

## Diocese of Fredericton

### Cleric Travel Reimbursement

#### An Overview

## Creation of Travel Task Force

### Purpose:

“...to carry out a detailed study of our travel reimbursement system, including development of possible recommendations for any changes that may be in order”.

(Human Resources Committee – Oct 21/08)

## •Task Force Membership

- Rev. Brent Ham (St. John the Baptist – Riverview)
- Ron Hoyt (Treasurer – Central Kings)
- Rev. Bruce McKenna (Holy Trinity – Nasonworth & H/R Committee)
- Rev. Chris McMullen (Church of Good Shepherd - Saint John)
- Jack Walsworth (H/R Committee Vice-Chair)
- Jim Wilson, Chair (& H/R Committee member)

## Task Force Resource People

- Canon Fred Scott (Diocesan Treasurer)
- Maureen Vail (Diocesan Administrative Assistant)
- Ted Curry (Past Chair, H/R Committee)
- (Ted has since joined the Task Force following completion of his term on the H/R Committee in June of 2009)

## Description and Mandate (per H R Committee):

“..... to assess the system in terms of equity,  
efficiency, and effectiveness.”

## Definitions Used During Task Force Work

- Equity: Ensure the process is fair to all the parties involved; clerics, parishes and the Diocese. (Keep in mind ministry in urban parishes requires less travel than rural parishes which are often not as affluent.)

## Definitions Used During Task Force Work

- Efficiency: The process should be very clear and easy to understand with clear roles and responsibilities. It should also be easy to administer.

## Definitions Used During Task Force Work

- Effectiveness: Should be measurable, keeping the process as simple as possible.

## Overview of Present Travel System

- System is administered from Synod office.
- Provides full-time clerics a monthly fixed amount for Travel Reimbursement of \$4,600 per year to maximum of 22,000 kms.
- For travel beyond 22,000 kms, cleric claims additional reimbursement at \$0.21 per kilometer (from Travel Fund).
- A separate Car Replacement Allowance is also paid monthly, of \$4,200 per year.
- Both the Travel Reimbursement and the Car Replacement Allowance are taxed by Canada Revenue Agency (CRA).

## Comparison With Other Anglican Dioceses

- Two operate on a fixed basic \$ amount up to a ceiling and then a per-kilometer rate – Fredericton (22,000 ceiling), Algoma (15,900).
- Eight use a straight per-kilometer rate for all travel reimbursement – N.S., Ottawa, Huron, Toronto, Edmonton, Rupert's Land, Kootenay, & B.C.
- Two have a fixed \$\$ amount, included in stipend – Niagara & Yukon.
- One is currently under review – Newfoundland (now based on travel in previous year).

## Pros & Cons of Present Travel System

### PROS:

- 1) Fixed predictable cost to parishes (payers, through the Diocese).
- 2) Common standardized cost to all parishes.
- 3) Predictable dependable cash flow to cleric.
- 4) Easy to communicate, understand & administer.

## Pros & Cons of Present Travel System

### PROS (continued):

- 5) Requires clerics to maintain travel record to know when they exceed 22,000 kms annually (could also be “con”).
- 6) Treating travel reimbursement as taxable income brings clerics closer to maximum earnings for CPP purposes.

## Pros & Cons of Present Travel System

### CONS:

- 1) Fixed payments could result in “overpayment” to those driving less than 22,000 kms per year.
- 2) No connection between \$\$ amounts paid to the cleric and kilometers actually traveled.
- 3) Fixed payments become an income tax matter because they are not based on actual distance traveled.
- 4) Puts burden on clerics to be “tax aware” when they may not be.

## Pros & Cons of Present Travel System

### CONS (continued):

- 5) Incorporating the \$4,600 and \$4,200 into payroll means “earnings” are inflated. Results in increased CPP premium costs for both cleric & parish (\$228/yr).
- 6) Because travel is administered by the Diocese, parish may be unaware of driving requirements for its ministry.
- 7) Requires clerics to maintain detailed travel records (could also be a “pro”).
- 8) Clerics well below current 22,000 threshold may pay less attention (no real incentive) to maintaining travel records.

## Diocese of Fredericton Travel Survey - 2008

- A questionnaire was circulated to 57 clerics in late 2008.
- Responses received from 32 clerics (56%).

