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| TO: | CHAIR AND MEMBERS FINANCE AND ADMINISTRATIVE SERVICES COMMITTEE MEETING ON MARCH 26, 2012 |
| FROM: | MARTIN HAYWARD CITY TREASURER, CHIEF FINANCIAL OFFICER |
| SUBJECT: | CHANGES TO COUNCIL POLICIES 28(1) and 28(2) TRAVEL AND EXPENSES and COUNCIL MEMBERS' EXPENSE ACCOUNT |

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| RECOMMENDATION |
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That, on the recommendation of the City Treasurer, Chief Financial Officer, with the concurrence of the City Clerk, the following actions be taken with respect to travel and business expenses as well as the Council Members' Expense Account:

- a) the Civic Administration **BE INSTRUCTED** as to the preferred course of action with respect to capping expenses for gifts and souvenirs under Council Policy 28(2) Council Members' Expense Account;
- b) the attached proposed by-law (Appendix "B") **BE INTRODUCED** at the Municipal Council meeting on April 10, 2012 to repeal and replace Council Policy 28(2) entitled "Council Members' Expense Account" with a new policy subject to any revision arising from a) above; and,
- c) the attached proposed by-law (Appendix "A") **BE INTRODUCED** at the Municipal Council meeting on April 10, 2012 to repeal and replace Council Policy 28(1) entitled "Travel & Expenses Policy" with a new policy entitled "Travel & Business Expense Policy".

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| PREVIOUS REPORTS PERTINENT TO THIS MATTER |
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Item # 8 - Finance and Administrative Services Committee – Feb. 6, 2012 – Changes to Council Policies 28(1) and 28 (2) Travel and Convention and Council Members' Expense Account

Item #7 - Finance and Administrative Services Committee – Dec. 12, 2011 – Changes to Council Policies 28(1) and 28 (2) Travel and Convention and Council Members' Expense Account

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| BACKGROUND |
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Council Members' Expense Account Policy

At the February 21, 2012 meeting of Municipal Council, the following resolution was passed with respect to Council Members' Expense Account Policy:

"That, the following actions be taken with respect to the February 6, 2012 report from the City Treasurer, Chief Financial Officer with respect to amendments to Council Policy 28(1) and Council Policy 28(2) related to the Travel and Expense Policy and the Council

Members' Expense Account Policy, respectively:

- a) the report BE REFERRED back for further refinement and report back at a future meeting; and,
- b) the Civic Administration BE REQUESTED to address the following considerations in the further report noted in a), above:
 - i) how general "wear and tear" expenses with respect to the use of personal vehicles for City business might be eligible for reimbursement; and,
 - ii) a cap on the purchase of souvenirs and other such purchases, based upon the annual average spent on such items by Council Members in the last few years, less the highest and lowest expenditures."

The following sections summarize the Civic Administration's response to Council's direction.

Use of Personal Vehicles for City Business by Council Members

On October 24, 2011 Council passed a by-law to adjust the annual expense allocation for each Council Member by an equal share of the annual amount budgeted for reimbursement of claims for local City business travel, in order to amalgamate the two allocations into one lump sum.

Effective January 1, 2012 this adjustment resulted in an increase to each Council Members' expense account (excluding the Mayor) from \$7,000 to \$8,570.

Council Policy 28(2) Section(c)(viii) has been added to address reimbursement of normal "wear and tear" expenses of the primary personal vehicle used for City business such as: gas receipts, oil changes, tires, brakes, parking and other fluid changes/fills.

Souvenirs and Gifts

The average amount spent on souvenirs by Council Members from their expense account in 2008 to 2011 (with the highest and lowest amount spent removed) was: \$569.62, \$405.54, \$704.39 & \$563.99 (respectively).

Council may want to give consideration to establishing a limit for the purchase of souvenirs based on the average spending amount outlined above and adding that limit on Policy 28 (2) Council Members' Expense Account subsection c) iii).

Lease of Space

Council Policy 28(2) Section (c)(vii) has been revised to read: "expenses related to ward, neighbourhood or constituent meetings, such as the expenses related to the lease of space within the ward"

A separate report will be coming forward from the City Clerk's office as part of the Council Support Process that will address the matter of ward office space.

City of London Municipal Granting

Council Policy 28 (2)Section (a)(xi) has been added to read "any donations or grants as these items are covered under the City of London Municipal Granting program".

These items have be excluded from the Council Member's Expense Account as eligible expenses due to the City of London Municipal Granting program implemented by Council as the June 20,2011 Municipal Council meeting.

