



**TO:** John Phillips, City Manager

**Number:** 12-006

**SUBJECT:** Cellular Phone Stipend

**Date:** 8/17/2011

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During the fiscal year 2011 – 2012 budget process a suggestion was made to consider a change in how cellular services are handled for city employees. At the start of the budget year over 90 cellular telephones were in the service of various employees as dictated by their job requirements. The Administrative Services Department has bid a master contract with a single vendor on behalf of all departments for the past several years and managed the services agreement for all departments.

Based on IRS guidelines, when an employer issues a cell phone to an employee, any personal calls are considered taxable income to the employee. Additionally, undocumented calls can be considered personal. As such, some employees find the need to carry two phones, one personal and one professional, in an effort to mitigate these IRS issues.

An alternative approach is to consider a cellular phone stipend program. Under a stipend arrangement employees would be responsible for purchasing and maintaining their own cellular phone and would receive a flat amount as a reimbursement for business use. As technology has changed and cellular phones have become more common place, employees also desire a much greater range of devices than the City is able support. A stipend would allow employees the freedom to choose preferred technology and service providers while reducing administrative costs and complication.

Attached for you review is a copy of a proposed stipend policy and suggested stipend amounts. The stipend would consist of two levels; \$30 per month for moderate to high use, and \$15 per month for low use. Overall this change is estimated to save over \$20,000.00 per year as detailed on the attached spreadsheet.

**RECOMMENDATION:**

The Administrative Services Department recommends that the City Council authorize the City Manager to establish a two level cellular phone stipend and to direct staff to convert all recommended users to stipend as soon as can be completed.

**Submitted by:** John Thorson, Administrative Services Director  
Timothy Bain, Assistant Director Information Technology Services

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**APPROVED:** John C. Phillips, City Manager

## **City of Rock Island Cellular Phone Stipend Policy**

### **A. - Introduction**

The City of Rock Island is implementing a cell phone stipend policy and eliminating the current practice of providing city owned devices and services for individuals. This policy is being implemented to ensure the city is in compliance with current Internal Revenue Service regulations as well as provide stewardship of municipal funds used to support mobile communication devices and plans. Based on IRS guideline, when an employer issues a cell phone to an employee, personal calls are considered taxable income to the employee, and undocumented use is considered personal and, therefore, taxable to employees.

Cellular telephones are a valuable resource for city staff in the performance of their job by providing immediate accessibility, and the change in practice provides employees flexibility and freedom to select a cell phone, plan, and features that meet their combined personal and professional needs. This policy is established as a guide for employees who, by the nature of their work, routinely use mobile communication devices in the performance of their job. Based on job responsibilities, eligible employees may qualify for a taxable stipend to cover the business use of personal cell phones. The employee's direct supervisor, with approval of the department director or City Manager, is responsible for determining the eligibility of an employee to receive a cell phone stipend based on job responsibilities.

The city will continue to provide and support cell phones that have been designated for departmental usage. Employees who are not eligible for a cell phone stipend may be reimbursed for business calls on their personal cell phones with department approval.

### **B. - Monthly Service Stipend**

The City of Rock Island will annually review and establish stipend amounts. The stipend amounts are adjusted to provide for the approximate additional tax burden an employee would incur. All stipends and associated costs are charged to the employee's departmental budget. The city requires employees approved to use a cell phone for business purposes to purchase and maintain a cell phone and service plan in exchange for a taxable stipend provided by the city and funded by the department. The amount of the stipend must be justified by business requirements and is calculated based on previous six month usage of city issued cellular phone. Employees that have not previously been issued a city provided cellular phone shall not be eligible for stipend until a 6-month usage baseline is established with a city issued cellular phone. The stipend is intended to reimburse the employee for the business use of the phone, not to pay the entire phone bill, under the assumption that the device will be used for both personal and business purposes by most employees. The amount can be changed or withdrawn by the department director without notice at any time. The city is not responsible for any additional costs associated with the cell phone, for example, shipping, taxes, insurance, accessories, overages, etc.

