



MEMORANDUM

TO: City Council

FROM: Administration and Department Directors

DATE: July 25, 2019

RE: Vehicle Allowance Policy

In response to a recently raised concern by City Council regarding vehicle allowances, please find our collective concerns below.

1. Sandy City Vehicle Allowances have been in place since 1986 and have proven to be a valuable recruiting and retention tool for many key department positions.
2. Vehicle allowances are a common policy across other governmental agencies, as demonstrated in a recent survey of other local municipalities (provided to Council, 7/9/19).
3. Financial Assessment Overview: The current total citywide annual vehicle allowances for 31 employees is \$167,526. Sandy City's Vehicle Allowance covers the following:
 - a. Purchase of the vehicle
 - b. Wear and tear
 - c. Tires
 - d. Maintenance
 - e. Fuel
 - f. Insurance
 - g. Other related vehicle costs

At some point, the conversation and/or proposal was to use funding for the current vehicle allowance to purchase city vehicles. However, reducing or eliminating the vehicle allowance benefit will create a significant increase to our fleet budget – see below.

Fleet Purchases*: (see note below)	\$625,000
Maintenance of these vehicles, annually	\$ 62,500
<u>Minus current Vehicle Allowance</u>	<u>-\$167,526</u>
Net Total additional revenue needed: 1st year	\$519,974

(Note)*: this estimate is for purchasing 25 sedans to replace 31 vehicle allowances, which requires some employees to share a "pool" vehicle

4. Other significant and potential effects include the following:
 - a. Potential accident claims to Risk Office
 - b. City would be required to self insure an additional 25 vehicles and be required to provide uninsured and underinsured motorist benefits for each vehicle, which increases our exposure.
 - c. Hybrid/EV purchases will result in an increased purchase price.
 - d. Many employees would perceive the reduction or elimination of the vehicle allowance as a net loss/pay cut, which would have an impact on morale and retention, costing the city valuable institutional knowledge and expertise.
 - e. Vehicle allowances are a convenient and effective use of the employee's time, allowing timely response to customer complaints vs. coordinating transportation through a shared "vehicle pool".

Based on the data provided above, reduction or elimination of the vehicle allowance does not seem a prudent business decision for the city. Therefore, our recommendation is to maintain the current Vehicle Allowance Policy. Thank you for your consideration.