



DATE: November 7, 2007
TO: Honorable Mayor and City Councilmembers
FROM: Office of the City Attorney
SUBJECT: **APPROVAL OF EXPENSE AND REIMBURSEMENT POLICY**

SYNOPSIS

The City Attorney recommends that City Council (1) adopt the City Council Policy 100-60, entitled Expense and Reimbursement Policy, applicable to elected and appointed City officials, and members of City boards and commissions; (2) repeal City Council Policies 100-14, 100-15 and 100-49; and (3) direct staff to review and revise or repeal all administrative directives, policies and procedures that duplicate or are in conflict with the attached expense and reimbursement policy.

BACKGROUND

The expenditure of City funds is legally permissible to pay certain costs of City officials and employees incurred in the course of conducting official City business. Currently, there are three City Council Policies—100-14, 100-15 and 100-49—as well as several administrative directives and administrative procedures that provide guidelines for travel and other expenses for City officials and employees when conducting City business. The City Attorney recommends that a single, comprehensive set of guidelines be prepared to replace the array of existing policies, procedures and directives contained in several different sources.

Additionally, AB 1234, effective January 1, 2006, established various requirements applicable to expense reimbursements for city council members. The proposed expense and reimbursement policy is intended to address the requirements of AB1234 and to consolidate existing policies, procedures and directives.

Some City officials and employees are issued Cal Cards to facilitate authorized purchases of supplies, materials and equipment for City purposes. Directions for the proper use of Cal Cards are contained in the City of Oceanside Purchasing Card Handbook, which is provided to all Cal Card holders. The proposed expense and reimbursement policy is not intended to replace the Purchasing Card Handbook.

ANALYSIS

AB 1234 (codified at Government Code section 53232.2) provides that if a city reimburses city council members for actual and necessary expenses incurred in the

performance of official duties, then the city council must adopt a written policy, in a public meeting, specifying the types of occurrences that qualify for reimbursement of expenses relating to travel, meals, lodging, and other actual and necessary expenses. At the time the new state legislation took effect (January 1, 2006), the City of Oceanside had such written policies in place, including Council Policy 100-14 (City Council Travel Policy), Council Policy 100-15 (Approval of Travel and Other Expenses), and Council Policy 100-49 (City Reimbursement of City Council's Tickets for Community Events). The proposed expense and reimbursement policy is intended to consolidate those existing policies, as well as several administrative directives and procedures applicable to other City employees, and to provide greater detail on the types of expenses that are authorized.

Although AB1234 applies only to members of the local agency's legislative body, the proposed policy applies to all elected officials, including the City Clerk and City Treasurer. In addition, the policy applies to the City Manager and City Attorney and members of City Boards and Commissions. Upon adoption by the Council, the City Manager intends to issue the policy as an administrative directive applicable to all City employees who use City funds to participate in official City business. This will ensure that all members of City government comply with a single comprehensive policy governing expense reimbursement.

The proposed policy addresses certain specific requirements of AB1234, including the following:

- The policy identifies three types of expenses: "Authorized Expenses", "Expenses Requiring Pre-Approval" and "Unauthorized Expenses." Authorized expenses are permitted subject to compliance with the policy. Unauthorized Expenses shall not be reimbursed, and include, among other things, the personal portion of any trip, expenses incurred by a family member accompanying a public official on agency related business, expenses for alcoholic beverages and entertainment expenses. Expenses Requiring Pre-Approval include all costs for international travel and expenses that exceed the annual budget limits for each department or council member.
- Council members must provide brief reports on meetings attended at the City's expense at the next regular City Council meeting. Gov. Code section 53232.3(d).
- Expense reports, accompanied by receipts, must be submitted within 30 days of an expense being incurred. Gov. Code section 53232.3(c).
- Government and group rates must be used for travel and lodging when available. In addition, the policy establishes rates for airfare, lodging and meals that are presumptively reasonable.

The proposed policy eliminates the provision of per diem allowances for City Council members, currently permitted by City Council Policy 100-14. City Council Policy 100-15 currently states that any expenditure incurred by a Council Member must contain a

counter-signature by another Council Member. Council Policy 100-15 is proposed to be deleted in its entirety and replaced by the attached policy.