Department directors are responsible for selecting the appropriate stipend amount for an employee based on the responsibilities of the employee's job duties in accordance with established guidelines and stipend amounts. The determination should include the appropriate number of plan minutes based on past business usage, data plans, text plans, and other plan features that are required for the performance of the employee's responsibilities.

Discounts are available for the City of Rock Island employees' personal accounts from various wireless carriers available through the Intranet. Other wireless vendors may be selected at the employee's discretion, but stipend amounts are calculated factoring in the available carrier discounts.

The employee is responsible for obtaining a phone and monthly plan that, at a minimum, meet the level of service required by the department. Because the telephone is owned by the employee, it may be used for personal and business use, but must be available for the performance of responsibilities as designated by the department and within policy. The employee may obtain a larger plan if needed for personal use, but will only receive the amount agreed upon for business use. Bills for the cellular plan and device are the responsibility of the individual. An employee with a cell phone stipend must maintain an active cell phone contract for the duration of the stipend.

### **C. - Stipend Requirements**

The City of Rock Island contributions for employee owned services are not to be based on a title or position. Approved stipend amounts shall be based on the actual job requirements of the individual staff member. Approval for a city cellular stipend must be based on a valid, city related need and meet at least one of the following criteria:

- **On-Call availability:** Employee is required to be on call a majority of the time to be contacted in the event of an emergency or service need. Departments should consider consolidating to one city owned on-call phone when appropriate where employees take turns on-call.
- **Frequent mobility:** The job requires considerable time outside the office during working hours and it is imperative to the functioning of the city that the employee be immediately accessible to receive and/or make frequent business calls during those times.
- **After hours availability:** The job requires the employee to be immediately accessible to receive and/or make frequent business calls outside of working hours. Employee must be readily accessible due to the specific nature of their duties and must be available for emergency responses or time sensitive consultation after normal office hours.

Departmental eligibility criteria can be more (but not less) restrictive than the city criteria stated above.

#### **D. - Employee Responsibilities**

Recipients of a city cell phone stipend have the following responsibilities:

- Purchase cellular phone service and equipment and assume responsibility for vendor terms and conditions. The employee can select any service provider, plan, and features that meet the requirements of the job responsibilities as specified by the supervisor and approved by the budget manager that, at a minimum, meet the level of plan and services that the stipend is intended to cover.
- The employee is responsible for plan choices, calling areas, service features, termination clauses, and paying all charges associated with the cellular service and device.
- Purchase, repair, maintain, insure, and/or replace phone equipment and accessories, including lost, damaged, or stolen equipment and accessories.
- Ensure the carrier selected has service in required usage areas, such as in city buildings and/or at home as required by the department. Take advantage of trial/return time frames offered by most carriers.
- Establish himself/herself as the billing party. Regardless of cost, the employee is responsible for any additional expenses above the city contribution.
- Maintain an active service contract for the duration of the stipend.
- Notify your Manager within 5 working days if the eligibility criteria are no longer met, if your service is cancelled, or when your phone number, carrier, or plan eligibility changes.
- Provide a copy of the cellular billing statement upon request.
- Request a stipend renewal from your department director at the end of each fiscal year.
- Adhere to the City of Rock Island's cell phone policy or appropriate policy in their union contract.

#### **E. - Annual Renewal**

The employee and direct supervisor are responsible for an annual review of the business need for a cell phone stipend and whether the agreement needs to be changed, renewed, or discontinued. Prior to each fiscal year, a request form must be completed by the supervisor, approved by the Department Manager, and submitted, along with a copy of the most recent billing statement, to Administrative Services in order to continue the stipend.

## **F. - Change or Cancel Existing Stipend**

If the employee resigns, is terminated, transfers departments, changes job duties, no longer requires telephone services, or otherwise no longer qualifies for an institutional stipend, the employee's department director is responsible for submitting notice to Administrative Services. Administrative Services will also keep approved request forms on file and available for internal or external audit. In the event that an employee leaves the position, he/she continues to be responsible for the contractual obligations of the cellular service plan.

