

Report to Corporate Services Committee

To: Chair and Members
Corporate Services Committee

From: Anna Lisa Barbon, Deputy City Manager, Finance Supports

Subject: Corporate Mileage Rate Change

Date: May 30, 2022

Recommendation

That, on the recommendation of the Deputy City Manager, Finance Supports, the corporate mileage rate BE APPROVED at fifty-nine cents per kilometre from fifty cents per kilometre effective July 1, 2022.

Executive Summary

The City's current corporate mileage rate has been in place since October 2009. Civic Administration is recommending an increase that aligns more closely with the Canada Revenue Agency's (CRA) posted reasonable per-kilometre allowance rate. The purpose of this report is to provide information to assist with the approval to increase the rate effective July 1, 2022.

Analysis

1.0 Background Information

In October 2009, Council approved an increase to the corporate mileage rate from \$0.45 to \$0.50 per kilometre. When Civic Administration recommended the mileage increase, the rate was determined based on benchmarking against other municipalities. In 2009, CRA's posted reasonable per-kilometre allowance rate was \$0.52.

The mileage rate is applied to any local or out of town mileage that is incurred by a City employee while conducting city business. The mileage reimbursement process is covered in Council's approved Travel and Business Expenses Policy, CPOL.-227(a)-451.

2.0 Discussion and Considerations

2.1 Automobile Allowance Rates

Automobile allowance rates or mileage is intended to provide reimbursement to an employee for the use of their personal vehicle for business purposes. The reimbursement is intended to cover the cost of fuel for the vehicle as well as wear and tear on the vehicle. Due to the rising costs of vehicle maintenance and repairs as well as gasoline and diesel, Civic Administration is proposing an increase to the corporate mileage rate to align closer with CRA's reasonable rate. The following is an excerpt from CRA's website regarding their reasonable rate:

"The per-kilometre rates that we usually consider reasonable are the amounts prescribed in section 7306 of the Income Tax Regulations. Although these rates represent the maximum amount that you can deduct as business expenses, you can use them as a guideline to determine if the allowance paid to your employee is reasonable. The type of vehicle and the driving conditions are other factors used to determine whether an allowance is considered to be reasonable.

We consider an allowance to be reasonable if all of the following conditions apply:

- The allowance is based only on the number of business kilometres driven in a year
- The rate per-kilometre is reasonable
- You did not reimburse the employee for expenses related to the same use of the vehicle. This does not apply to situations where you reimburse an employee for toll or ferry charges or supplementary business insurance, if you determined the allowance without including these reimbursements

The automobile allowance rates for **2022** are:

- 61¢ per kilometre for the first 5,000 kilometres driven
- 55¢ per kilometre driven after that

The automobile allowance rates for **2021** are:

- 59¢ per kilometre for the first 5,000 kilometres driven
- 53¢ per kilometre driven after that

The automobile allowance rates for **2020** are:

- 59¢ per kilometre for the first 5,000 kilometres driven
- 53¢ per kilometre driven after that

The automobile allowance rates for **2019** are:

- 58¢ per kilometre for the first 5,000 kilometres driven
- 52¢ per kilometre driven after that.”

2.2 Mileage Rates Used by Others

The proposed mileage rate of fifty-nine cents per kilometre is in line with research conducted by Civic Administration. In reviewing several recent mileage/kilometric rates, the rate/km varied anywhere from \$0.40/km up to the current CRA posted reasonable rate (\$0.61/km).

Many federal employee groups follow the National Joint Council¹ rate which currently is \$0.575 per kilometre. For provincial employees, the Travel, Meal, and Hospitality Expenses Directive identifies a \$0.40 per kilometre rate for the first 4,000kms, and a declining rate thereafter, unless rates are established in a collective agreement. In reviewing the rates in use by municipalities, seven of the eight municipalities in the Southwestern Ontario/GTA area responded to a request for their mileage rates indicating that their rate is aligned to CRAs posted reasonable rate. The one municipality that does not align with CRA provides for \$0.56 per kilometre rate (it should be noted that most of the responses and information found related to rates in use were set in the past two-to-three-year period).

2.3 Proposed Mileage Rate

Civic Administration is recommending a rate of \$0.59 per kilometre, an increase of \$0.09 per kilometre effective July 1, 2022. This would establish the City's mileage rate at one year behind CRA's posted rate. This rate setting approach would be in line with what other municipalities who provided responses by using CRA as a benchmark.

The rate proposed by Civic Administration is within the range of CRA's 2022 posted reasonable rate of \$0.61/km and the National Joint Council rate of \$0.575/km. The CRA's posted rate is reviewed annually and viewed as a reasonable rate that can be used as a guideline.

¹ National Joint Council - The National Joint Council of the Public Service of Canada is the Forum of Choice for co-development, consultation and information sharing between the government as employer and public service bargaining agents.

3.0 Financial Impact/Considerations

The proposed increase in the mileage rate of \$0.09 per kilometre is estimated to increase expenditures approximately \$34,000 per year for the City of London. This estimate is based on historic patterns of reimbursements from 2017-2019 (prior to COVID-19 and the related disruption in travel and in-person meetings). This rate change and associated cost increase represents approximately a \$34,000 (9%) increase to the existing mileage expenditure budget and can be accommodated within existing approved operating budgets through housekeeping adjustments and realignment of other expenditure lines (if necessary).

4.0 Key Issues and Considerations

Utilizing the CRA reasonable rate as a benchmark could be deemed appropriate as CRA reviews this rate on an annual basis. Based on reviewing prior year reasonable rates, it was identified that CRA historically not only raises rates but may also decrease rates too. In 2016/2017 the rate decreased by one cent to fifty-four cents per kilometre before increasing to fifty-five cents in 2018.

Although CRA utilizes a tiered rate, Civic Administration is not recommending using a tiered rate approach. An analysis of the past few years of mileage reimbursements, indicated that approximately one percent of staff who claim mileage would be impacted by the application of this rule. Applying this tiered rule would require a significant change to existing processes, requiring system changes and an increase in administration of the reimbursements to track kilometres reimbursed to employees. To compensate for not using a tiered rate, the City has proposed to set the rate one year behind, using the 2021 CRA allowance rate of \$0.59 per kilometre.

Conclusion

Civic Administration is recommending increasing the corporate mileage rate to fifty-nine cents per kilometre from fifty cents. This proposed mileage rate is aligning with the practices in place in other municipalities, this recommendation balances between the Canada Revenue Agency reasonable rate and the rate identified by the National Joint Council. Further, the last time the City's rate increased was 2009. When the mileage rate was increased last, the average retail price for gasoline and fuel oil in Toronto, Ontario was \$0.956². As of March 2022, the average retail price for gasoline and fuel oil in Toronto, Ontario was \$1.73².

Prepared by:	Melissa McErlain, Manager of Accounting
Submitted by:	Ian Collins, Director, Financial Services
Recommended by:	Anna Lisa Barbon, Deputy City Manager, Finance Supports

² Statistics Canada. Table 18-10-0001-01 Monthly average retail prices for gasoline and fuel oil, by geography