FISCAL IMPACT

The proposed expense and reimbursement policy specifies the kinds of expenses that may be paid with City funds as well as certain types of expenditures for which City funds may not be used. The policy is not intended to replace or affect the City budget and does not govern the allocation of any particular expense to any department budget or budget line item. As such, adoption of the proposed policy will have no direct fiscal impact.

COMMISSION OR COMMITTEE REPORT

Not applicable.

CITY ATTORNEY'S ANALYSIS

The proposed policy has been prepared by the City Attorney and approved as to form.

RECOMMENDATION

The City Attorney recommends that City Council: (1) adopt the attached expense and reimbursement policy, applicable to elected and appointed City officials, and members of City boards and commissions, with respect to requests or proposals by such persons to expend or be reimbursed from City funds for costs incurred on official City business; (2) repeal City Council Policy Numbers 100-14, 100-15 and 100-49; and (3) direct staff to review and revise or repeal all administrative directives, policies and procedures that duplicate or are in conflict with the attached expense and reimbursement policy.

PREPARED BY:



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SUBMITTED BY:



JOHN MULLEN
City Attorney

REVIEWED BY:

Michelle Skaggs Lawrence, Deputy City Manager



Attachment: Expense and Reimbursement Policy

SUBJECT:
Expense and Reimbursement Policy

POLICY NUMBER 100-60
ADOPTED 11-7-07

Purpose

The City is authorized to pay actual and necessary expenses of the members of a legislative body related to travel, meals and lodging provided those expenses are incurred in the performance of their official duties. The purpose of this policy is to define the types of occurrences that qualify a member of a legislative body for reimbursement. In addition, this policy specifies the reasonable reimbursement rates for public officials.

This policy also applies to any charges made to a City purchasing card, cash advances or other line of credit.

This policy is not intended to and does not govern the allocation of any particular expense to any City department budget or budget line item.

Persons Covered by This Policy/Approving Authority

This policy applies to elected and City officials appointed by the City Council, including members of City boards, commissions and committees with respect to any request or proposal to expend or be reimbursed from City funds for costs incurred on official City business.

For purposes of this Policy only, the "Approving Authority" for individual members of the City Council, Community Development Commission ("CDC"), and Harbor District Board of Directors ("Harbor Board") is the City Council, CDC or the Harbor Board, respectively. The Approving Authority for individual members of other City boards, commissions and committees is the City Council. The Approving Authority for the City Manager and for employees in the City Attorney's Office is the City Attorney. The Approving Authority for the City Attorney, City Clerk, and City Treasurer is the City Manager.

Types of Expenses Subject to Reimbursement

Authorized Expenses

City funds must be used only for authorized City business. Expenses incurred in connection with the following types of activities generally constitute authorized expenses, as long as the other requirements of this Policy are met:

1. Communicating with representatives of regional, state and national government on City adopted policy positions;

2. Attending educational seminars designed to improve officials' skill and information levels;
3. Participating in regional, state and national organizations whose activities affect the City's interests;
4. Recognizing service to the City (for example, thanking a longtime employee with a retirement gift or celebration of nominal value and cost);
5. Attending City events or attending community events when representing the City;
6. Implementing a City-approved strategy for attracting or retaining businesses to the City, which will typically involve at least one staff member;
7. Meals when included or required in connection with attendance as a City representative at authorized meetings, seminars, conferences, City-sponsored events or community events; and
8. Participating in managing emergency incidents and maintaining emergency preparedness.

Expenses Requiring Pre-Approval

Any questions regarding the propriety of a particular type of expense should be resolved by the Approving Authority before the expense is incurred. If the applicable Approving Authority is the City Council, CDC or Harbor Board, then the question must be resolved at a public meeting of that body.

All expenditures of a type other than those described as "Authorized Expenses," above, require prior approval by the applicable Approving Authority. The following expenses also require prior approval by the applicable Approving Authority:

1. International travel expenses; and
2. Expenses that exceed the annual budgetary limits established for each council member or department; and

If the Approving Authority is the City Council, CDC or Harbor Board, such prior approval must be given at a public meeting of that body.

