



EMPLOYEE EXPENSES AND REIMBURSEMENTS

General Reimbursement Policy

The City of Poulsbo reimburses its employees and elected or appointed officials for reasonable travel, subsistence and related expenses incurred conducting City business providing the expenses are prudent and directly related to the individual's service on behalf of the City.

Each Department has a City issued credit card that may be used to assist employees who are incurring expenses conducting City business provided the expenses are prudent and directly related to the individual's service on behalf of the City. Please see section/policy on Credit Card Usage.

Administration

The Finance Director administers the reimbursement program, designs and distributes forms and instruction and carries responsibility for review of claims. Claims will not be allowed without a detailed account of monies spent certified by the individual making the claim as required by the State Auditor.

Documentation

Claims for personal reimbursement must be made on official Employee Claim for Expenses form, be accompanied by the vendor's original receipt or bankcard charge slip showing the date, vendor imprinted name, amount paid and items/services received, and must be certified correct and signed by the individual seeking reimbursement. Should a receipt be lost or not be obtainable, an employee must fill out a Lost Receipt form and attach to the Claim for Expenses signed by his/her Department Head. (or Mayor if the employee is a Department Head) This will serve as a substitute for a receipt.

In addition to the documentation above, claims for meals that feed others required the following documentation:

1. The names of the individuals being hosted
2. Their official title or capacity as it related to City business



3. The nature of the topics discussed, nature of the occasion, what public purpose or policy was being served (and/or copy of agenda)
4. The person being reimbursed must explain why it was necessary to conduct this business over a meal rather than on City premises.

Employee claims for expenses must be signed by department heads, or in his/her absence, by his/her designee. Department head or acting department head claims must be signed by the Mayor. Council member expenses must be signed by the City Clerk.

All Employee claims should be submitted in a timely manner; within 30 days. No reimbursement requests will be authorized for any expenses taking place in a previous budget year.

Food and Beverage

There is no state law explicitly authorizing cities to pay for food and beverages with public funds. Lacking a law, the responsibility is placed on the local city to determine its policy for paying for food and beverages for employees.

Based on recommendations from the State Auditor's Office, the City uses the following guidelines in determining the use of public funds for expenditures for food and beverages:

1. Who consumed this food and drink?
2. What was the nature of the occasion for the consumption?
3. What public purpose or policy objective was served?
4. Why was it necessary to consume food and beverage to carry out the policy?
5. Were the expenses "reasonable"?
6. Were the expenses consistent with the policy authorizing reimbursement?

The city must also consider Internal Revenue Service regulations covering the income tax consequences of providing food and beverages to employees.



General IRS Meal Reimbursement Regulations

(See following sections for specific examples)

The following food and beverage expenses qualify as non-taxable under the IRS code and will be reimbursed through Accounts Payable.

1. Meals consumed while traveling on city business. To qualify as travel the employee must travel a distance of 40 miles or more from Poulsbo and stay overnight.
2. Business meals between city employees and non-city employees that can reasonably be expected to bring a specific business benefit to the city (e.g. a new store is contemplating locating in Poulsbo). These meals would typically involve the Mayor and business people seeking to increase business in Poulsbo. Restaurant meals with current or potential city suppliers (vendors/contractors/consultants, etc.) would not qualify under this category.
3. Meal expenses directly related to and necessary for attending business meetings or conventions of organizations directly related to city business. These organizations include chambers of commerce, business leagues and trade or professional organizations such as the American Planning Association, American Public Works Association, etc.
4. Meals provided by the city that meet the following three criteria:
 - a. The meal must be brought to the employee; cash may not be given to the employee to buy a meal.
 - b. The meal must be provided at the city's business premises. This may include temporary work sites, such as a rented hotel conference room, if business is conducted there. Public restaurants do not qualify as business premises.
 - c. The meal must be provided for the city's convenience and have a sound business justification. Examples include:
 - i. Meals furnished during work hours so employees are available for emergency calls during the meal. Evidence must be provided that an emergency occurred.
 - ii. Meals delivered to the office at a group meeting that spans a mealtime and the meeting cannot be interrupted for a meal break.



The following food and beverage expenses are taxable under the IRS code and will be taxed through Payroll.

