

THE CORPORATION OF THE DISTRICT OF BURNABY

TO: MAYOR AND ALDERMEN

DATE: 1988 APRIL 20

FROM: ALDERMAN D. DRUMMOND
FINANCE LIAISON ALDERMAN

RE: COUNCIL INDEMNITIES

REPORT

It has been the practice of the Finance Liaison Alderman to submit a report each October recommending a course of action respecting Council indemnities for the following year. The basis for such recommendations follows from a Council report of 1980 November. At that time Council adopted a formula for determining Council indemnities for 1981 and subsequent years. The formula equates total Council indemnities as a percentage of the total municipal budget.

For Council's information I have attached a report which is based on the original criteria and indicates the levels which would apply should such criteria be followed. The same formula that was applied to determine the 1987 indemnities indicates that indemnities for 1988 should increase by 5.5%. Such an increase is considered to be too high in relation to economic conditions and the current rate of inflation. As noted in the report it states that Council can adjust for variations by changing the formula to cushion the impact of "any unusual or temporary circumstances". It is therefore recommended that the formula be changed so that the increase for 1988 be 3.9% retroactive to 1988 January 01. The 1988 annual budget contains sufficient provision to finance the cost increase.

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

	<u>1986</u>	<u>1987</u>	<u>1988</u>	Increase \$	%
Mayor	\$ 49,919	\$ 51,417	\$ 53,423	2,006	3.9
Aldermen	<u>13,370</u>	<u>13,771</u>	<u>14,308</u>	<u>537</u>	<u>3.9</u>
Total	=====\$156,879	=====\$161,585	=====\$167,887	=====\$6,302	=====3.9

The following recommendation is submitted for Council's consideration and approval:

1. THAT the Council indemnity increase for 1988 be 3.9% and retroactive to 1988 January 01. The actual amounts to be:

Mayor \$53,423
Each Alderman 14,308

Respectfully submitted,

D. P. Drummond

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D. Drummond
Finance Liaison Alderman

DRAFT

TO: MUNICIPAL MANAGER

FROM: DIRECTOR FINANCE

RE: COUNCIL INDEMNITIES - 1988
 (ITEM 7c, COUNCIL MEETING 1980 NOVEMBER 17)

1987 September 11
 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 equates total Council indemnities as a percentage of the total municipal budget.

In 1981 and 1982 the total indemnities paid were equal to 0.20% of the total municipal budget. Council, in subsequent years, changed the percentage, which resulted in the following:

<u>Year</u>	<u>Percentage</u>	<u>Mayor's Indemnity</u>	<u>Alderman's Indemnity</u>	<u>% Increase Over Previous Year</u>
1983	0.174	\$44,247	\$11,852	0.0
1984	0.167	44,247	11,852	0.0
1985	0.167	48,465	12,981	9.5
1986	0.160	49,919	13,370	3.0
1987	0.158	51,417	13,771	3.0

This report shows the results of the 1980 formula if it was applied to current circumstances. If the percentage of 0.20 were applied to the 1987 expenditure base, 1988 indemnities would increase by 33.6%. If the 1987 percentage of 0.158 is repeated, the 1988 indemnities will increase by 5.5% over 1987.

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 by-law to establish the new indemnities.

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BACKGROUND

REPORT

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

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

1. That Council responsibility be determined as being that portion of an annual budget less school tax.

2. 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

3. That gross Council indemnity for 1981 of \$123,905 be divided into eleven shares which amount to \$11,264 per share.

4. That the Mayor's indemnity for 1981 be apportioned the proceeds of 3.5 shares - $\$11,264 \times 3.5 = \$39,424$.

5. That eight Aldermen share for 1981 the proceeds of 7.5 shares - $\$11,264 \times 7.5 = \$84,480$. \$84,480 divided into eight equal shares is \$10,560 per Alderman.

6. 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."

To determine the gross annual indemnities a formula using 0.20% of the municipal budget less school levy was used in 1981. The percentage 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."

1988 CALCULATION

A. INDEMNITY USING 0.20%

The 1988 indemnity calculation using the 1980 formula produces the following results:

1. The budget for which Council is responsible, determined in accordance with the formula, is \$107,945,256.

1987 gross annual budget	\$164,270,198
Less school levy	<u>56,324,942</u>
1987 gross municipal - less school	<u>\$107,945,256</u>

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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.

2. The gross Council indemnity based on 0.20% of \$107,945,256 would be \$215,890.
3. The gross indemnity divided by eleven shares would equal \$19,626 per share.
4. The Mayor's indemnity for 1988 calculated on 3.5 shares @ \$19,626 per share would equal \$68,690.
5. The total Alderman indemnity for 1988 calculated on 7.5 shares @ \$19,626 per share would equal \$147,200; divided by eight equal shares would equal an indemnity of \$18,400 per Alderman.
6. The 1988 projected indemnities using a percentage of 0.20 represents an increase of 33.6% over 1987. The details for this calculation are:

	Indemnity		Increase
	1987	1988	
	Actual	Projected	\$ %
Mayor	\$ 51,417	\$ 68,690	\$17,273 33.6
Aldermen	13,771	18,400	4,629 33.6
Total indemnity cost for Mayor and 8 Aldermen	\$161,585	\$215,890	\$54,305

B. INDEMNITY USING 0.158%

The 1988 indemnity calculation, using the 1987 percentage of 0.158, produces an indemnity increase as follows:

	Indemnity		Increase
	1987	1988	
	Actual	Projected	\$ %
Mayor	\$ 51,417	\$ 54,266	\$ 2,849 5.5
Aldermen	13,771	14,536	765 5.5
Total indemnity cost for Mayor and 8 Aldermen	\$161,585	\$170,554	\$ 8,969

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