Unauthorized Expenses

Personal Expenses. Personal expenses will not be borne or reimbursed by the City. Examples of personal expenses that the City will not reimburse and for which public funds shall not be used include, but are not limited to:

1. The personal portion of any trip;
2. Political or charitable contributions;

3. Family expenses, including partner's expenses when accompanying official on agency-related business, as well as children- or pet-related expenses;
4. Entertainment expenses, including theater, movies (either in-room or at the theater), sporting events (including gym, massage and/or golf related expenses), or other cultural events;
5. Non-mileage personal automobile expenses, including repairs, traffic citations, insurance or gasoline;
6. Personal losses incurred while on City business; and
7. Alcoholic beverages

Meals for Third Parties. As a general rule, public funds may not be expended to purchase meals for third parties, such as constituents, legislators and private business owners. The City Manager is authorized to approve exceptions to this general rule on a case-by-case basis for meals included or associated with an official City-sponsored event or official City business.

Cost Control

To conserve City resources and keep expenses within community standards for public officials, expenditures should adhere to the following guidelines. In the event that expenses are incurred that exceed these guidelines, the cost borne or reimbursed by the City will be limited to the costs that fall within the guidelines.

Transportation

The most economical mode and class of transportation reasonably consistent with scheduling needs and cargo space requirements must be used, using the most direct and time-efficient route. Government and group rates must be used when available.

Airfare. Airfares that are equal to or less than those available through the Enhanced Local Government Airfare Program offered through the League of California Cities (www.cacities.org/travel), the California State Association of Counties (www.csac.counties.org) and the State of California (www.catravelmart.com) are presumed to be the most economical and reasonable for purposes of reimbursement under this policy.

Automobile. Certain City officials receive a monthly vehicle allowance for use of their personal vehicles in performing duties for the City. Pursuant to Government Code section 1223, such vehicle allowances are provided as an alternative to mileage reimbursement. City officials who do not receive a monthly vehicle allowance may be reimbursed, based on a mileage rate, for use of their personal vehicles to conduct City business. Automobile mileage is reimbursed at Internal Revenue Service rates presently in effect (see www.irs.gov). For 2007, the rate is

48.5 cents per mile. These rates are designed to compensate the driver for gasoline, insurance, maintenance and other expenses associated with operating the vehicle. This amount does not include bridge and road tolls, which are separately reimbursable. Mileage rates will not be paid for rental vehicles; only receipted fuel expenses will be reimbursed.

Car Rental. Charges for rental vehicles may be reimbursed under this provision for attending out-of-town conferences where it is determined that renting a vehicle is more economical than other forms of transportation. In making such determination, the cost of the rental vehicle, parking and gasoline will be compared to the combined cost of such other forms of transportation. Rental rates that are equal to or less than those available through the State of California's website (www.catravelmart.com) shall be considered the most economical and reasonable for purposes of reimbursement under this policy.

Taxis/Shuttles. Taxi or shuttle fares may be reimbursed, including a 15 percent gratuity per fare, when the cost of such fares is equal to or less than the cost of car rentals, gasoline and parking combined, or when such transportation is necessary for time-efficiency.

Lodging

Lodging expenses will be reimbursed or paid for when travel on official City business reasonably requires an overnight stay.

Conferences/Meetings. If such lodging is in connection with a conference, lodging expenses must not exceed the group rate published by the conference sponsor for the meeting in question if such rates are available at the time of booking. If the group rate is not available, see next section ("Other Lodging").

Other Lodging. Travelers must request government rates, when available. A listing of hotels offering governmental rates in different areas is available at www.catravelmart.com/lodguideframes.htm. Lodging rates that are equal to or less than government rates are presumed to be reasonable and hence reimbursable for purposes of this policy.

In the event that government rates are not available at a given time or in a given area, reasonable rates will be established in advance, on a case-by-case basis, by the Finance Director and City Manager.

