

REPORT
 Regular Council Meeting
 1986 November 03

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For Council's information I have attached two reports which are based on the original criteria and indicate the levels which would apply should such criteria be followed. As noted in the reports it states that Council can adjust for variations by changing the formula to cushion the impact of "any unusual or temporary circumstances".

Because of the limiting conditions of the Compensation Stabilization Program I am recommending a two year Council indemnity increase in the same percentage range as that received by our municipal employees. My recommendation will be that for 1986 the increase will be retroactive to January 1, 1986. This is the same as the settlement with our employees.

A summary of the numbers based on the recommendations as contained in the report is as follows:

	1985	1986	INCREASE		1987	INCREASE	
			\$	%		\$	%
MAYOR	\$ 48,465.	\$ 49,919.	\$1,454.	3	\$ 51,417.	\$ 1,498.	3
ALDERMEN	12,981.	13,370.	389.	3	13,771.	401.	3
TOTAL	152,313	156,879	4,566	3	161,585.	4,706.	3

I submit the following recommendations for Council's consideration and approval:

1. THAT the Council indemnity increase for 1986 be 3 percent and retroactive to January 1, 1986. The actual amounts to be:

Mayor	\$49,919.
Each Alderman	\$13,370.
2. THAT Council indemnity for 1987 effective December 01, 1986 be increased by 3 percent with the actual amounts to be:

Mayor	\$51,417.
Each Alderman	\$13,771.

Respectfully submitted,

V.V. Stusiak
 Finance Liaison Alderman

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TO: MUNICIPAL MANAGER
1986 October 30
File: C65

FROM: DIRECTOR FINANCE

RE: COUNCIL INDEMNITIES - 1987
(ITEM 7c, COUNCIL MEETING 1980 NOVEMBER 17)

RECOMMENDATION

1. THAT this report be received for information purposes.

SUMMARY

Council in 1980 November adopted a formula and a formula factor of .0020 for determining Council indemnities for 1981 and subsequent years.

The formula and factor were used in 1981 to determine the 1982 indemnities. Council subsequently changed the formula factor, with the result that the 1983 and 1984 indemnities were the same as 1982, and the 1985 indemnity increased by 9.5% over 1984. The proposed 1986 indemnity requires that the formula factor again be changed to result in an increase of 3%.

This report shows the results of the 1980 formula applied to current circumstances. When the formula and factor of .0020 is applied to the 1986 expenditure base, 1987 indemnities are projected to increase by 30.5%. Had 1983-1986 indemnities been adopted using the 1980 formula of .0020, the 1987 projected increase would be 4.4%. If the proposed 1986 factor of .00160 is repeated, the 1987 indemnities will increase by 4.4% over 1986.

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.

If Council recommends any change to the existing indemnities, a motion must be adopted to instruct the Municipal Solicitor to bring down a bylaw to establish the new indemnities.

BACKGROUND

REPORT

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	39,726,133
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 TO 1986 CALCULATIONS

The 1983 indemnity calculation using the multiplier of .0020 resulted in a projected increase of 15.3%. A multiplier of .00174 was used, which produced an indemnity identical to that of 1982.

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

The 1986 indemnity calculation using the multiplier of .0020 results in a projected increase of 28.8%. A multiplier of .00160 would be required to attain an indemnity increase of 3%.

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1987 CALCULATION

The 1987 indemnity calculation using the 1980 formula, i.e. the gross indemnity measured as .0020 of the 1986 annual budget less the school levy, produces the following results:

A. The budget for which Council is responsible, determined in accordance with the formula, is \$102,342,721.

1986 gross annual budget	\$156,955,279
Less school levy	<u>54,612,558</u>
1986 gross municipal - less school	\$102,342,721

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 \$102,342,721 would be \$204,685.

C. The gross indemnity divided by eleven shares equals \$18,608 per share.

D. The Mayor's indemnity for 1987 calculated on 3.5 shares @ \$18,608 per share equals \$65,128, rounded to \$68,125 in order to remove cents from the calculations.

E. The total Alderman indemnity for 1987 calculated on 7.5 shares @ \$18,608 per share equals \$139,560; divided by eight equal shares equals an indemnity of \$17,445 per Alderman.