Council Travel and Expense Policy

At the January 10, 2012 meeting of Municipal Council, the following resolution was passed with respect to the Council Travel and Expense Policy:

“That, notwithstanding the recommendation of the City Treasurer, Chief Financial Officer, the report recommending the introduction of a by-law to amend Council policies 28(1) related to travel and business expenses and 28(2) related to the Council Members’ expense account to:

- a) approve the revised Travel and Business Expense Policy, with respect to reimbursement of travel and business expenses for all elected and appointed officials as well as all City of London employees;
- b) approve the revised Council Members’ Expense Account Policy, with respect to the annual sum allocated to the Members of Council for expenses incurred while acting as Members of Council; and
- c) authorize the City Treasurer, Chief Financial Officer or designate to undertake all the administrative acts that are necessary in connection with these policies,

BE REFERRED back to the Civic Administration to bring the proposed policy changes into conformance with recent policy changes pertaining to reimbursement for use of personal vehicles by Elected Officials, provide more clarity with respect to eligible expenses of a spouse and to implement approval requirements for both the Mayor and Members of Council as it relates to out-of-town business.”

As a result, the following sections have been amended:

Policy 28(1) Section VII (1)(a)(iv) – Authorized travel – removed the wording pertaining to the individual acting on behalf of the head of the governing body, that prior approval from the head is required and that this section does not apply to the head of the governing body.

Policy 28(1) Section VII (4)(c)(i) – Local Mileage – added a note stating that Members of Council are not eligible to receive reimbursement for local mileage

Policy 28(1) Section VIII (2)(i),(2)(iii),2(iv) – Hosting – the business entertainment portion was completely removed and items pertaining to these types of expenses were added under the Hosting section. Expenses of a spouse are covered off in this section.

Financial Services also undertook a review of the credit card process and its impact on travel and business expenses. The following changes are being proposed:

1. The existing Policy be renamed from Travel & Expense to Travel and Business Expense Policy;
2. The existing Policy be amended as highlighted below;
3. The addition of a section to include any other related business expenditures that are to be reimbursed by the City of London;
4. The existing policy be amended to include Elected and Appointed Officials as well as all City of London employees.

The proposed amended Travel & Expense Policy is attached to this report as Schedule A to Appendix A. The following issues from the procurement card audit report are addressed in this draft revision:

- a) Senior Person Pays
A requirement that when two or more employees are present for a meal or other business entertainment event, the most senior person present must pay for the expenditure;

b) In-town Versus Out-of-town Meals

The draft revision provides some clarification on expensing meals in-town versus out-of-town and when only City staff are in attendance versus non-City staff.

Concurrently, Financial Services recommends incorporating changes in the Travel & Business Expense Policy to simplify the reporting of travel expenses by reimbursing on a per diem basis, without receipts, while allowing for a reduction in the per diem, if meals are included with the attended function.

The proposed Travel and Business Expense Policy also provides some clarification on:

- **The Delegation of Expense Approval Authority**
The draft Policy designates an Expense Review Officer (ERO) for each jurisdiction that will be responsible for administering this Policy within their particular areas of jurisdiction. The ERO will address any justifiable exceptions; audit and process all expense reports in accordance with this Policy; while maintaining the right to request additional explanations, documentation or justification of any or all of the expense reports. The proposed Policy changes provide the ERO the authority to delegate this responsibility.
- **Pre-approval of Travel Expenditures**
The draft Policy requires written pre-approval from the individuals' ERO for all travel expenditures to be reimbursed in excess of \$3,000.
- **Public Reporting of Administrators' Expenses**
The draft Policy includes all current public reporting as well as all City of London staff at a level of SME-02 and above. The new level of reporting will begin in 2012.
- **Maximum Meal Allowances**
The per diem allowance provides meal allowances when overnight travel is required. The provision in this Policy also outlines the maximum reimbursed for meals for partial travel days.
- **Insurance Coverage for Personal and Corporate Vehicle Usage**
Upon request from Risk Management, two appendices were added to this Policy to establish the requirements of City employees who receive travel expense reimbursement, to be aware of expectations and insurance requirements when using a personal or rented vehicle while on City business.
- **Business and Business Hosting Related Expenses**
The City of London currently does not have a policy regarding business and business hosting types of expenditures. The revision addresses the methods and procedures by which those individuals covered by this Policy are governed in respect to business and business hosting expenses.

To support these revisions, Financial Services benchmarked with Windsor, Ottawa, Mississauga, Hamilton, and York Region. It was found that each of these communities use the per diem method for reimbursing travel expenses.

The following sections within Policy 28(2) Council Members' Expense Account required revisions based on the changes made to Policy 28(1)

- Section (a)(ii) and Section (c)(i) have been updated to reflect the revised name of Policy 28(1).
- Section (c)(iv) applies to business hosting expenses; the following wording has been added to the end of this section: "and is in accordance with Council Policy 28 (1) Travel and Business Expenses".

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| PREPARED BY: | REVIEWED AND SUBMITTED BY: |
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| MELISSA MCERLAIN MANAGER, ACCOUNTS PAYABLE | MIKE TURNER DEPUTY CITY TREASURER |
| CONCURRED BY: | RECOMMENDED BY: |
| | |
| CATHY SAUNDERS CITY CLERK | MARTIN HAYWARD CITY TREASURER, CHIEF FINANCIAL OFFICER |