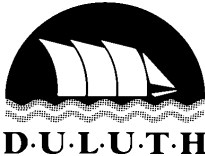
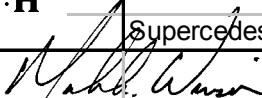


POLICY & PROCEDURE		
	FAVR Program Vehicle Provision/Mileage Reimbursement	
	Supersedes: September 1, 2003	Effective: April 1, 2004
Approved: 	Page 1 of 3	

To ensure that business expenses related to the use of employee provided vehicles are handled in accordance with the Duluth City Code and state and federal requirements, the following procedures must be used for requesting and processing expenses.

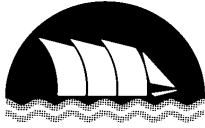
Employees required to travel for business purposes must provide their own transportation. Vehicles used for business are expected to be in clean and safe operating condition. The City will reimburse employees for qualifying business mileage in accordance with applicable laws and Generally Accepted Accounting Principles. Qualifying business mileage includes mileage incurred during regularly scheduled work hours while conducting official City business. Non-qualifying business mileage includes, but is not limited to:

1. Commuting mileage to and from the normal place of work.
2. Commuting mileage to and from the normal place of work when called in on an emergency outside of regularly scheduled work hours.

Mileage Reimbursement Payment Options

1. Employees who are reasonably expected¹ to travel at least 6,250 miles per year for business purposes may receive the City's current fixed and variable rate allowance (FAVR) for the approved plan. Under the FAVR Program, qualifying employees receive payment to cover projected fixed costs and operating costs related to driving their vehicle while conducting official City business.
 - a. Projected fixed costs include depreciation or lease payments, insurance, registration and license fees, and personal property taxes.
 - b. Operating costs include gasoline, oil, tires, and routine maintenance and repair.
 - c. Insurance deductibles due to accidents are **not** covered under this plan.
2. Employees who meet FAVR program parameters, but choose not to participate in the program, will be reimbursed at the current FAVR rate or the City's official cents-per-mile rate, **whichever is less**.
3. Employees who do not meet FAVR allowance limitations (see FAVR Program Information) will be reimbursed at the City's current official cents-per-mile rate or the FAVR rate, **whichever is less**. The City's policy is to use the Business Standard Mileage Rate determined by the IRS as the official cents-per-mile rate.
 - a. Employees cannot participate in both plans at the same time (such as reverting to mileage for out-of-town travel while on the FAVR plan).


¹ An employee will be "reasonably expected" to travel 6,250 miles for business purposes if the employee's average actual documented business mileage during the preceding two years equals or exceeds 6,250 miles per year.

POLICY & PROCEDURE		
 D·U·L·U·T·H	FAVR Vehicle Provision/Mileage Reimbursement	
	Supercedes: September 1, 2003	Effective:
Approved:		Page 2 of 3

- b. New employees or employees starting a new position shall be reimbursed for business miles at the cents-per-mile rate for six (6) months unless written authorization is given by the Department Director for earlier participation in the FAVR program.
- 4. The City reserves the right to provide vehicles to employees. It is the responsibility of the employee's department director to determine that the use of a city-owned or leased vehicle would be less expensive or more efficient than the use of the employee's privately owned vehicle.

Procedure for FAVR Program Participation

1. Fleet Services staff will provide information covered in the "FAVR New Driver Checklist" to the employee prior to enrollment in the program, and ensure that the employee understands the "FAVR Program Information" sheet.
2. Within 30 days after an employee's automobile is initially covered by a FAVR allowance, or is again covered by a FAVR allowance if such coverage has lapsed, the employee must submit a "FAVR Program Enrollment Form" to Fleet Services, and a copy to the Auditor's Office, that includes the following information:
 - a. The make, model, and year of the employee's automobile
 - b. Written proof of the insurance coverage limits on the automobile
 - c. The odometer reading of the automobile
 - d. If owned, the purchase price of the automobile; or, if leased, the price at which the automobile is ordinarily sold by retailers (the gross capitalized cost of the automobile)
 - e. If owned, whether the employee has claimed depreciation with respect to the automobile using any of the depreciation methods prohibited by internal revenue procedures (when on FAVR); or, if leased, whether the employee has computed deductible business expenses with respect to the automobile using actual expenses.
3. The employee must also supply the information described in a, b, and c above to Fleet Services and the Auditor's Office within 30 days after the beginning of each calendar year that the employee's automobile is covered by a FAVR allowance.
4. The Fleet Manager or his/her representative will inspect all vehicles in the FAVR program annually to substantiate the information provided.
5. All employees receiving a FAVR allowance must complete the "Monthly Mileage Form" to substantiate their business related mileage, submit it to the Auditor's office, and provide a copy to their immediate supervisor.

POLICY & PROCEDURE		
 D·U·L·U·T·H	FAVR Vehicle Provision/Mileage Reimbursement	
	Supercedes: September 1, 2003	Effective:
Approved:		Page 3 of 3

6. If an employee receives a mileage allowance that fails to meet the FAVR program requirements, the employee may not be treated as covered by any FAVR allowance of the City during the period of such failure. The Finance Director or his/her representative shall withhold an employee's FAVR allowance at any such time.

7. The department director or designee must monitor the status of his/her staff's FAVR program performance no less than quarterly to verify compliance with mileage requirements and other qualifying requirements, as appropriate.
 - a. If an employee is not in compliance with mileage or other requirements, s/he shall be removed from the FAVR program or may continue if a "Notice of FAVR Plan Status Form" is completed providing justification for continuation on the FAVR program and signed by the employee, supervisor, and department director.

8. An employee must reimburse the city for any overpayment while on the FAVR program. The City Auditor will determine the amount of overpayment and repayment schedule consistent with City, State, and/or Federal requirements.

9. Written records of the following information supplied by Runzheimer will be on file in Fleet Services and the Auditor's Office.
 - a. The statistical data and projections on which the FAVR allowance payments are based.
 - b. The information provided by the employees in accordance to the applicable internal revenue procedure.
 - c. The Plan requirements.