INDEMNITY COMPARISON

The 1987 projected indemnities using the formula factor of .0020 represent an increase of 30.5% over the 1986 proposed indemnity. The proposed indemnity being that contained in Ald. Stusiak's report to Council on indemnities dated 1986 October 29. The details for this calculation are:

	Indemnity		Increase	
	1986 Proposed	1987 Projected	\$	%
Mayor Aldermen	\$ 49,919 13,370	\$ 65,125 17,445	\$ 15,206 4,075	30.5 30.5
Total indemnity cost for Mayor and 8 Aldermen	\$156,879	\$204,685	\$ 47,806	

The increase proposed in Ald. Stusiak's report on indemnities dated 1986 October 29 equates to a formula factor of .00160 for 1986. The 1987 indemnity calculation, using the 1986 proposed formula factor of .00160, produces a 4.4% indemnity increase as follows:

	Indemnity		Increase	
	1986 Proposed	1987 Projected	\$	%
Mayor Aldermen	\$ 49,919 13,370	\$ 52,100 13,956	\$ 2,181 586	4.4 4.4
Total indemnity cost for Mayor and 8 Aldermen	\$156,879	\$163,748	\$ 6,869	

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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.

Please note that if Council recommends any change to the existing indemnities, a motion must be adopted to instruct the Municipal Solicitor to bring down a by-law to establish the new indemnities.

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

Howard Karras
DIRECTOR FINANCE

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1985 September 23
File: C65

TO: MUNICIPAL MANAGER
FROM: DIRECTOR FINANCE
RE: COUNCIL INDEMNITIES - 1986
(ITEM 7c, COUNCIL MEETING 1980 NOVEMBER 17)

RECOMMENDATION

1. THAT this report be received for information purposes.

SUMMARY

Council in 1980 November adopted a formula and a formula factor of .0020 for determining Council indemnities for 1981 and subsequent years.

The formula and factor were used in 1981 to determine the 1982 indemnities. Applying the formula and .0020 factor would have caused the 1983, 1984 and 1985 indemnities to increase by 15.3%, 4.2% and 9.2% respectively. Council, however, changed the formula factor, with the result that the 1983 and 1984 indemnities were the same as 1982, and the 1985 indemnity increased by 9.5% over 1984.

This report shows the results of the 1980 formula applied to current circumstances. When the formula and factor of .0020 is applied to the 1985 expenditure base, 1986 indemnities are projected to increase by 28.8%. Had 1983, 1984 and 1985 indemnities been adopted using the 1980 formula of .0020, the 1986 projected increase would be 7.5%. If the adopted 1984 and 1985 factor of .00167 is repeated, the 1986 indemnities increase by 7.5% over 1985.

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.

If Council recommends any change to the existing indemnities, a motion must be adopted to instruct the Municipal Solicitor to bring down a bylaw to establish the new indemnities.

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BACKGROUNDREPORT

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	39,726,133
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.

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1985 CALCULATION

The 1985 indemnity calculation presented to Council using the multiplier of .0020 resulted in a projected increase of 31.2%. Council chose to reduce the multiplier to .00167, which produced an indemnity increase of 9.5%.

1986 CALCULATION

The 1986 indemnity calculation using the 1980 formula, i.e. the gross indemnity measured as .0020 of the 1985 annual budget less the school levy, produces the following results:

- A. The budget for which Council is responsible, determined in accordance with the formula, is \$98,060,443.

1985 gross annual budget	\$153,486,888
Less school levy	<u>55,426,445</u>

1985 gross municipal - less school	\$ 98,060,443
*****	*****

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 \$98,060,443 is \$196,120.
- C. The gross indemnity divided by eleven shares equals \$17,829 per share.
- D. The Mayor's indemnity for 1986 calculated on 3.5 shares @ \$17,829 per share equals \$62,402, rounded to \$62,400 in order to remove cents from the calculations.
- E. The total Alderman indemnity for 1986 calculated on 7.5 shares @ \$17,829 per share equals \$133,718; divided by eight equal shares equals an indemnity of \$16,715 per Alderman.

INDEMNITY COMPARISON

The 1986 projected indemnities using the formula factor of .0020 represent an increase of 28.8% over 1985. The details for this calculation are:

	Indemnity		Increase	
	1985 Actual	1986 Projected		\$
Mayor	\$ 48,465	\$ 62,400	\$ 13,935	28.8
Aldermen	<u>12,981</u>	<u>16,715</u>	<u>3,734</u>	<u>28.8</u>
Total indemnity cost for Mayor and 8 Aldermen	*****	*****	*****	*****
	\$152,313	\$196,120	\$43,807	

The 1986 indemnity calculation, using the 1984/85 formula factor of .00167, produces a 7.5% indemnity increase as follows:

	Indemnity		Increase	
	1985 Actual	1986 Projected		\$
Mayor	\$ 48,465	\$ 52,104	\$ 3,639	7.5
Aldermen	<u>12,981</u>	<u>13,957</u>	<u>976</u>	<u>7.5</u>
Total indemnity cost for Mayor and 8 Aldermen	*****	*****	*****	*****
	\$152,313	\$163,760	\$11,447	

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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.

Please note that if Council recommends any change to the existing indemnities, a motion must be adopted to instruct the Municipal Solicitor to bring down a bylaw to establish the new indemnities.

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

Howard Karras
DIRECTOR FINANCE