## **G. - City Provided Cell Phone Exceptions**

Departments shall not purchase cellular telephones or cellular telephone service. There are limited circumstances in which a department can own a phone and line. Requests must go through the approval process, and service and equipment must be obtained through Administrative Services – Information Technology (IT). For all city owned cell phones and services, departments must ensure that cell phone use is documented and that phones are used for city business only or employees must reimburse the city for the personal calls. A department may be permitted to continue purchasing cell phones and service where the phone is used only for City business purposes in the following situations:

- **Shared department cell phone:** Arrangement involving multiple individuals sharing one cell phone that does not leave the facility and is turned in by each employee at the end of his/her shift. This phone must be used for business purposes only. Phone log documentation is required.
- **On call department cell phone:** Used for business purposes only, this arrangement involves multiple individuals that take turns being on call and share one phone. Phone log documentation is required.

Records documenting the business and personal use of the equipment must be retained by the department for audit purposes. All personal usage must be reimbursed by the employee at the established city per minute rate, and other charges should be reimbursed at the actual cost. For city owned devices, the city will provide cell phone service and equipment. IT will arrange for service and phone equipment, process the carrier invoices for payment, and bill the department for all service and equipment associated with their lines. Billing summary statements for monthly service charges are emailed to department directors upon request. Billing statements for equipment are mailed to the requestor. Call detail for each departmental line will be distributed to the department

## **H.1 - PDA Phones and Data Plan Eligibility**

Some positions may necessitate that an employee is able to regularly send and receive time sensitive city email remotely, and computer access is not adequate for this purpose. To be eligible for a data plan stipend, the employee must have a Smart phone, and the equipment and plan must allow syncing with corporate email, calendar, and contacts. Certain PDA phones do not qualify for a data stipend because they do not connect to the city's email, calendar, and contacts. It is important to verify the eligibility of a PDA phone with IT prior to obtaining it. Eligibility for a data plan stipend is based on the following:

- Real time decision making and city responsiveness is of an urgent nature and must be accomplished through email.
- Real time communications/responses by email are required when traveling, off campus, away from the office, or after hours.

Given that PDA phones may be storing and transferring critical data while connected to the internet, all City of Rock Island Computer Usage Policies are applicable and will be enforced, including the Acceptable Use, Email, Data Security, and Mobile Data policies.

The level of support from IT for PDA/SMART phones is limited to documentation provided for connecting to the city's email or city's email, calendar and contacts. The city of Rock Island - IT staff is not obligated to make any smart phone work, and support is only provided on a best effort basis.

## **H.2 - Equipment**

The employee is responsible for the purchase and maintenance of the cell phone or PDA/SMART phone and related accessories. Departments at their discretion may loan existing city equipment to employees as available. As new equipment is purchased by the employee, employees must return any borrowed city equipment and accessories to their departments as this equipment is owned by the city.

Other than city loaned equipment, the employee will own their device. The employee is responsible for the purchase, repair, maintenance, loss, damage, insurance, and/or replacement of phone equipment and accessories. The city will no longer service, replace, maintain, repair, or support cell phones on personal accounts.

## **I. - Contract Changes or Cancellations**

Most carriers charge an early termination fee for cancelling a contract prior to the end of the established term. In certain limited circumstances, the department will cover employee early termination fees. If a city decision is made (unrelated to employee misconduct) which results in the need to change or end the cell phone contract, the department will bear the cost of any associated contract termination fees. For instance if the city determines a phone is no longer required for the position, the employee changes positions or terminates employment with the city, the department will then reimburse the early termination fee billed to the employee. In order to be reimbursed in these circumstances, the original billing statement indicating the early termination charge billed is required for reimbursement to be considered. The employee is responsible for early termination fees in all other circumstances. For instance, early termination fees billed due to a personal decision, employee misconduct, misuse of the phone, or if changing providers after the stipend is initiated, the employee will bear the cost of any associated contract termination fees.

