

Report to Council

Report Title:	Municipal Mileage Allowance Policy – Follow Up		
Prepared By:	Trish Serratore, Chief Financial Officer		
Department:	Finance		
Date:	November 10, 2020		
Report Number:	FIN2020-41	File Number:	C11FIN, A09
Attachments:	Mileage Allowance Policy, Resolution 12-09-126		

Recommendation:

That the Council of the Municipality of Brockton hereby receives Report Number FIN2020-41 – Municipal Mileage Allowance Policy – Follow Up, prepared by Trish Serratore, Chief Financial Officer and by doing so approves a By-Law coming forward to adopt the Mileage Allowance Policy as presented.

Report:

Background:

On May 12, 2020 staff brought forward Report FIN2020-17 – Municipal Mileage Allowance Policy to update the Mileage Allowance Policy in effect from 2012. This report was tabled for staff to bring forward more information on the costs associated with the recommended changes.

Currently; the Municipality of Brockton has been reimbursing staff and Council for their mileage at the set rate of \$0.50 per kilometre as per resolution 12-09-126. Previous reports were presented in an effort to establish a set a policy for the calculation of employee and Council mileage reimbursement for clear application but a formal Policy has not been adopted.

Staff also noted that being below the set mileage rate by Canada Revenue Agency (CRA) for the reimbursement of mileage at the “reasonable rate”, the reimbursement would be considered a taxable benefit and have a financial impact to staff and Council.

Analysis:

As per the CRA guidelines “If you pay your employee an allowance based on a per-kilometre rate that we do not consider reasonable because it is either too high or too low, it is a taxable benefit (TB) and has to be included in the employee's income.” The reasonable allowance rates for 2020 are \$0.59 per kilometer for the first 5,000

kilometers driven, and \$0.53 per kilometer driven after that. Based on these guidelines, Brockton's currently policy of \$0.50/kilometer may be considered "unreasonable" if audited by CRA.

Financial Impact:

Staff reviewed the total mileage reimbursement to council and staff in 2019. Below is a chart that illustrates the total increase to the Municipality should they adopt the recommendation to follow the CRA reasonable rate:

Number of kilometers	Total Cost \$0.58*/km	Total Cost \$0.50/km + TB	Total Increase Cost
22,294.50	\$11,644.36	\$11,393.98	\$250.62

*\$0.58/km is the 2019 automobile allowance rate for the first 5,000 kilometers driven as set by CRA

The \$250.62 reflects the increased cost from the \$0.50/km to the \$0.58/km. Total kilometers are reflective of actual mileage reimbursed in 2019 and is used as a benchmark of a "typical" operating year. Total Cost \$0.50/km assumes the costs if CRA determined that \$0.50/km is unreasonable. Taxable benefits are not calculated on the \$0.58/km as CRA determines this to be reasonable.

Not included in the above calculations, by remaining at the current rate, is the increased cost for the additional staff time needed to track the mileage reimbursement through Accounts Payable and input into Payroll. In addition, by remaining at the \$0.50/km reimbursement, there is an increase in taxable income to Council and staff, which increases the tax deductions to be remitted by the Municipality. Though the increase in the taxable income is minimal to each employee, the overall increase per kilometer to be in line with the set rate by CRA is marginal.

The chart below illustrates the minimal impact of one staff member for the increase in their taxable income, it should be noted that the Provincial and Federal taxes have not been calculated as it is based on the staff's tax bracket. There is also a variance based on the staff's overall income, should they max out on the CPP and EI contributions:

Number of kilometers	At \$0.50	Taxable Benefit	CPP-ER	EI-ER	WCB	EHT	Total increase cost to Brockton for taxable benefit only
1,792	\$896.00	\$896.00	\$45.70	\$17.14	\$28.22	\$17.47	\$108.53

(a) Total cost at \$0.50/km + TB = \$1,004.53

(b) Total cost at \$0.58/km = \$1,039.26

(c) Difference = \$34.73

Net cost to Brockton to adopt new policy = \$34.73

Net savings for Brockton to maintain current policy = \$34.73

Number of kilometers	At \$0.50	Taxable Benefit	CPP-EE	EI-EE	Provincial and Federal Tax	Total increase cost to Employee for taxable benefit increase
1,792	\$896.00	\$896.00	\$45.70	\$14.52	Varies	\$60.22 + income taxes

Total cost to employee to adopt new policy = \$0.00

Total cost to employee to maintain current policy = \$60.22

By remaining at the current rate of \$0.50/km, there is a greater financial burden to the staff and council than there is cost savings to the Municipality. Adopting the changes to the policy will ensure that the Municipality is providing mileage reimbursement rates that are guaranteed to be determined as reasonable as set by the CRA.

COVID-19 Considerations:

In 2020 there was minimal travel due to COVID; the introduction of remote meetings and online training offerings significantly reduced mileage payments. It is predicted that 2021 will look very similar and the forecasted mileage expense will be minimal.

Added Considerations:

As noted in the original Report FIN2020-17, the County and neighbouring municipalities all follow the CRA annually established reimbursement rate.

Staff are recommending that Council approve the changes to the policy with the per kilometer rate be set by Canada Revenue Agency to ensure staff are following the proper protocols required based on the CRA requirements and applying the mileage reimbursement in a consistent manner.

Sustainability Checklist:

What aspect of the Brockton Sustainable Strategic Plan does the content/recommendations in this report help advance?

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| • Do the recommendations help move the Municipality closer to its Vision? | N/A |
| • Do the recommendations contribute to achieving Cultural Vibrancy? | N/A |
| • Do the recommendations contribute to achieving Economic Prosperity? | N/A |
| • Do the recommendations contribute to Environmental Integrity? | N/A |
| • Do the recommendations contribute to the Social Equity? | N/A |

Financial Impacts/Source of Funding:

- Do the recommendations represent a sound financial investment from a sustainability perspective? Yes

The financial impact on the Municipality is minimal, however, the impact on staff should council not adopt the policy to reimburse staff and Council for mileage incurred at the appropriate rate set by CRA would result in an increased taxable benefit to their end of year T4.

Respectfully Submitted by:



Trish Serratore, Chief Financial Officer

Reviewed By:



Sonya Watson, Chief Administrative Officer