

I. Purpose

The purpose of this policy is to establish procedures governing the authorization for vehicle allowances for specific department directors, executive staff and supervisory personnel in lieu of providing or providing access to a City owned vehicle. The option to receive a vehicle allowance or use of a City vehicle is that of the employee submitting a request and the City Manager.

II. Eligible Employees

Eligible employees are department directors, supervisors, and executive staff, meeting the minimum criteria under this policy with approval from the City Manager. It is, however, ultimately the City Manager's discretion to approve or deny any vehicle allowance request.

III. Vehicle Allowance Criteria

A. Vehicle allowances may be provided to certain directors, supervisors or executive staff in lieu of providing or providing access to a City owned vehicle. The following factors are considered in order to obtain approval for a car allowance:

1. The employee's City of Cottonwood duties require City business usage of a personal vehicle.
2. A City vehicle or vehicle allowance is normally furnished to an individual in a similar capacity at a comparable community.
3. An appropriate source of funds must be available. Available funding alone is **not** sufficient justification for an allocation.

B. An employee approved for a vehicle allowance is not permitted to submit mileage for reimbursement as a travel expense.

C. Authorized Amount

1. The authorized vehicle allowance amount may not exceed \$5,400 annually.
2. All amounts require the City Manager's approval.

D. Approval Procedure

1. An employee seeking initial approval of a vehicle allowance will complete the Vehicle Allowance Request and Approval Application (FOG XIV-1) and submit it his/her Department Head for review and approval.
2. The form with appropriate DH signatures is then forwarded to the Financial Services Director and the City Manager for their review and approval.
3. The application must include justification.

4. Upon receiving the approved memo, the employee will forward the approved memo to the Finance Department for processing.
5. Typical start date for approved vehicle allowance is the fiscal year in order to provide the funding allocation to the respective department.

E. Employee Owned Vehicle Requirements

1. Employee must have a valid Arizona driver's license in good standing.
2. Employee must promptly notify the City of any adverse matters regarding their driver's license status.
3. Employee must maintain their vehicle in good working order.
4. Employee must maintain at least minimum insurance coverage in accordance with State requirement at the sole responsibility of the employee.
5. Employee may only use a vehicle registered to them.
6. Under no circumstance is the City responsible for maintenance, repairs, and/or fuel costs associated with the employee's personal vehicle.
7. The employee cannot drive a City owned unit while receiving the vehicle allowance but may car pool with other staff as a passenger in a City owned vehicle when necessary.

F. Payment Procedure

The vehicle allowance payment will be established on the employee's payroll record and will be paid each pay period of the fiscal year unless notified in writing of a change.

G. Taxability

1. Vehicle allowances are considered taxable income subject to federal and state taxes.
2. Vehicle allowances are not considered as part of gross wages according to the Arizona State Retirement System (ASRS) and the Public Safety Personnel Retirement System for employees receiving the allowance after December 31, 2019. The allowance for employees who began receiving this allowance prior to January 2020 does apply to ASRS and is considered "grandfathered."
3. Vehicle allowances are not considered part of benefits base salary for insurance purposes or any other purpose.

IV. Right to Change Policy

The City of Cottonwood reserves the rights to interpret, change, modify, amend, or rescind this policy, in whole or in part, at any time without the consent of employees.

## VEHICLE ALLOWANCE REQUEST AND AUTHORIZATION

To: Finance Department

Date: \_\_\_\_\_

Subject: Request for Vehicle Allowance

OPT IN ☐

OPT OUT ☐

By opting in to receive the allowance , I understand the responsibilities of using my personal vehicle and I am also aware that a violation of any section of the policy may subject me to disciplinary action.  
By opting out I realize that I will not receive this allowance at this time but I can request consideration in the future.

Employee Name: \_\_\_\_\_

Employee Title: \_\_\_\_\_

Reason for request:

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\_\_\_\_\_  
Employee Signature

\_\_\_\_\_  
Department Director Signature

Authorized Amount: \$207.69 bi-weekly  
(\$5399.94 annually)

Pay Period date to begin: \_\_\_\_\_

\_\_\_\_\_  
City Manager Signature

\_\_\_\_\_  
Financial Services Director