



March 14th, 2023

Wright County Board of Commissioners,

Per a conversation at the February 8th County Board retreat, the Board asked staff to review options for Commissioner mileage reimbursement. Staff reviewed several reimbursement options. There are two main options with several nuances within each. Below is a summary of those options and an analysis of the benefits and drawbacks of each.

IRS reimbursement

IRS reimbursement is the option that the County currently utilizes. If Commissioners travel in the course of their duties, their mileage is tracked in Oracle, and that report is then reviewed by the Administration Office Manager, County Administrator, and Accounts Payable staff for approval. Each trip is reviewed by staff to make sure it complies with County policies. This process is time consuming for staff involved.

The accuracy of these reports is high since it is a first-hand, written account of miles driven. Because of this, the IRS considers these expenses to be a true reimbursement, and therefore the reimbursements received by the Commissioners are not taxable income.

Staff reviewed the operations of six counties, including Wright County. Of the six, four exclusively use this method for Commissioner mileage reimbursement, and one other offers it as an option. Attached is a breakdown of how each county reimburses miles driven.

Stipend

The second method of offering reimbursement for mileage is offering a stipend. Under this method, Commissioners estimate a dollar amount commensurate to compensate for annual miles driven. Commissioners then receive a stipend payment based upon the estimates.

Several options exist for calculating mileage. Commissioners could estimate the amount the Commissioners drive on average, or the maximum amount of mileage driven by any Commissioner and set a flat rate for all Commissioners. This would be the simplest method of implementation as Finance staff would only need to make one payment of one amount. The obvious drawback is that the geography of each district is different as are the travelling demands of each Commissioner's schedule. Because of that, there will be some Commissioners who get paid more than others relative to their mileage driven.

Another option would be for Commissioners to individually estimate their mileage at the beginning of the year, and then set stipends based on that estimate. This would be a bit more time consuming of a process, but it would likely increase the accuracy of the stipends and would remove some of the inequity created by district geography.



One other option for stipends that is used by Washington County is to offer a stipend for trips within a certain geography, and then offer reimbursement for trips outside of that area. Washington County employs a policy that provides a stipend for trips within the seven-county Twin Cities metropolitan area, and anything outside of that area is reimbursed per the IRS mileage rate. This geography-based approach could also require the use of a county vehicle for longer trips.

In general, the stipend approach will be less demanding of staff time, but there will be inaccuracies. Estimates of mileage driven will be impacted by cancelled meetings, meetings missed due to illness or other circumstances, added meetings, etc. An element of inaccuracy is inevitable. Additionally, because there is an expectation of some inaccuracy, these stipends are not considered reimbursements under IRS rules and will be paid as taxable income through payroll.

What Travel is Reimbursable?

Commissioners have traditionally received reimbursement for mileage driven to the committee meetings to which they are appointed by the County Board. Travel related to attending those meetings as well as any travel related to the work or sub-groups of those committees is reimbursable. Reimbursement is based off of the understanding that a Commissioner's primary place of business is their home, so travel to and from the County Government Center is considered reimbursable.

Some Commissioners have pointed out that there is more travel Commissioners do than just to committee related work. For instance, attending Chambers of Commerce meetings, City Council and Township Board meetings, etc. are not considered reimbursable at this time.

Direction Needed

Staff is requesting direction on the following items:

- Would the Board like to continue with a mileage reimbursement based solely on IRS mileage reimbursement, or would the board like to offer the option of a stipend?
- Is the County Board satisfied with the current list of reimbursable meetings, or would the Board like to expand or contract the list?

Sincerely,

Clay Wilfahrt
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