1. Meals consumed while attending local training sessions/classes. Local training means training that does not qualify for travel by being 40 miles or more from the city and requiring an overnight stay.
2. Meals consumed while transporting city or non-city participants to recreation programs.
3. Meals between city employees and/or non-city employees off the city premises that otherwise qualify for reimbursement under city policy.
4. Meals consumed while transporting and/or chaperoning city or non-city participants to city sponsored Parks and Recreation programs or events where paid staff are required for safety and supervision. Examples include, but are not limited to, programs or events at restaurants for senior participants.

Claims for taxable meal reimbursements must be submitted to Accounts Payable on an Employee Reimbursement form.

Retreats/Meetings/Training

Council Retreats/Executive Team Retreats/Department Retreats to determine goals and objectives for the department/City: The reasonable cost of necessary food and beverages while conducting a City retreat is authorized for reimbursement. Each department will be limited to one retreat per year. The Mayor and Council are also limited to two retreats respectively. *Non-taxable-paid through Accounts Payable*

City Sponsored Training/Staff Meetings: the general rule is that meals are not reimbursable and are to be purchased by those individuals attending. However, the City will pay reasonable cost of snacks & beverages. *Non-taxable under the IRS De Minimis meals category-paid through Accounts Payable.*

Professional Organization Sponsored Training or Seminars/Business Luncheon Meetings: The City will pay the cost of meals included as part of the registration or purchased separately to be consumed at meetings held during a meal time. Examples include the Chamber of Commerce, American Planning Association, Puget Sound Finance Officers Association, etc. *Non-taxable per specific IRS regulation- paid through Accounts Payable*



Awards/Recognition

Service Awards Ceremonies: Expenditures for reasonable refreshments served at the Mayor's Annual City-wide Employee Awards Program, including luncheon for those with 5, 10, 15 and 20 plus years of service. (Limited to one per year) *Non-taxable under the IRS De Minimis meals category-paid through Accounts Payable.*

Department Head Appreciation Luncheon: Expenditures for reasonable refreshments served at the Annual Department Head Appreciation Luncheon for only City of Poulsbo staff and Council members. (Limited to one per year) *Non-taxable under the IRS De Minimis meals category-paid through Accounts Payable.*

Special Events

The City policy is to allow for reimbursement for the costs of reasonable refreshments for public events such as Open Houses, City Anniversary Celebrations, and hosting delegations from other jurisdictions. Reimbursement requests must be accompanied by the publicly published notice of the event. *Non-taxable under the IRS De Minimis meals category-paid through Accounts Payable.*

Birthday Celebrations/Retirement Celebrations/Welcoming Parties: these events are considered private parties and as such represent an inappropriate expenditure of public funds. The cost of any food or beverage or any incidental expenses related to these events (film, flowers, cards, etc.) are not eligible for reimbursements.

Volunteers: It is the policy of the City of Poulsbo to recognize and acknowledge the contribution that volunteers make to the City. The City will pay the reasonable cost for providing service awards, food and beverages at an annual awards programs sponsored by the departments. *Non-taxable if held on city premises and meals are provided-paid through Accounts Payable. Taxable if held off city premises-employee's meal reimbursement paid through Payroll.*



Meals

Business Meals between City Employees: Meals (including snacks) between City Employees will not normally be reimbursed. It is expected that City Business between City employees can for the most part be conducted on City premises during normal work hours.

Working Lunches: The City recognized that there are occasions when it may be necessary for a group of employees to work through lunch in order to meet a deadline or to keep a group convened in order to accomplish the task. To be considered for reimbursement as a working lunch, the meeting must span over a three-hour period which includes the group's normal lunch hour and have approval. *Non-taxable if the meal is provided on the city premises for the convenience of the city-paid through Accounts Payable*

Business Meals between City Employees and Non-City Employees: the reasonable costs of necessary meals while conducting City Business with persons other than City employees either locally or out of town are authorized for reimbursement. Employees seeking reimbursement for meals of a non-City person must obtain prior approval. *The employee's meal is non-taxable if the meal is provided on the city premises for the convenience of the city or the employee is on out of town travel for the city - paid through Accounts Payable. The employee's meal is non-taxable if it meets the IRS test of providing a specific business benefit to the city (normally only the Mayor will qualify in the specific business benefit category) - paid through Accounts Payable. The employee's meal is taxable if the meal is not related to city travel and is eaten off the city premises. The meals for the non-city employees are paid through Accounts Payable.*

Meals while out of town on City Business:

Meal costs must be incurred directly by the city employee. Unauthorized expenditures include, but are not limited to, liquor, expenses of spouse, guests or other persons not authorized to receive reimbursement under this policy or State regulations.