<u>Annual Kilometers</u>	<u>Number of Clerics</u>
Under 5,000	5
5,001 – 8,000	1
8,001 – 11,000	1
11,001 – 14,000	3
14,001 – 18,000	13
18,001 – 22,000	2
Over 22,000	<u>7</u>
Total	32 ( <u>Avg = 15,366 kms</u> )

## Conclusions from Travel Survey – 2008

- Response rate of 56% can be considered statistically significant.
- Majority of respondents travel less than current 22,000 threshold.
- Probable the majority of the 25 clerics not reporting traveled less than 22,000.
- Assumption of an average annual travel level of 22,000 kilometers should be re-thought.
- Continued payment of fixed annual travel allowance based on 22,000 kilometers is not good stewardship of resources.

## Proposal for Change

1) *Convert travel reimbursement system to one based on actual kilometers traveled each month. Cleric prepares a claim monthly, based on personal record of kilometers traveled on parish business.*

2) *Assign responsibility for travel to parishes, which would promptly reimburse the cleric, monthly.*

## Proposal for Change (cont'd)

3) *Establish a lower common threshold than 22,000 kms for assumed annual travel. Parish would bear the per-kilometer cost of travel up to that level.*

4) *Parish recovers annual kilometers traveled in excess of the new common threshold from the Diocese, from the Travel Fund. Cleric claims for this travel would still be made monthly to the Parish and reimbursed promptly.*

## Proposal for Change (cont'd)

5) *Revise Travel Fund so all parishes be assessed a flat annual contribution. Thus urban parishes would subsidize rural ones through the Fund.*

## Specifics of Proposed Changes

1) *Fixed Car Replacement Allowance of \$4,200/annum would continue as is.*

2) *Travel reimbursement would be based on actual kilometers traveled each month. Clerics would maintain personal record of kilometers traveled on parish ministry.*

3) *Clerics would receive travel reimbursement at rate of \$0.23 per kilometer (vs. \$0.21 now).*

4) *Cost of parish annual kilometers up to 17,500 would be borne by the Parish.*

## Specifics of Proposed Changes (cont'd)

5) Cost of kilometers above 17,500 would be paid by Parish and recovered from the Travel Fund.

6) Ensure Travel Fund remains self-sustaining by assessing a flat annual contribution (initially \$475) to each parish.

7) Recommend cost reductions to Parish be passed on to the cleric if needed, as transitional measure for the first year.

Diocese of Fredericton			
A Comparison of Individual Clerics at Various Travel Levels			
Comparing Present and Proposed Travel Reimbursement Systems			
(Analysis prepared by Jim Wilson)			
<u>Cleric #8 - Low Annual Kilometers</u>			
Total Annual Kilometers Traveled =	7,908	kilometers	
Rate of reimbursement =	\$0.23	per kilometer (proposed)	
<u>Present System</u>			\$
Total Car Replacement Allowance			4,200
Total Car Travel Allowance			4,600
Plus kilometers from Travel Pool (>22,000 at 21 cents)			0
Total Cash Flow from Vehicle Use			<u>8,800</u>
<u>Proposed System</u>			\$
Total Car Replacement Allowance			4,200
Plus kilometers traveled (at 23 cents)			1,819
Total Cash Flow from Vehicle Use			<u>6,019</u>
Difference in annual cash flow of cleric (short)/over			<u>-2,781</u>

Diocese of Fredericton	
A Comparison of Individual Clerics at Various Travel Levels	
Comparing Present and Proposed Travel Reimbursement Systems	
(Analysis prepared by Jim Wilson)	
Cleric #14 - Medium Annual Kilometers (<17,500)	
Total Annual Kilometers Traveled =	15,641 kilometers
Rate of reimbursement =	\$0.23 per kilometer (proposed)
<u>Present System</u>	
Total Car Replacement Allowance	\$ 4,200
Total Car Travel Allowance	4,600
Plus kilometers from Travel Pool (>22,000 at 21 cents)	0
Total Cash Flow from Vehicle Use	<u>8,800</u>
<u>Proposed System</u>	
Total Car Replacement Allowance	\$ 4,200
Plus kilometers traveled (at 23 cents)	3,597
Total Cash Flow from Vehicle Use	<u>7,797</u>
Difference in annual cash flow of cleric (short)/over	<u>-1,003</u>

