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CITY OF MILPITAS, CALIFORNIA
STANDARD OPERATING PROCEDURE

SUBJECT: TRAVEL AND EXPENSE REIMBURSEMENT POLICY

I. PURPOSE

The purpose of this policy is to establish procedures and guidelines for business-related travel and training expenses of all City officials and employees, including Council, Commission and Committee members (hereafter “City officials”), in accordance with California Government Code Article 2.3 Section 53232.2 as well as Internal Revenue Service (IRS) *accountable plan* requirements. The referenced Government Code Section is applicable to elected officials only and requires that all reimbursement requests be substantiated with receipts. The IRS requirements help determine what types of allowances or reimbursements can be excluded from taxable wages. An allowance or reimbursement is not subject to income tax if all three of the following conditions are met:

- Expenses have a business connection,
- Expenses are substantiated, and
- Unspent excess amounts are returned.¹

It is also the purpose of this policy to identify standards governing the prudent use of City funds that safeguard integrity and promote public confidence in the efficient and effective use of limited resources. Therefore, expenses incurred in conjunction with approved travel and training must:

- Benefit the City and/or have a public purpose,
- Be reasonable, and
- Meet the City’s standards of ethical conduct.

II. POLICY

City officials may be required to travel and incur other business-related expenses in the course of their official duties and as representatives of the City.² This policy is issued to promote consistent and equitable practices and establishes:

- A. General conditions for travel expenses
- B. Travel request and authorization processes
- C. Criteria for use
- D. Reporting requirements
- E. Policy violations

¹ This provision does not apply to per diem meal allowances as further explained in Section II.C.8.

² This policy satisfies the requirements of Government Code sections 53232.2 and 53232.3 and supplements the definition of actual and necessary expenses for purposes of state laws relating to permissible uses of public resources.

A. General Conditions for Travel Expenses

1. Travel expenses include the registration, transportation and related costs incurred when attending or participating in out-of-town business or activities such as professional meetings, conferences and training sessions, whether for less than one day, overnight, in-state, out-of-state, or out of the country. All travel requires preapproval as specified throughout this policy.
2. Out-of-state travel and/or travel requiring an overnight stay requires prior approval of the City Manager unless such authority is delegated in writing. All international travel for staff requires prior approval of the City Council.
3. All travel for the Mayor and Council members requires prior approval of the City Council.
4. Time associated with travel, training and conferences as specified in this policy shall be consistent with the provisions of applicable negotiated Memoranda of Understanding (MOUs).
5. Travel not requiring an overnight stay can be authorized by a Department Head based on appropriateness and/or importance, in accordance with expense reporting guidelines established by the City Manager.
6. City officials requiring air travel must use commercial airlines unless a waiver is approved by the City Attorney and Risk Manager.
7. City funds shall not be used for any personal costs, side-trips for personal reasons not related to the business expense (such as visiting a nearby family member or friend), accompanied guests or for the purchase of alcoholic beverages or products.
8. Prepayments of conference registration or other travel-related costs can be made when paid directly by the City with City funds. (City officials who wish to use their personal credit cards cannot be reimbursed before an event occurs.)
9. City officials should select options that meet travel needs at the lowest possible cost.
10. Reimbursement requests other than allowable per diem expenses must always be accompanied by itemized receipts and other justifiable documentation such as event registration and/or event programming information or meeting agendas.
11. In compliance with California Government Code Article 2.3 Section 53232.2, the City will reimburse elected officials for actual and necessary expenses incurred related to travel, rather than the per diem allowance. Itemized receipts, credit card statements and other documentation verifying expenses incurred are required to be submitted with reimbursement requests.
12. The use of a hotel is restricted to cities located beyond 75 miles from the Milpitas City Hall or the traveler's residence, whichever is a shorter distance. Exceptions can be made by the City Manager depending on business necessity or other justifiable circumstances such as early morning or evening meetings at the destination.
13. City departments shall designate travel coordinators to serve as primary points of contact for travel coordination and reimbursement processing in compliance with policy and procedure requirements.
14. Travel for less than one day will be reimbursed in accordance with Section II.C.7 for reasonable actual expenses.
15. With the exception of international travel for staff and all travel for the Mayor and Councilmembers which must be approved by the City Council, the approval authorities

granted herein can be delegated in writing by the City Manager to his/her designees for justifiable business necessities.