Meals

Actual expenses for authorized meals may be reimbursed in amounts that do not exceed the IRS per diem rates for a given area. Such rates are presumed

reasonable and hence reimbursable. IRS per diem rates may be found at www.irs.gov (Publication 1542) or www.policyworks.gov/perdiem.

The City will not reimburse for alcoholic beverages.

Telephone/Facsimile/Cellular

Actual telephone and fax expenses incurred on City business are reimbursable. Telephone bills should identify which calls were made on City business. Wherever possible, City-issued cellular phones should be used for City business conducted away from City offices.

Internet

Internet access connection and/or usage fees away from home, not to exceed \$15.00 per day, are reimbursable if Internet access is necessary for City-related business.

Airport Parking

When airport parking is used for travel exceeding 24 hours, long-term rather than short-term parking must be used.

Other

Baggage handling fees of up to \$1 per bag and gratuities of up to 20 percent will be reimbursed. Expenses paid or reimbursed by another agency are not reimbursable by the City.

Cash Advance Policy

From time to time, it may be necessary to request a cash advance to cover anticipated expenses while traveling or doing business on the City's behalf. Such request for an advance should be submitted to the City Manager at least fourteen (14) business days prior to the need for the advance with the following information:

1. The purpose of the expenditure(s);
2. The benefits of such expenditure to the residents of the City;
3. The anticipated amount of the authorized expenditure(s) (for example, hotel rates, meal costs, and transportation expenses); and
4. The dates of the expenditure(s).

Any unused advance must be returned to the City within 30 business days of the official's return, along with an expense report and receipts documenting how the

advance was used in compliance with this expense policy. No reimbursement will be permitted to cover expenses paid through a cash advance.

Purchasing Card Use Policy

City officials with City purchasing cards may use those cards only for official City business consistent with this expense Policy and the most current version of the City of Oceanside Purchasing Card Handbook. Purchasing card expenses will be periodically reviewed by the City Council or its designee.

City purchasing cards may not be used for personal expenses, even if the card user subsequently reimburses the City. Further, City purchasing cards may not be used to pay for any expenses prohibited by this Policy.

Expense Report Content and Submission Deadline

All cash advance expenditures and expense reimbursement requests must be submitted on an expense report form provided by the City.

Expense reports must document that the expense in question meets the requirements of this policy. All expenses are subject to verification that they comply with this policy. Expense reports are public records subject to disclosure.

Expense reports must be submitted within 30 days of an expense being incurred. All expenses must be documented with receipts. Inability to provide such documentation in a timely fashion may result in the expense being borne by the individual who incurred the expense.

Reports to City Council

Each City Council/CDC/Harbor Board member shall briefly report on any meetings or events attended at City expense; such report shall be provided at the next regular City Council/CDC/Harbor Board meeting following the event or meeting attended. If multiple officials attended, a joint report may be made.

Compliance with Laws

All agency expenditures are public records subject to disclosure under the Public Records Act.

Violation of this Policy

Use of public resources or falsifying expense reports in violation of this policy may result in any or all of the following: 1) loss of reimbursement privileges, 2) a

demand for restitution to the City, 3) the City's reporting the expenses as income to the individual who incurred the expense to state and federal tax authorities, 4) civil penalties of up to \$1,000 per day and three times the value of the resources used, and 5) prosecution for misuse of public resources.

POLICY NUMBER 100-14
ADOPTED 8-11-82
REVISED 11-15-89
REVISED 6-3-92
REVISED 1-16-02
DELETED 11-7-07

SUBJECT:

Policy 100-14 re: City Council Travel superseded by Policy 100-60; page intentionally left blank.

SUBJECT:

POLICY NUMBER 100-15
ADOPTED 8-10-83
REVISED 3-6-02
DELETED 11-7-07

Policy 100-15 re: Approval of Travel and Other Expenses superseded by Policy 100-60; page intentionally left blank.

SUBJECT:

POLICY NUMBER 100-49
ADOPTED 12-12-01
DELETED 11-7-07

Policy 100-49 re: City Reimbursement of City Council's Tickets for Community Events superseded by Policy 100-60; page intentionally left blank.