E. The total Alderman indemnity for 1985 calculated on 7.5 shares @ \$16,583 per share equals \$124,371, divided by eight equal shares equals an indemnity of \$15,546 per Alderman.

INDEMNITY COMPARISON

The 1985 projected indemnities using the formula factor of .0020 represent an increase of 31.2% over 1984. The details for this calculation are:

	Indemnity		Increase
	1982/1983/1984 Actual	1985 Projected	
Mayor	\$ 44,247	\$ 58,043	\$13,796 31.2
Aldermen	<u>11,852</u>	<u>15,546</u>	<u>3,694 31.2</u>
Total indemnity cost for Mayor and 8 Aldermen	<u>\$139,063</u>	<u>\$182,411</u>	<u>\$43,348</u>

The 1985 indemnity calculation, using the 1984 formula factor of .00167, produces a 9.5% indemnity increase as follows:

	Indemnity		Increase
	1982/1983/1984 Actual	1985 Projected	
Mayor	\$ 44,247	\$ 48,465	\$ 4,218 9.5
Aldermen	<u>11,852</u>	<u>12,981</u>	<u>1,129 9.5</u>
Total indemnity cost for Mayor and 8 Aldermen	<u>\$139,063</u>	<u>\$152,313</u>	<u>\$13,250</u>

The policy adopted in 1980 recognized that the Council of the day might wish to change the formula to cushion the impact of unusual or temporary circumstances. Council direction will therefore be required.

To the best of my knowledge, there is no existing or proposed legislation which restricts the amount by which indemnities can be increased.

Submitted for the information of Council.



Howard Karas
DIRECTOR FINANCE