B. Travel Request and Authorization Process

1. Except in cases of emergency, all requests for travel authorization must be made in advance on Travel Authorization and Expense Report Form No. 32-11 (travel form). Estimated expenses shall be reviewed and authorized in advance by the City Manager.
2. To provide approvers with sufficient information to justify the travel request, appropriate documentation such as event brochures/agendas must be attached to the travel form.
3. Once approved, travel forms authorizing overnight travel must be sent to Accounts Payable for file documentation and to help ensure efficient reimbursement processing.
4. Advances of planned expenses are prohibited except in the case of pre-approved per diem allowances for meals in accordance with the provisions of II.C.5.
5. If requesting a per diem allowance or prepayment of conference registration, a complete, accurate and approved travel form should be submitted to Accounts Payable for processing at least 10 business days prior to date payments are requested.
6. Travel not involving an overnight stay does not require preauthorization through the preparation/submittal of the travel form (unless required by a Department Head), but any reimbursable expenses incurred must be submitted on the travel form in accordance with the reimbursement requirements established in Section II.C.7.
7. The Chiefs of Police and Fire may authorize out-of-state and/or overnight emergency-related travel for their respective personnel in the following instances requiring an immediate response:
 - a. Investigative travel
 - b. Prisoner extraditions
 - c. Mutual aid requests

C. Criteria for Use of City Funds

1. Registration
 - a. Registration fees may be prepaid by the City or reimbursed to City officials in accordance with Section II.C.7.
 - b. Federal travel regulations require that any meals included in the cost of registration be deducted from the per diem (Section II.C.5).
 - c. Discounts offered for early registration or attendance by additional persons should be obtained whenever possible.
 - d. To satisfy IRS accountable plan regulations, a copy of the registration materials must be submitted with the travel form.
2. Air Transportation
 - a. Airfare costs to and from the travel destination shall not exceed the most economical advance purchase option available, unless such fare is unavailable and the expense is authorized by the City Manager. Upgrades of any kind will not be reimbursed.

- b. City officials who wish to take an alternative form of transportation to a destination may do so, but the City will cover the lowest cost option. A cost comparison must be submitted at the time of travel authorization and with the reimbursement request.
- c. City officials shall endeavor to acquire any government discount the airlines may provide.
- d. Costs to change or re-book a flight will not be paid by the City unless the flight change results from business necessity, is documented in writing and authorized by the City Manager.
- e. The City will cover the cost of one checked bag and will not reimburse for excess baggage charges.
- f. If airfare is paid directly by the City, and airfare credits are received by City officials as the result of a trip cancellation, such credits should be used for future business travel. Credits used for personal travel must be reimbursed to the City.
- g. City officials who use their personal frequent flyer miles for official business will not be reimbursed for the value of the foregone tickets.

3. Ground Transportation

- a. Every effort shall be made to rideshare when two or more City officials are traveling to the same destination. Use of public transit is encouraged when feasible.
- b. When using a privately owned vehicle, mileage reimbursement shall be at the rate set by the Internal Revenue Code and shall be reimbursed for the distance between home and the destination or work and the destination, whichever is less. Note: City officials receiving auto allowances will not be reimbursed for mileage unless the destination is beyond a 75-mile radius one way from the City or from the official's home, whichever is less; reimbursement is limited to mileage in excess of the 75-mile radius for each direction traveled.
- c. Transportation to and from airports shall be reimbursed for either actual mileage if a personal vehicle is used or for reasonable taxi fare, airport van, rideshare service, or public transportation, if available.
- d. Airport parking will be reimbursed at the long-term parking rates for more than one day, and at the short-term parking rates for up to one day only.
- e. Ground transportation at the travel destination should be accomplished to the best extent possible by hotel courtesy buses or other free shuttles, or public transportation. Taxi or rideshare service may be used when those options are either not available or will cause undue delays in arrival.
- f. The necessity for a rental car must be established and authorized in advance by the City Manager. Economy car rentals, i.e., the most cost effective and fuel-efficient vehicles, will be used whenever possible. Upgrades provided at no additional cost to the City can be considered if economy cars are unavailable. City officials must obtain the liability insurance coverage offered by the car rental company.