<u>Name</u>	<u>Mobile #</u>	<u>GL Number</u>	<u>Percentage</u>	<u>Y-T-D Total</u>	<u>Monthly Avg</u>	<u>Current Annual</u>	<u>New Annual</u>	<u>Savings</u>	<u>Option Cost</u>	<u>Annual</u>
<b>MLK</b>										
Gerald Jones	[REDACTED]	211-356041-53205-0000199	100%	\$771.89	\$70.17	\$988.22	\$540.00	\$448.22	\$30.00	\$360.00
Krisita Tinsley	[REDACTED]	906-356921-53205-5336164	100%	\$118.21	\$10.75				\$15.00	\$180.00
Carlos Jiminez	[REDACTED]	906-356921-53205-5336164	100%	\$98.12	\$8.92				\$0.00	\$0.00
<b>Park &amp; Rec</b>						<b>\$9,039.09</b>	<b>\$5,279.80</b>	<b>\$3,759.29</b>		
Kent Towler	[REDACTED]	555-867564-53205-0000000	100%	\$119.40	\$10.85				\$15.00	\$180.00
Kevin Horton	[REDACTED]	555-867564-53205-0000000	100%	\$116.72	\$10.61				\$15.00	\$180.00
Hauberg Civic Center-Debbi Weston	[REDACTED]	555-813501-53205-0000000	100%	\$257.25	\$23.39				\$15.00	\$180.00
Robert Thomson (Tanner)	[REDACTED]	555-834751-53205-0000000	100%	\$414.05	\$37.64				\$15.00	\$180.00
Camp Lots o Fun	[REDACTED]	555-813501-53205-0000000	100%	\$268.98	\$24.45				\$24.45	\$293.43
Todd Winter	[REDACTED]	555-813501-53205-0000000	100%	\$1,100.05	\$100.00				\$30.00	\$360.00
Carrie Roelf	[REDACTED]	555-813501-53205-0000000	100%	\$718.52	\$65.32				\$30.00	\$360.00
FrancesWillard Rec	[REDACTED]	555-813541-53205-5683000	100%	\$182.10	\$16.55				\$16.55	\$198.65
Longfellow Rec	[REDACTED]	555-813541-53205-5683000	100%	\$121.84	\$11.08				\$11.08	\$132.92
Lincoln Rec	[REDACTED]	555-813541-53205-5683000	100%	\$119.59	\$10.87				\$10.87	\$130.46
Bj Ballard	[REDACTED]	555-867564-53205-0000000	100%	\$932.63	\$84.78				\$30.00	\$360.00
Tom Hergert	[REDACTED]	555-834751-53205-0000000	100%	\$1,066.44	\$96.95				\$96.95	\$1,163.39
William Fetty	[REDACTED]	555-835753-53205-0000000	50%	\$193.57	\$17.60				\$7.50	\$90.00
	[REDACTED]	555-855702-53205-0000000	50%	\$208.54	\$18.96				\$7.50	\$90.00
Dick Ewald	[REDACTED]	555-867564-53205-0000000	100%	\$440.87	\$40.08				\$40.08	\$480.95
John Gripp	[REDACTED]	555-811041-53205-0000000	100%	\$1,160.32	\$105.48				\$30.00	\$360.00
Bill Nelson	[REDACTED]	555-811041-53205-0000000	100%	\$888.88	\$80.81				\$30.00	\$360.00
Chris Steeber	[REDACTED]	555-854701-53205-0000000	100%	\$729.34	\$66.30				\$15.00	\$180.00
<b>Public Works</b>						<b>\$10,769.10</b>	<b>\$1,406.90</b>	<b>\$9,362.20</b>		
Ron Fletcher	[REDACTED]	101-616041-53205-0000000	100%	\$353.21	\$32.11				\$0.00	\$0.00
Leonard Serrano	[REDACTED]	101-616041-53205-0000000	100%	\$383.82	\$34.89				\$0.00	\$0.00
Fred Bain	[REDACTED]	101-616041-53205-0000000	100%	\$553.00	\$50.27				\$0.00	\$0.00
Water Distribution 2nd Shift	[REDACTED]	501-619041-53205-0000000	100%	\$189.76	\$17.25				\$17.25	\$207.01
PW Lead Mechanics	[REDACTED]	601-617041-53205-0000000	100%	\$230.07	\$20.92				\$0.00	\$0.00
Tom Brokaw	[REDACTED]	606-615041-53205-0000000	100%	\$428.33	\$38.94				\$0.00	\$0.00
Justin Johnson	[REDACTED]	606-615041-53205-0000000	100%	\$105.00	\$9.55				\$0.00	\$0.00
Bill Cochran	[REDACTED]	606-615041-53205-0000000	100%	\$460.66	\$41.88				\$0.00	\$0.00
Bob Horton	[REDACTED]	606-615041-53205-0000000	100%	\$99.66	\$9.06				\$0.00	\$0.00
Cal McKenzie	[REDACTED]	606-615041-53205-0000000	100%	\$537.45	\$48.86				\$0.00	\$0.00
John Pearson	[REDACTED]	606-615041-53205-0000000	100%	\$370.31	\$33.66				\$0.00	\$0.00
Tom Rizzolo	[REDACTED]	606-615041-53205-0000000	100%	\$215.70	\$19.61				\$0.00	\$0.00
Jim Johnson	[REDACTED]	606-615041-53205-0000000	100%	\$111.54	\$10.14				\$0.00	\$0.00
PW Front Desk	[REDACTED]	101-611041-53205-0000000	100%	\$367.74	\$33.43				\$0.00	\$0.00
Lead Electrician - Mike Neary	[REDACTED]	101-617041-53205-0000000	100%	\$368.03	\$33.46				\$0.00	\$0.00
Chad Mottet	[REDACTED]	541-617041-53205-0000000	100%	\$367.74	\$33.43				\$0.00	\$0.00
Nick Hartmann	[REDACTED]	501-619041-53205-0000000	100%	\$381.45	\$34.68				\$0.00	\$0.00

