

REPORTS
REGULAR COUNCIL MEETING
1989 OCTOBER 23

1989 October 20

TO: MAYOR AND ALDERMEN

FROM: ALDERMAN D. DRUMMOND
FINANCE LIAISON ALDERMAN

SUBJECT: COUNCIL INDEMNITIES

PURPOSE: To establish Council indemnities for the year ending
1990 November 30

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 draft 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 1990 annual indemnities of \$79,639 for the Mayor and \$21,333 for each Alderman. This report recommends indemnities of \$60,760 for the Mayor and \$16,580 for each Alderman, or increases of 5.5% and 7.5% respectively over 1989.

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 proposed that for 1990 the formula be changed to reflect the recommendations contained in this report.

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

	1988	1989	1990	Increase 1990 vs 1989
	\$	\$	\$	%
Mayor	\$ 53,423	\$ 57,590	\$ 60,760	5.5
Aldermen	14,308	15,424	16,580	7.5
Total	\$167,887	\$180,982	\$193,400	6.9

The following recommendations are submitted for Council's consideration and approval:

1. THAT the Council indemnity increase for 1989/90 be 5.5% for the Mayor and 7.5% for the Aldermen. The actual amounts to be:

	Indemnity(2/3)	Expenses(1/3)	Total
Mayor	\$40,506.67	\$20,253.33	\$60,760
Each Alderman	11,053.33	5,526.67	16,580

2. THAT the Solicitor bring down a bylaw to establish the new indemnities effective 1989 December 01.

INTERNAL DISTRIBUTION:
AGENDA 1989 OCTOBER 23
COPY - MUNICIPAL MANAGER
- DIRECTOR FINANCE

Respectfully submitted,

D. P. Drummond

D. Drummond
FINANCE LIAISON ALDERMAN

DRAFT

TO: MUNICIPAL MANAGER 1989 October 10
 FROM: DIRECTOR FINANCE File: C65
 SUBJECT: COUNCIL INDEMNITIES - 1990
 PURPOSE: To establish Council indemnities for the year ending
 1990 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:

<u>Year</u>	Percentage of Total Municipal <u>Budget</u>	Mayor's <u>Indemnity</u> \$	Alderman's <u>Indemnity</u> \$	% Increase Over <u>Previous Year</u>
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
1989	0.1583	57,590	15,424	7.8

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 1989 expenditure base, 1990 indemnities would increase by 38.3%. If the 1989 percentage of 0.1583 is repeated, the 1990 indemnities will increase by 9.5% over 1989.

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 \$ 61,952,738

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."

1990 CALCULATION

A. INDEMNITY USING 0.20%

The 1990 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 \$125,151,382.

1989 gross annual budget \$191,463,692
Less school levy 66,312,310

1989 gross municipal - less school \$125,151,382

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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 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 \$125,151,382 would be \$250,303.
3. The gross indemnity divided by eleven shares would equal \$22,755 per share.
4. The Mayor's indemnity for 1990 calculated on 3.5 shares @ \$22,755 per share would equal \$79,639.
5. The total Alderman indemnity for 1990 calculated on 7.5 shares @ \$22,755 per share would equal \$170,662 divided by eight equal shares would equal an indemnity of \$21,333 per Alderman.
6. The 1990 projected indemnities using a percentage of 0.20 represents an increase of 38.3 over 1989. The details for this calculation are:

	<u>Indemnity</u>		<u>Increase</u>	
	<u>1989</u>	<u>1990</u>		
	<u>Actual</u>	<u>Projected</u>	<u>Increase</u>	
	\$	\$	%	
Mayor	57,590	79,639	22,049	38.3
Aldermen	<u>15,424</u>	<u>21,333</u>	<u>5,909</u>	<u>38.3</u>
Total indemnity cost for Mayor and eight Aldermen	180,982	250,303	69,321	=====

B. INDEMNITY USING 0.1583%

The 1990 indemnity calculation using the 1989 percentage of 0.1583 produces an indemnity increase as follows:

	<u>Indemnity</u>		<u>Increase</u>	
	<u>1989</u>	<u>1990</u>		
	<u>Actual</u>	<u>Projected</u>	<u>Increase</u>	
	\$	\$	%	
Mayor	57,590	63,035	5,445	9.5
Aldermen	<u>15,424</u>	<u>16,885</u>	<u>1,461</u>	<u>9.5</u>
Total indemnity cost for Mayor and eight Aldermen	180,982	198,115	17,133	=====

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.

Submitted for the information of Council.

Howard Karras
DIRECTOR FINANCE