



City Council Staff Report

Report Type: ACTION ITEMS
Lead Department: City Manager

Meeting Date: December 16, 2024
Report #:2412-3855

TITLE

Policy and Services Committee Recommendation to Adopt a Policy to Reimburse Council Members Up to \$2,000/year from the City Council Contingent Account for Technology Resources and Other Actual and Necessary Expenses Incurred in the Performance of Official Duties

This Agenda Item was originally published on the November 4, 2024 City Council meeting. The Agenda Item was removed off the agenda and was not heard on November 4, 2024. The original report has been republished before you now on the December 16, 2024 City Council meeting.

RECOMMENDATION

The Policy and Services Committee recommends that the City Council adopt the attached policy authorizing Council Members to receive reimbursement, up to \$2,000 per calendar year (taken from the City Council Contingent Account funding), for technology resources or other actual and necessary expenses incurred in the performance of official City duties. The policy includes procedures for documentation and audits. If adopted, the policy will be incorporated to the Council's Procedures and Protocols Handbook.

BACKGROUND

On April 24, 2023¹, the Council updated the Procedures and Protocol Handbook and gave a series of referrals to the Policy and Services Committee to consider. After deliberation on those referral items, the Policy and Services Committee made recommendations to the Council on most of the referrals and the Council acted upon them on February 26, 2024. The Policy and Services Committee has continued to work on this referral:

Protocols Section 4.1: Miscellaneous Expenditures. Council referral for the committee to discuss the establishment of appropriate parameters for Council discretionary

¹ April 24, 2023 City Council Meeting Item 6, Staff Report #2304-1287:
<https://portal.laserfiche.com/Portal/DocView.aspx?id=65929&repo=r-704298fc&>

expenditures and whether to allocate \$2,000 annually from the Council contingency fund for each Council member to decide its purpose.

The Policy and Services Committee revisited this Council referral on March 12, 2024 to consider allocating \$2,000 annually from the Council contingency fund for each Council member. This allocation would cover expenditures aligned with Council-defined purposes. The discussion was a continuation from February 13, 2024, where the Committee decided to further examine program details and compare similar initiatives in neighboring jurisdictions.

During the March 12 meeting, staff presented similar programs in neighboring jurisdictions and reviewed the requirements under Cal. Govt. Code section 53232.2, which allows reimbursement for “actual and necessary expenses incurred in the performance of official duties” and requires certain procedures for implementing such a policy. The Policy and Services Committee focused on reimbursement for cellular phone use and technology when used for official business.

On September 10, 2024, the Policy and Services Committee discussed a draft policy, **Attachment A**, for reimbursing expenses for cell phone use and technology when used for official business. By a vote of 2 to 1 (Kou no), the Committee voted to recommend the Council incorporate the draft reimbursement policy into the City Council Procedures and Protocols Handbook.

ANALYSIS

Given the recent increase in Council salaries, a direct stipend, which would be taxable and is considered salary, is not feasible as it would surpass City of Palo Alto’s Charter salary limits. Instead, the proposed policy focuses on reimbursements for actual expenses, which are not considered taxable income and are regulated under California Government Code Sections 53232.2 and 53232.3. Section 53232.2 requires a written policy specifying the types of expenditures that qualify for reimbursement. Section 53232.3 requires members to submit expense reports and receipts documenting reimbursable expenditures, and provides that records are subject to release under the Public Records Act.

In conformance with Section 53232.2, **Attachment A** establishes a written policy for allowable reimbursement with monitoring and reporting requirements. Eligible expenditures include computers, tablets, smart phones, software, subscriptions services (for example internet or Zoom), and cellular phone service. The draft policy includes a provision for (a) full reimbursement of technology purchases and services up to the annual maximum allowed by the policy and used *solely* for official business, and (b) 25% reimbursement for devices and services that are used for both personal and official purposes. The 25% partial rate of reimbursement is intended to establish a reasonable estimation of official use where devices or services are used for both personal and official purposes, where precise accounting of official and personal use is impractical or impossible. The Council could designate a different

percentage if it reasonably believes that Council members use their dual-use devices more or less frequently than one quarter of the time. Any equipment purchased would be owned by the individual Council member and is their responsibility for service and maintenance.

The policy allows for reimbursement of other (non-technology) types of actual and necessary expenditures incurred in the performance official City duties, with prior Council approval.² Any questions regarding the appropriateness of an expense should be resolved by the Council before the expense is incurred. Reimbursements needing Council approval can be processed in batches as a single item, which could be placed on Consent if the Council so directed.

Consistent with the initial referral from Council, the policy provides that reimbursement would be capped \$2,000 each calendar year, per Councilmember. In the future, if Council wishes to allocate more or less money for reimbursements, Council can direct staff to revise the policy to reflect the new amount.

All claims for reimbursement will need to be supported with documentation and submitted using the City's official expense report forms within 60 days of incurring the expense. The documentation required may depend on the expenditure. For certain expenses, a summary-level receipt, in lieu of a detailed or itemized receipt, may be acceptable.

Any claims that are non-compliant or lack proper documentation will be disapproved. Expense reports, receipts and other documentation are subject to release under the Public Records Act. Additionally, all expense reports are subject to audit. Approved reimbursements will be processed within 30 days.

The proposed policy aims to balance the flexibility and convenience of a stipend—currently unfeasible due to the Council's salary caps—with the Government Code's requirement that expenses be actual, necessary, and supported by documentation.

FISCAL/RESOURCE IMPACT

Council previously indicated an intention to fund Council Member reimbursements from the Council Contingency Fund. Sufficient funds exist in the FY2025 budget to fund reimbursements at the \$2,000/member level. Depending on usage, a moderate amount of staff time would be needed to administer the policy.

ENVIRONMENTAL REVIEW

Not a Project

² Note that travel, lodging and meals while on City business are already separately covered by the Travel Policy. In addition, one other type of expenditure that Policy and Services discussed—services of paid interns or staff—would not be appropriate for reimbursement under the limited reimbursement policy before Council today. This is because use of paid interns or staff is a more significant proposal that would require further policy discussion, additional fiscal resources, and a more robust structure and set of policies.

ATTACHMENTS

Attachment A: Draft Council Reimbursement Policy

APPROVED BY:

Ed Shikada, City Manager