Randy Heggen	[REDACTED]	507-619041-53205-0000000	100%	\$240.16	\$21.83	\$0.00	\$0.00
Service Van/First Responder	[REDACTED]	101-616041-53205-0000000	100%	\$197.86	\$17.99	\$0.00	\$0.00
Water Laboratory	[REDACTED]	501-618041-53205-0000000	100%	\$103.04	\$9.37	\$0.00	\$0.00
Water Treatment Plant @ 2215 16th Ave	3 [REDACTED]	501-618041-53205-0000000	100%	\$300.12	\$27.28	\$27.28	\$327.40
Mike Ziegler	[REDACTED]	101-616041-53205-0000000	100%	\$535.16	\$48.65	\$0.00	\$0.00
Larry Cook	[REDACTED]	501-618041-53205-0000000	100%	\$106.78	\$9.71	\$0.00	\$0.00
Michelle Martin	[REDACTED]	101-611041-53205-0000000	100%	\$259.61	\$23.60	\$0.00	\$0.00
WasteWater Plant	3 [REDACTED]	506-618041-53205-0000000	100%	\$300.12	\$27.28	\$27.28	\$327.40
3rd Shift MSD	[REDACTED]	101-616041-53205-0000000	100%	\$136.30	\$12.39	\$12.39	\$148.69
Water Distribution On Call	[REDACTED]	501-619041-53205-0000000	100%	\$363.36	\$33.03	\$33.03	\$396.39
Dan DeBrobander - Water Meter	[REDACTED]	501-613358-53205-0000000	100%	\$367.74	\$33.43	\$0.00	\$0.00
Fritz Felske - Water Meter	[REDACTED]	501-613358-53205-0000000	100%	\$266.12	\$24.19	\$0.00	\$0.00
Jerry Martin	[REDACTED]	501-613358-53205-0000000	100%	\$535.16	\$48.65	\$0.00	\$0.00
James Jordan	[REDACTED]	101-617111-53205-0000000	100%	\$716.87	\$65.17	\$0.00	\$0.00
Randy James	[REDACTED]	506-618041-53205-0000000	100%	\$448.91	\$40.81	\$0.00	\$0.00
Melody Miller	[REDACTED]	101-611041-53205-0000000	100%	\$368.32	\$33.48	\$0.00	\$0.00