Diocese of Fredericton	
A Comparison of Individual Clerics at Various Travel Levels	
Comparing Present and Proposed Travel Reimbursement Systems	
(Analysis prepared by Jim Wilson)	
Cleric #11 - High Annual Kilometers (>17,500)	
Total Annual Kilometers Traveled =	23,512 kilometers
Rate of reimbursement =	\$0.23 per kilometer (proposed)
<u>Present System</u>	
Total Car Replacement Allowance	\$ 4,200
Total Car Travel Allowance	4,600
Plus kilometers from Travel Pool (>22,000 at 21 cents)	318
Total Cash Flow from Vehicle Use	<u>9,118</u>
<u>Proposed System</u>	
Total Car Replacement Allowance	\$ 4,200
Plus kilometers traveled (at 23 cents)	5,408
Total Cash Flow from Vehicle Use	<u>9,608</u>
Difference in annual cash flow of cleric (short)/over	<u>490</u>

Diocese of Fredericton  
Comparison of Clergy Cash Flow Between Present System and Proposed Method Using 17,500 Kilometers as Travel Pool Threshold  
For Year 2008

(Analysis prepared by Jim Wilson)

Variables:  
Proposed travel reimbursement rate = \$0.23 per kilometer  
Threshold for entry into Travel Pool = 17,500 kilometers (see note) (NOTE - changing this number requires changing sheet formulas!!)  
Proposed Travel Pool rate = \$0.23 per kilometer

	Actual Kms Scaled to Full Year Equivalent (all at equivalent full year)	Travel Reimbursement Paid by Parishes at \$0.23	Travel Reimbursement From Travel Pool at \$0.23	Proposed Car Replacement Pmts in Stipend	Proposed Total Travel Cash to Cleric	Historic Fixed Basic Travel Allowance (up to 22,000 kms)	Historic Car Replacement Payments	Historic Pmts for Kms > 22,000	Historic Total Travel Cash to Cleric	Annual Cash Difference
1	18,000	4,025	115	4,200	8,340	4,600	4,200	0	8,800	-460
2	11,272	2,593	0	4,200	6,793	4,600	4,200	0	8,800	-2,007
3	16,678	3,834	0	4,200	8,034	4,600	4,200	0	8,800	-764
4	31,043	4,025	3,115	4,200	11,340	4,600	4,200	1,899	10,699	641
5	14,180	3,261	0	4,200	7,461	4,600	4,200	0	8,800	-1,339
6	13,334	3,067	0	4,200	7,267	4,600	4,200	0	8,800	-1,533
7	895	204	0	4,200	4,404	4,600	4,200	0	8,800	-4,394
8	7,908	1,819	0	4,200	6,019	4,600	4,200	0	8,800	-2,781
9	914	210	0	4,200	4,410	4,600	4,200	0	8,800	-4,390
10	4,077	938	0	4,200	5,138	4,600	4,200	0	8,800	-3,662
11	23,512	4,025	1,383	4,200	9,608	4,600	4,200	318	9,118	490
12	26,420	4,025	2,052	4,200	10,277	4,600	4,200	928	9,728	548
13	14,897	3,424	0	4,200	7,624	4,600	4,200	0	8,800	-1,174
14	15,641	3,597	0	4,200	7,797	4,600	4,200	0	8,800	-1,003
15	17,560	4,025	14	4,200	8,239	4,600	4,200	0	8,800	-561
16	15,550	3,577	0	4,200	7,777	4,600	4,200	0	8,800	-1,024
17	28,233	4,025	2,469	4,200	10,694	4,600	4,200	1,309	10,109	585
18	15,133	3,481	0	4,200	7,681	4,600	4,200	0	8,800	-1,119
19	2,580	593	0	4,200	4,793	4,600	4,200	0	8,800	-4,007
20	23,251	4,025	1,323	4,200	9,548	4,600	4,200	263	9,063	485
21	14,131	3,250	0	4,200	7,450	4,600	4,200	0	8,800	-1,350
22	24,323	4,025	1,569	4,200	9,794	4,600	4,200	488	9,288	504
23	2,485	572	0	4,200	4,772	4,600	4,200	0	8,800	-4,028
24	12,002	2,760	0	4,200	6,960	4,600	4,200	0	8,800	-1,840
25	10,142	2,333	0	4,200	6,533	4,600	4,200	0	8,800	-2,267
26	17,779	4,025	64	4,200	8,289	4,600	4,200	0	8,800	-511
27	15,275	3,513	0	4,200	7,713	4,600	4,200	0	8,800	-1,087
28	14,078	3,238	0	4,200	7,438	4,600	4,200	0	8,800	-1,362
29	24,561	4,025	1,624	4,200	9,849	4,600	4,200	538	9,338	511
30	21,639	4,025	952	4,200	9,177	4,600	4,200	0	8,800	377
31	14,839	3,413	0	4,200	7,613	4,600	4,200	0	8,800	-1,187
32	19,397	4,025	436	4,200	8,661	4,600	4,200	0	8,800	-139
Totals	491,731	97,983	15,115	134,400	247,498	147,200	134,400	5,742	287,342	-39,844

