

REPORTS
REGULAR COUNCIL MEETING
1989 JANUARY 16

TO: MAYOR AND ALDERMEN 1989 January 12

FROM: ALDERMAN D. DRUMMOND
FINANCE LIAISON ALDERMAN

RE: COUNCIL INDEMNITIES

REPORT

It has been the practice of the Finance Liaison Alderman to annually submit a report recommending a course of action respecting Council indemnities. 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 original percentage, had it been applied consistently since 1981, would have produced 1989 annual indemnities of \$72,772 for the Mayor and \$19,491 for each Alderman. This report recommends indemnities of \$57,590 for the Mayor and \$15,424 for each Alderman, or a 7.8% increase over 1988. A number of Lower Mainland municipalities are experiencing indemnity increases in excess of 10% this year. The formula for 1988 (using the same percentage as 1987) indicated an indemnity increase of 5.5%. Council adopted an increase of only 3.9% at that time.

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 1989 be 7.8% retroactive to 1989 January 01.

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

	<u>1987</u>	<u>1988</u>	<u>1989</u>	<u>Increase</u>
	\$	\$	\$	%
Mayor	\$ 51,417	\$ 53,423	\$ 57,590	4,167 7.8
Aldermen	<u>13,771</u>	<u>14,308</u>	<u>15,424</u>	<u>1,116</u> 7.8
Total	\$161,585	\$167,887	\$180,982	13,095 7.8
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The following recommendation is submitted for Council's consideration and approval:

1. THAT the Council indemnity increase for 1989 be 7.8% and retroactive to 1989 January 01. The actual amounts to be:

	<u>Indemnity(2/3)</u>	<u>Expenses(1/3)</u>	<u>Total</u>
Mayor	\$38,393.33	\$19,196.67	\$57,590
Each Alderman	10,282.67	5,141.33	15,424

INTERNAL DISTRIBUTION:

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- DIRECTOR FINANCE

Respectfully submitted,

D. P. Drummond

D. Drummond
FINANCE LIAISON ALDERMAN

DRAFT

TO: MUNICIPAL MANAGER
FROM: DIRECTOR FINANCE
SUBJECT: COUNCIL INDEMNITIES - 1989

1988 October 18
File: C65

PURPOSE: To establish Council indemnities for the year ending
1989 November 30.

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RECOMMENDATION

1. THAT this report be received for information purposes.

SUMMARY

In 1980 November 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.

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:

Year	Percentage of		% Increase	
	Total Municipal Budget	Mayor's Indemnity \$	Alderman's Indemnity \$	Over Previous Year
1983	0.1735	44,247	11,852	0.0
1984	0.1666	44,247	11,852	0.0
1985	0.1670	48,465	12,981	9.5
1986	0.1600	49,919	13,370	3.0
1987	0.1579	51,417	13,771	3.0
1988	0.1555	53,423	14,308	3.9

This report shows the results of the 1980 formula if it were applied to current circumstances. If the percentage of 0.20 were applied to the 1988 expenditure base, 1989 indemnities would increase by 36.2%. If the 1988 percentage of 0.1555 is repeated, the 1989 indemnities will increase by 6.3% over 1988.

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

On 1980 November 17 Council 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 x 3.5 = \$39,424

5. 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.

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."

1989 CALCULATION

A. INDEMNITY USING 0.20%

The 1989 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 \$114,349,964.

1988 gross annual budget	\$176,757,164
Less school levy	62,407,200
1988 gross municipal - less school	<u>\$114,349,964</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 among 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 \$114,349,964 would be \$228,700.
3. The gross indemnity divided by eleven shares would equal \$20,791 per share.
4. The Mayor's indemnity for 1989 calculated on 3.5 shares @ \$20,791 per share would equal \$72,772.
5. The total Alderman indemnity for 1989 calculated on 7.5 shares @ \$20,791 per share would equal \$155,928; divided by eight equal shares would equal an indemnity of \$19,491 per Alderman.
6. The 1989 projected indemnities using a percentage of 0.20 represents an increase of 36.2 over 1988. The details for this calculation are:

	<u>Indemnity</u>		<u>Increase</u> \$
	<u>1988</u> Actual \$	<u>1989</u> Projected \$	
Mayor	53,423	72,772	19,349
Aldermen	<u>14,308</u>	<u>19,491</u>	<u>5,183</u>
Total indemnity cost for Mayor and eight Aldermen	167,887	228,700	60,813

B. INDEMNITY USING 0.1555%

The 1989 indemnity calculation using the 1988 percentage of 0.1555 produces an indemnity increase as follows:

	<u>Indemnity</u>		<u>Increase</u> \$
	<u>1988</u> Actual \$	<u>1989</u> Projected \$	
Mayor	53,423	56,574	3,151
Aldermen	<u>14,308</u>	<u>15,155</u>	<u>847</u>
Total indemnity cost for Mayor and eight Aldermen	167,887	177,814	9,927

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.

Howard Karras
DIRECTOR FINANCE