**Police**

**\$7,079.69 \$6,202.85 \$876.84**

NU Sergeant	[REDACTED]	224-413216-53205-0000000	100%	\$459.67	\$41.79	\$41.79	\$501.46
NU Officer	[REDACTED]	224-413216-53205-0000000	100%	\$762.23	\$69.29	\$69.29	\$831.52
NU Officer	[REDACTED]	224-413216-53205-0000000	100%	\$527.40	\$47.95	\$47.95	\$575.35
FOB Lieutenant	[REDACTED]	101-412206-53205-0000000	100%	\$152.51	\$13.86	\$13.86	\$166.37
FOB Sergeant	[REDACTED]	101-412206-53205-0000000	100%	\$535.16	\$48.65	\$48.65	\$583.81
Mary Devine	[REDACTED]	101-413227-53205-0000000	100%	\$377.13	\$34.28	\$15.00	\$180.00
Tim McCloud	[REDACTED]	101-411201-53205-0000000	100%	\$482.18	\$43.83	\$15.00	\$180.00
Chief/Scott Harris	[REDACTED]	101-411041-53205-0000000	100%	\$812.67	\$73.88	\$30.00	\$360.00
ESO Police	[REDACTED] 9	101-412206-53205-0000000	100%	\$367.74	\$33.43	\$30.00	\$360.00
Comm Supv/Wayne Sharer	[REDACTED]	101-414226-53205-0000000	100%	\$673.87	\$61.26	\$30.00	\$360.00
JIU Sgt./Larry Hufford	[REDACTED]	101-413217-53205-0000000	100%	\$367.74	\$33.43	\$15.00	\$180.00
On Call Detective	[REDACTED]	101-413215-53205-0000000	100%	\$229.68	\$20.88	\$20.88	\$250.56
PPD Sgt./Knittle	[REDACTED]	101-413215-53205-0000000	100%	\$367.74	\$33.43	\$15.00	\$180.00
CIB Special Assignment	[REDACTED]	101-413215-53205-0000000	100%	\$190.89	\$17.35	\$17.35	\$208.24
2nd Shift Detective CIB	[REDACTED]	101-413215-53205-0000000	100%	\$254.67	\$23.15	\$0.00	\$0.00
Lt. Steines	NEW					\$30.00	\$360.00
Dpt. Chief	NEW					\$30.00	\$360.00
GTF Officer	[REDACTED]	224-413216-53205-0000000	100%	\$518.41	\$47.13	\$47.13	\$565.54

**CED**

**\$2,936.83 \$1,800.00 \$1,136.83**

Building Official/T. Ayers	[REDACTED]	101-314881-53205-0000000	100%	\$651.61	\$59.24	\$30.00	\$360.00
Electrical Inspector/J. Diaz	[REDACTED]	101-314881-53205-0000000	100%	\$465.59	\$42.33	\$15.00	\$180.00
Nuisance Abatement & Weeds/Lasley	[REDACTED]	101-314881-53205-0000000	100%	\$127.22	\$11.57	\$0.00	\$0.00
Plumbing Inspector/D. James	[REDACTED]	101-314881-53205-0000000	100%	\$367.74	\$33.43	\$15.00	\$180.00
Housing Inspector/C. Brown	[REDACTED]	242-314882-53205-6074000	100%	\$139.19	\$12.65	\$15.00	\$180.00
Health Inspector/B. Tauke	[REDACTED]	101-314881-53205-0000000	100%	\$135.70	\$12.34	\$15.00	\$180.00
Bruce Crowe	[REDACTED]	242-314882-53205-6074000	100%	\$651.03	\$59.18	\$30.00	\$360.00