Employees and officials claiming reimbursement for meals consumed while on City business and on overnight travel after the fact, must use the "per diem" basis. A "per diem allowance" is a payment that is made for meals and incidental expenses at a rate for the travel locality. "Incidental expense" covers laundry and dry cleaning costs and fees/tips for waiters, baggage handlers, etc. "Locality



of travel” means the place to which an employee goes on business away from home (overnight). A list of localities within the continental U.S. (CONUS) and their maximum per diem rates is published by the US General Services Administration (GSA). <http://www.gsa.gov>

Each Department has a City issued credit card that may be used to assist employees who are incurring expenses conducting City business provided that the expenses are prudent and directly related to the individual’s service on behalf of the City. The Department may choose to use the credit card for meals while out of town on business. However, the charges for the meal are *limited to the amount of the per diem for that locality* less any meals received as part of a registration. Also, the employee must choose to use the per diem reimbursement after the trip or if allowed, use the department credit card while away. **Both methods cannot be used.** If the meal amounts exceed the per diem amount the employee must reimburse the City within 5 days after return and a cash receipt showing the reimbursement must be attached to the credit card claim form.

Payment for table service at a restaurant, commonly referred to as a tip, not to exceed 20% (or \$1.00 whichever is greater) of the meal price (including sales tax), is reimbursable as a reasonable and necessary cost for such service. This amount is included in per diem allowed, not in addition to it.

All City employees and officials claiming reimbursement for meals consumed while on City business but not on overnight travel must have required receipts. Reimbursements for meals that do not include an overnight stay do not meet the business connection requirement for IRS and Social Security System; therefore, these reimbursements must be included in the employee’s gross income and are subject to federal income tax withholding.

Travel

The use of a City vehicle rather than a personal car is encouraged for all travel. The employee traveling and requesting reimbursement may not be the authorized approver. All travel expenses must fall within the yearly budgeted allocation. General guidelines are as follows:

Out-of-State Travel: Out-of-state travel must be approved by the Mayor. If an individual elects to drive rather than fly, trips beyond the State of Washington are reimbursed in an amount equal to the appropriate round-trip coach air fare



or the current IRS mileage rate, whichever is less. Exceptions may be made due to mitigating circumstances with the approval of the mayor.

City Vehicle: Out of area costs of vehicle operation are authorized for fuel, oil, tires and necessary repairs along with appropriate receipts.

Personal Vehicle: If other means of transportation are not feasible or the use of a personal vehicle better serves the City's purposes, the use of a personal vehicle may be authorized. The traveler will be reimbursed at the current approved mileage rate, plus parking and toll fees if documented with receipts. The mileage rate will be the rate published by the Internal Revenue Service (IRS) in Publication 535, Business Expense, which is available on the Internet at www.irs.gov. The mileage rate will be published annually, or more frequently, if required, by the Finance Department.

In determining if air travel would be more appropriate than personal vehicle the costs, should be the lower of (a) the established rate per mile, or (b) the lowest available airfare, plus mileage reimbursement at the then current City rate, and based upon the estimated distance between the airport and the destination. Exceptions may be made due to mitigating circumstances with the approval of the mayor.

Renting of Vehicle: If a rental car is necessary, the most economical model should be selected. The receipt for the use will be required documentation. The use of rental cars should be approved in advance by the Department Director or authorized Supervisor. Rental cars without prior approval may be disallowed. Mileage incurred above the daily flat rate should include justification when requested.

Rental vehicles, when possible, should be refueled prior to returning to the rental agency to ensure most economic use.

The City has insurance coverage. Additional insurance coverage offered by the rental car company should be declined. Only city employees on city business are covered by city insurance. Non-city employees are not covered.

