
City of Kelowna

MEMORANDUM

DATE: January 5, 2006
FILE: 1800-00
TO: City Manager
FROM: Financial Accounting and Systems Manager
RE: Mileage Reimbursement Allowance

RECOMMENDATION:

To amend Council Policy 253 – Use of City Owned and Personal Vehicles for City Use, by increasing the monthly flat rate from \$150.00 per month to \$200.00 per month.

To amend the wording in Council Policies 253 by changing the per kilometer rate for the first 5,000 kilometers driven in a calendar year, from “\$0.45 per kilometer” to, “the tax exempt per kilometer allowance recommended by the Canada Revenue Agency”.

And to amend the policy to specify that “persons eligible for this program are those who travel greater than 2,000 kilometers and less than 10,000 per year for business purposes”.

To reaffirm the rate for kilometers driven over 5,000 in a calendar year remains at \$0.24.

Also to amend Policy 164 – Travel Expenses policy – for the occasional users from “\$0.45 per kilometer” to “the tax exempt per kilometer allowance recommended by the Canada Revenue Agency”.

BACKGROUND:

The compensation rate for personal vehicle use mileage is reviewed annually. The last change to the mileage rates was in September 2004. The City's existing policy states that users are compensated as follows:

Constant Users:

- A flat rate of \$150.00 per month, plus
- \$0.45 per kilometer for the first 5,000 kilometers driven per calendar year
- \$0.24 per kilometer for all kilometers driven in excess of 5,000 per calendar year.

Occasional Users:

- \$0.45 per kilometer for all kilometers driven on City business.

As dictated by policy the rates for mileage are reviewed annually. During the 2005 review, it was determined that the rates no longer provide competitive compensation nor

do they adequately compensate for rising operating costs. Within the last 12 months, costs of operating a vehicle have risen nearly 10%. These increases were supported by research obtained from the consumer price index for fuel and insurance information provided by a local Kelowna Autoplan provider, as well as other automotive industry documentation.

The rate for 2005 offered by the Canada Revenue Agency is \$0.45. It is anticipated that this rate will increase in 2006 to \$0.50. By attaching the compensation rate to the Canada Revenue Agency rate, remuneration will be more closely aligned to fluctuating vehicle operation costs. The Canada Revenue Agency reviews their policy rate at least annually.

The introduction of the minimum requirement of 2,000 kilometers per year will effect only employees who are entering into the program. In 2005, five employees claimed less than 2,000 kilometers, however most are anticipated to increase their mileage in 2006 to meet or exceed the 2,000 kilometer threshold.

Staff members that do not regularly meet the 2,000 kilometer requirement will be provided the option to receive the non-taxable compensation rate offered within Policy 164, or make use of the pool cars were available. The Director of Works and Utilities will continue to monitor the program and will approve all new employees entering into the program as well as review annually the rates and usage.

The rate changes will be effective retroactively to January 1, 2006.

Rob Mayne
Financial Accounting and Systems Manager

Approved for inclusion

Paul Macklem, CMA
Director of Financial Services

Rm