4. Lodging

- a. City officials are encouraged to plan for and stay at a designated conference hotel at the negotiated daily rate. If the designated conference hotel/rate is not available, City officials should obtain the most reasonable rate available and note the disparity on the travel form.

- b. If lodging is required for travel not associated with a conference or event with a predetermined rate, the City will pay for actual lodging expenses up to the U.S. General Services Administration (GSA) maximum daily rate (excluding taxes) allowed by location, available here: [GSA daily lodging rate](#). Based on market research, if the GSA rate for a particular region is inconsistent with rates found for reasonable business accommodations, the City Manager can preauthorize a higher rate based on business necessity.
 - c. Lodging expenses may be prepaid directly to the hotel or reimbursed to the employee in accordance with Section II.C.7. Lodging expenses for conference attendance will be limited to single occupant room rates and shall not exceed the negotiated conference daily rate.
 - d. Trips that bundle lodging, meals and/or other travel costs are not allowed, unless it can be demonstrated to the City Manager that the bundled cost does not exceed the total of component costs if each were booked separately.
 - e. In cases where breakfast is included in the room rate, this must be identified on the travel form and deducted from the per diem reimbursement.
 - f. Non-mandatory fees such as health club or resort fees are not reimbursable unless it is determined to the satisfaction of the City Manager that payment of such charges is critical to conducting City business.
 - g. If free wireless Internet service is unavailable and establishing a paid connection is a justifiable business necessity, reimbursement may be requested for reasonable fees charged by the hotel.
5. Per Diem for Meals
- a. Employees and City Officials except for Elected Officials will receive the federal per diem allowance for Meals and Incidental Expenses (M&IE) for *overnight travel only*, based on locality. Elected Officials receive reimbursement for meals up to the federal per diem allowance if substantiated by receipts. The federal per diem rates for the continental United States are published annually and can be accessed at the GSA website: Per Diem Rates. Rates for travel outside the continental United States will be obtained by the Finance Department when requested. *Note: If a destination city is not listed, then the rate for the county applies. If there is no rate for the city or county, a comparable nearby city should be identified and used.*
 - b. Meals and Incidental Expenses included in the per diem are meals, tips/fees for food and luggage handling services.
 - c. Meals and Incidentals that are not considered per diem expenses (but qualify for reimbursement) are cab/rideshare fare, fax, telephone, wireless Internet as previously specified, copy charges, room taxes, and energy surcharges. These expenses can be reimbursed based on properly documented reasonable actual cost.
 - d. Meals and allowable incidental expenses eligible for reimbursement in accordance with this section will be paid by the City strictly on a per diem basis (actual expenses for meals only apply in the case of non-overnight travel, see Section II.C.7, as well as for Elected Officials up to the federal per diem allowance).
 - e. For the first and last day of travel, reimbursement is limited to 75% of the applicable per diem rate. City officials may be eligible for 100% per diem on these days, subject to authorization by the City Manager, as follows:

- i. First day travel requires leaving the official's home before 9:00 a.m. in the morning; and/or
 - ii. Last day travel requires return to the official's home after 6:00 p.m.
- f. Per diem reimbursement is not allowed for any meals included as part of the registration cost of an event or included in the cost of a lodging rate and must be deducted from the per diem reimbursement. Event brochures must be submitted with requests for reimbursement so that meal costs can be verified.

If there is a justifiable business, medical or personal reason to not accept a meal provided at an event AND there is no available accommodation, written justification must be provided on the expense reimbursement form to request the each per diem for which this situation applies.