Air travel: Arrangement for air travel on City related business shall be made by the individual's department after receiving the Mayor's approval.

- Airfare will be allowed at coach rates. All travelers are expected to book flights 3 to 12 weeks before the flight in order to take advantage of available credits, reduced rates or discounts to reduce the cost to the City. Last minute flights may be booked due to mitigating circumstances with



the approval of the mayor.

- The authorized procurer will arrange for air travel based on the lowest available airfare for a regularly scheduled flight which reasonably accommodates the time of travel requested and the destination as specified by the requesting department. Where the City can realize savings that exceed expenses for additional lodging and meals, etc. employees may take advantage of extended travel over a Saturday in order to be eligible for “super saver” airline rates. Documentation of cost justification should be provided. A travel agency may be used.
- The authorized procurer will arrange for air travel using the most cost-effective routing.
 - booking connecting flights when the saving are in excess of \$200 USD and the scheduled delay en-route does not exceed two (2) hours.
 - Being flexible in selecting departure times to use lower cost seats
 - Alternate airports when the savings is \$200 USD or more
- The authorized procurer will process payment using the Departments credit card. If that is not available, the Finance Department can assist using the general use credit card held on file.
- If personal travel is combined with business related travel, the traveling employee shall be responsible for paying the increase in airfare necessary to accommodate the personal part of the flight. The City shall only pay the lowest available airfare for the round trip between the Seattle/Tacoma Airport and the business related destination. Such payment for personal travel shall accompany the City’s payment to the vendor for the tickets.

Lost or Excess Baggage: The ultimate responsibility for retrieving or compensating for lost baggage lies with the airlines. The City will not reimburse employee for personal items lost while flying.

Employees will be reimbursed for excess baggage charges only in the following circumstances:

- When traveling with heavy or bulky materials or equipment necessary for business
- The excess baggage consists of City records or property
- When traveling for more than two (2) weeks



Overnight Delays: Should an airline delay necessitate an overnight stay; the employee must first attempt to secure complimentary lodging from the airline. If the carrier will not absorb the hotel cost due to a forced layover or other reason, reasonable costs associated with such overnight stay will be absorbed by the City

Travel Changes: If changes in travel plans occur that are the result of City business requirements, (i.e. delays in departure, cancellations, extended stays, or revised itinerary) any associated costs shall be paid by the City. However, any increase in the cost of travel due to changes for personal convenience will be borne by the employee.

Travelers are personally responsible to cancel or change all air fare arrangements when the employee is unable to go for personal reasons. Air fare charges for non-canceled reservations will be charged to traveler if the traveler is negligent in making arrangements to receive a refund or convert air fare to a credit for future use.

Related Transportation Costs: taxicabs, public transportation, limousine fare, including tips, ferry fares, road and bridge tolls, and parking charges will be allowed if travel by such means is necessary. All such expenses must be justified and explained on the Claim for Expenses form. Receipts are required for individual charges of \$10.00 or more.

Lodging

Although it is recognized that expenditures will vary by geographic location, expenditures for lodging should be reasonable. When possible, try to obtain a government rate for lodging. The lodging receipt must be an itemized statement indicating the account paid in full. If a traveler is accompanied by a family member or other, the City will only incur the cost as if as if it was a single room. Any additional fees will be paid by the employee.

Travelers are personally responsible to cancel hotel rooms when travel plans change. Lodging charges for non-canceled reservations will not be reimbursed if the traveler is negligent in canceling the reservation. If the City credit card was used to guarantee the room the employee will be responsible to refund the City the charge due to their negligence.



Incidental Expenses

This category includes all reasonable and necessary incidental expenses. Those allowed and specifically not allowed are identified as, but not limited to, the following:

Allowable Incidental Expenses: Miscellaneous travel costs such as vehicle rental, bus, taxi, bridge or other tolls, baggage checking and handling, parking ferry porter, bellman, hotel maid service and the like are authorized as allowable incidental expense and if the amount exceeds \$10 an itemized receipt must be obtained. Employees should use general parking if available, valet only when regular parking not available.