Diocese of Fredericton  
Comparison of Parish Cash Flow Between Present System and Proposed Method Using 17,500 Kilometers as Travel Pool Threshold  
For Year 2008

(Analysis prepared by Jim Wilson)

Variables:  
Proposed travel reimbursement rate = \$0.23 per kilometer  
Threshold for entry into Travel Pool = 17,500 kilometers  
Proposed Annual Travel Pool Assessment = \$475.00 per kilometer

	Actual Kms Scaled to Full Year Equivalent (all at equivalent full year)	Travel Reimbursement Paid by Parishes at \$0.23	Travel Pool Annual Assessment (Fixed)	Proposed Car Replacement Pmts in Stipend	Proposed Total Travel Cash Paid Out	Historic Fixed Basic Travel Allowance (up to 22,000 kms)	Historic Car Replacement Payments	Historic Pmts for Kms > 22,000	Historic Total Travel Cash to Cleric	Parish Annual Cash Saving
1	18,000	4,025	475	4,200	8,700	4,600	4,200	0	8,800	100
2	11,272	2,593	475	4,200	7,268	4,600	4,200	0	8,800	1,532
3	16,678	3,834	475	4,200	8,511	4,600	4,200	0	8,800	289
4	31,043	4,025	475	4,200	8,700	4,600	4,200	1,899	10,699	1,999
5	14,180	3,261	475	4,200	7,936	4,600	4,200	0	8,800	84
6	13,334	3,067	475	4,200	7,742	4,600	4,200	0	8,800	1,058
7	895	204	475	4,200	4,881	4,600	4,200	0	8,800	3,919
8	7,908	1,819	475	4,200	6,494	4,600	4,200	0	8,800	2,304
9	914	210	475	4,200	4,885	4,600	4,200	0	8,800	3,915
10	4,077	938	475	4,200	5,613	4,600	4,200	0	8,800	3,187
11	23,512	4,025	475	4,200	8,700	4,600	4,200	318	9,118	418
12	26,420	4,025	475	4,200	8,700	4,600	4,200	928	9,728	1,028
13	14,897	3,424	475	4,200	8,101	4,600	4,200	0	8,800	699
14	15,641	3,597	475	4,200	8,272	4,600	4,200	0	8,800	528
15	17,560	4,025	475	4,200	8,700	4,600	4,200	0	8,800	100
16	15,550	3,577	475	4,200	8,252	4,600	4,200	0	8,800	549
17	28,233	4,025	475	4,200	8,700	4,600	4,200	1,309	10,109	1,409
18	15,133	3,481	475	4,200	8,156	4,600	4,200	0	8,800	644
19	2,580	593	475	4,200	5,268	4,600	4,200	0	8,800	3,532
20	23,251	4,025	475	4,200	8,700	4,600	4,200	263	9,063	363
21	14,131	3,250	475	4,200	7,925	4,600	4,200	0	8,800	875
22	24,323	4,025	475	4,200	8,700	4,600	4,200	488	9,288	588
23	2,485	572	475	4,200	5,247	4,600	4,200	0	8,800	3,553
24	12,002	2,760	475	4,200	7,435	4,600	4,200	0	8,800	1,365
25	10,142	2,333	475	4,200	7,008	4,600	4,200	0	8,800	1,792
26	17,779	4,025	475	4,200	8,700	4,600	4,200	0	8,800	100
27	15,275	3,513	475	4,200	8,088	4,600	4,200	0	8,800	612
28	14,078	3,238	475	4,200	7,913	4,600	4,200	0	8,800	887
29	24,561	4,025	475	4,200	8,700	4,600	4,200	538	9,338	638
30	21,639	4,025	475	4,200	8,700	4,600	4,200	0	8,800	100
31	14,839	3,413	475	4,200	8,088	4,600	4,200	0	8,800	712
32	19,397	4,025	475	4,200	8,700	4,600	4,200	0	8,800	100
Totals	491,731	97,983	15,200	134,400	247,583	147,200	134,400	5,742	287,342	39,750