6. City Credit Cards

- a. After pre-approval of travel in accordance with this policy, City credit cards issued to travel coordinators and other officials should be used for payment of actual and necessary expenses as detailed within this policy (and in accordance with SOP 6.3, Credit Card Use).
- b. Copies of original itemized receipts, with appropriate coding, must accompany travel expense reports (original receipts are submitted with purchasing card statements).
- c. Personal charges should not be incurred on City-issued credit cards. Note: Hotels can accommodate requests for separate bills upon check-out. Personal charges must be reimbursed to the City or deducted from the reimbursement request.
- d. It is the credit card user's responsibility to provide an accurate accounting on the travel form and reimburse the City for pre-paid per diem expenses, if applicable.

7. Reimbursement and Substantiation Requirements

- a. All requests for reimbursement, including travel for less than one day, must be submitted on the travel form accompanied by supporting documentation including original itemized receipts or invoices, conference registration/event information, meeting agendas, etc. As noted, per diem reimbursements for employees and City Officials except for Elected Officials are not included in this requirement.
- b. Reimbursement requests submitted without the required documentation/justifications will be returned.
- c. Reimbursement requests submitted with missing receipts must include a written explanation of the purchase, subject to the approval of the City Manager.
- d. Reimbursement requests associated with City business that do not require an overnight stay will be reimbursed based on actual, reasonable and properly documented costs. Meal reimbursement is typically not allowed for planned travel with no overnight stay unless it can be determined to the satisfaction of Department Heads that such expense is justified, and that the meal meets the IRS requirements as discussed below.
- e. In order to meet IRS requirements for reimbursements that do not constitute taxable benefits, meal reimbursements for non-overnight travel must meet one of the following criteria:
 - i. to accommodate extended work hours, that is because travel necessitates an extension of the employee's normal work schedule;

- ii. to attend a meeting on City business in which a meal is served as part of the meeting itself. This is typically for group meetings such as a half-day information conference in the Bay Area; and
- iii. to allow for a City official to meet with another government official or business consultant to conduct official City business. An example would be that scheduling requires two officials to meet during lunch time to discuss official City business, and that the lunch meeting is the most convenient time to discuss City business.

Additional information can be obtained by linking to the federal fringe benefit guides referenced below or by contacting the Finance Department.

- f. If a personal credit card is used to pay the registration fee for a conference, training session, etc., City officials cannot request reimbursement until after the event has concluded.
 - g. Approved travel that must be canceled by a City official due to a bona fide emergency or situation completely outside of his/her control, and for which refunds cannot be obtained, will be reimbursed by the City upon approval of a properly documented travel form.
 - h. City officials must substantiate all expenses. The following constitutes “substantiate” for the purpose of this document:
 - i. Within 30 calendar days after the expense is incurred, the employee shall submit to the City all receipts and other documentary evidence substantiating the time, place, amount, and business connection of the expenditure.
8. Return of Excess Amounts
- a. Travel advances are not allowed under this policy unless it is determined by the City Manager that a business necessity exists. In such cases, City officials must return any amount of an advance that is in excess of the actual expense incurred within 30 calendar days upon return to work (or within 120 calendar days after the expense was incurred, whichever is less).
 - b. Per diem allowances for City Officials except for Elected Officials do not apply to this section, i.e., actual expenses less than the allowable per diem are not required to be returned so long as the appropriate business needs for the per diem have been established.

D. Reporting Requirements

- 1. Elected Officials shall, at the first regular meeting following a meeting or conference attended at City expense, provide a brief oral or written report regarding the meeting or conference. If multiple elected or appointed officials attended, a joint report may be made.

E. Policy Violations

- 1. Use of public resources or falsifying expense reports in violation of this policy may result in any or all of the following:
 - a. Loss of reimbursement privileges;
 - b. Restitution to the City;
 - c. The reporting of expenses as income earned to state and federal tax authorities;
 - d. Civil penalties of up to \$1,000 per day and three times the value of the resources used; and

- e. Disciplinary actions, including termination of employment and/or prosecution for misuse of public resources.

Attachments: Travel Authorization & Expense Report (Form 32-11)
Credit Card Missing Invoice Form

Reference Documents:

IRS Fringe Benefit Guide - Publication 5137 (January 2014)
IRS Employer's Tax Guide to Fringe Benefits - Publication 15-B (for use in 2019)