Non-allowable Incidental Expenses: Unauthorized expenditures include, but are not limited to:

- Liquor
- Expenses of a spouse or other persons not authorized to receive reimbursement under this policy
- Beauty parlor or barber services
- Personal entertainment (movie rentals, sporting events, etc.)
- Theft, loss, or damage to personal property
- Damage costs caused by employee/officer actions
- Airline insurance or another type of trip insurance
- Personal postage, reading materials, toiletry articles, or non-business related telephone calls (except as provided elsewhere in this policy)
- Other items not specifically identified, but not considered necessary or reasonable

Non-City Employees and Non-City Officials

Recruiting Costs: Expenses incurred by non-city employees and officials asked to participate in assessment centers or on interview committees are reimbursable for the following (should be approved by the Mayor):

- Mileage to and from the individual's place of employment or home (whichever is smaller of the two) to the testing site at the current



maximum rate allowed by the United States Internal Revenue Service.

- Meal Costs incurred by the claimant.
- Miscellaneous travel costs such as bus, shuttle, taxi or other tolls, parking and ferry.
- Reasonable hotel/motel accommodations paid at a maximum of the single room rate when the testing process is longer than one day or when travel to/from the individual's residence/workplace is more than one hour.

Telephone and Internet Expenses

Business Trips: An employee or Council member out of town on city business will be allowed an initial call home upon arrival at their destination to let family members know of their safe arrival. Thereafter, one personal long distance phone call, not to exceed ten (10) minutes, is allowed for each two (2) nights away from the city. When such travel exceeds six (6) nights, the Mayor will establish the frequency of authorized calls prior to the trip. When proper authorization is not obtained, the city is not responsible for reimbursement of any calls.

Cellular Phones: Cellular phones will be issued to city employees whose job assignments require their use as determined by the employee's supervisor. The policy for city owned cell phones can be found in the City's Personnel Handbook Section 10.5.

The city will not reimburse employees, volunteers, or anyone else for cellular phones that they have purchased themselves. Business related calls made on an employee's own personal cell phone will be reimbursed. In those cases, a copy of the cell phone bill is required for reimbursement. All business-related calls should be identified as such.

Internet Service: An employee or Council member out of town on city business will be allowed internet connectivity in hotel, airplanes, and other public places to conduct city business only. Employees should be mindful of security issues surrounding wireless connectivity.

Membership in Business, Civic and Service Organizations

The city will pay for employee memberships in business, civic, and service organizations that will benefit the city. Memberships for volunteers, such as an Instructor, may be approved on a case by case basis by department heads. Each



department may adopt policies that further restrict memberships for employees in their individual department.

1. The organization must be related to the employee's position at the City of Poulsbo. Memberships will not be paid to fraternal organizations or community/social organizations such as golf and country clubs. Eligible organizations fall into six general categories:
 - Professional Certification Organizations: American Society of Civil Engineers, etc.
 - Professional Organizations: local, state, and national. These are typically for a specific profession such as city clerk, planner, etc., and include organizations such as the Washington Municipal Clerks Association and the American Planning Association.
 - General Purpose Municipal/Business Organizations: These are typically not specific to a profession and include organizations such as the American Management Association and International City Management Association.
 - Educational and Environmental Organizations: These organizations are usually related to a topic rather than a profession and include organizations such as the Pacific Northwest Clean Water Association.
 - Consortia: Groups working together for a common goal. Examples of organizations in this category are the Cascade Water Alliance and the Northwest Compensation Forum.
 - User Groups: These groups are usually focused on a particular software such as the Parks Class System.
2. Membership in multiple organizations may be paid for a single employee. An employee should belong to only those organizations from which they derive a benefit for the city.
3. Any number of employees may belong to the same organization. There must be a benefit to the city for each employee belonging to an organization.
4. There is no limit on the membership cost per organization or employee. Each department may impose a limit if they wish.
5. The city will pay for meeting, conference, and other ancillary costs of organization membership in accordance with the city's general expense



reimbursement policies. Each department may impose a limit on expense reimbursements for their department employees.

6. Exerting influence on other employees to provide financial contributions or other support to any organization is prohibited.
7. No organization may be used as a forum for lobbying the city to take any political or legislative actions, or to promote any endeavors in which the employee may have a direct or indirect financial interest or may acquire a personal benefit or gain.