Diocese of Fredericton						
A Comparison of Year 1 Cash Flow Changes for Clerics vrs. Their Parish Using 17,500 Kilometers as Travel Pool Threshold						
Based on Travel Reported for Year 2008						
(Analysis prepared by Jim Wilson)						
Reimbursement for operating costs at	\$0.23					
Annual Travel Pool Assessment =	\$475.00					
Actual Kms. Scaled to Full Year Equivalent (all at equivalent full year)	Cleric Annual Cash Flow Difference (short) over (From Earlier Worksheet)	Parish Annual Cash Flow Difference (short) over (From Earlier Worksheet)	Cleric Shortfall Remaining if 100% of Parish Saving Was Used to Adjust Cleric's Annual Stipend	Less CPP Savings Enjoyed by Both the Parish & Cleric (4.95% x 2 x \$4,600 = \$455)	Final Cash (Shortfall) or Improvement for Cleric Under New System	
	\$	\$	\$	\$	\$	
1	18,000	-460	100	-360	360	0
2	11,272	-2,007	1,532	-475	455	-20
3	16,678	-764	289	-475	455	-20
4	31,043	641	1,999	641	228	869
5	14,180	-1,339	864	-475	455	-20
6	13,336	-1,533	1,058	-475	455	-20
7	895	-4,394	3,919	-475	455	-20
8	7,908	-2,781	2,306	-475	455	-20
9	914	-4,390	3,915	-475	455	-20
10	4,077	-3,652	3,187	-475	455	-20
11	23,512	490	418	490	228	718
12	26,420	548	1,028	548	228	776
13	14,897	-1,174	699	-475	455	-20
14	15,641	-1,003	528	-475	455	-20
15	17,560	-561	100	-461	455	-6
16	15,550	-1,024	549	-475	455	-20
17	28,233	585	1,409	585	228	813
18	15,133	-1,119	644	-475	455	-20
19	2,580	-4,007	3,532	-475	455	-20
20	23,251	485	363	485	228	713
21	14,131	-1,350	875	-475	455	-20
22	24,323	506	588	506	228	734
23	2,485	-4,028	3,553	-475	455	-20
24	12,002	-1,840	1,365	-475	455	-20
25	10,142	-2,267	1,792	-475	455	-20
26	17,779	-511	100	-411	411	0
27	15,275	-1,087	612	-475	455	-20
28	14,078	-1,362	887	-475	455	-20
29	24,561	511	638	511	228	739
30	21,639	377	100	377	228	605
31	14,839	-1,187	712	-475	455	-20
32	19,397	-139	100	-39	228	189
Totals	491,731	-39,844	39,759	-6,627	12,378	5,751
Note - The total in the "shortfall" column is zero using an assessment of \$472.35 for the Travel Pool.						

Cash Flow of Proposed Travel Pool Using 17,500 Kilometers as Threshold	
(Analysis prepared by Jim Wilson)	
Present number of contributing parishes =	55
Annual parish assessment paid to Travel Pool =	\$475
	\$
Approximate balance in present travel pool =	46,000 (Per Fred Scott, April/09)
Add annual parish contributions by assessment =	26,125
Total available in Travel Pool in year 1 =	72,125
	\$
Amount paid out from Travel Pool in year 1 to	
32 clerics reporting (from ClergyCashFlow 17,500 sheet) =	15,115
Add factor of extra 25/57X for 25 unreporting clergy =	6,629
Total "worst case" draw on Travel Pool in year 1 =	21,745
Estimated number of years in Travel Pool =	3.3 years

## Pros & Cons of Proposed System

### PROS:

- 1) Minimal impact on cleric cash flow.
- 2) Creates a direct connection between \$\$ amounts paid to the cleric and the kilometers actually traveled.
- 3) Reimbursement would no longer be subject to income tax because it would be based on actual distance traveled.
- 4) Still easy to communicate, understand & administer.

## Pros & Cons of Proposed System

### PROS (continued):

- 5) Parishes would be aware of driving requirements related to their ministry.
- 6) Parishes whose clerics do high travel would realize some additional savings.

## Pros & Cons of Proposed System

### CONS:

- 1) Monthly cost to parish would vary.
- 2) Monthly cash flow to clergy would vary.
- 3) Parish Treasurer would administer monthly travel (additional duty).

## Next Steps

- 1) Receive feedback from tonight's Focus Group and likely other groups.
- 2) Make appropriate changes as required.
- 3) Report recommendations to Human Resources Committee.
- 4) HR considers recommendations and if accepted, recommends to Diocesan Council.
- 5) If Council accepts, implement new system at start of a future calendar year.