Minute No. 146
Report - Alternate Service Delivery Committee - December 12, 2005

Item No. 1 **Annual Report (2004) – Winnipeg Fleet Management Special Operating Agency**
File GL-5.6.1

COUNCIL DECISION:

Council concurred in the recommendation of the Alternate Service Delivery Committee and adopted the following:

1. That the Winnipeg Fleet Management Special Operating Agency 2004 Annual Report be received as information.

Report - Alternate Service Delivery Committee - December 12, 2005

DECISION MAKING HISTORY:

Moved by Councillor Swandel,
That the recommendation of the Alternate Service Delivery Committee be adopted.

Carried

EXECUTIVE POLICY COMMITTEE RECOMMENDATION:

On December 14, 2005, the Executive Policy Committee concurred in the recommendation of the Alternate Service Delivery Committee and submitted the matter to Council.

STANDING COMMITTEE RECOMMENDATION:

On December 12, 2005, the Alternate Service Delivery Committee concurred in the administrative recommendation and submitted the matter to the Executive Policy Committee and Council.

On December 12, 2005, Yvan Lupien, Chief Operating Officer, Fleet Management Agency, submitted to the Alternate Service Delivery Committee a PowerPoint Presentation titled Fleet Management Agency “Keeping you in Motion”.

ADMINISTRATIVE REPORT

RE: ANNUAL REPORT (2004) – WINNIPEG FLEET MANAGEMENT AGENCY (SOA)

FOR SUBMISSION TO: **Alternate Service Delivery Committee**

ORIGINAL REPORT SIGNED BY: **Yvan Lupien (COO), Winnipeg Fleet Management Agency**

REPORT DATE: **December 5, 2005**

RECOMMENDATION(S):

It is recommended that:

1. This report be received as Information by City Council.

REPORT SUMMARY:

Key Issues:

Implications of the Recommendation(s):

General Implications

- [X] None
- [ ] For the organization overall and/or for other Departments
- [ ] For the community and/or organizations external to the City of Winnipeg
- [ ] Involves a multi-year contract

Comment(s):

Policy Implications

☒ No
☐ Yes Comments:

Environmental Implications

☒ No
☐ Yes Comments:

Human Resource Implications

☒ No
☐ Yes Comments:

Financial Implications

☒ Within approved current and/or capital budget
☐ Current and/or capital budget adjustment required

Comment(s):

REASON FOR THE REPORT:

Winnipeg Fleet Management Agency's Operating Charter stipulates that an Annual Report be submitted to Council each year.

HISTORY:

N/A.

DISCUSSION:

Please receive attached Annual Report as Information.

Financial Impact Statement **Date:** 5-Dec-05

Project Name: Selection Report - Fleet Management Agency (SOA)

COMMENTS:

See attached Projected Financial Statements of the Fleet Management Agency

Original Signed by Cheryl Turman CA
Supervisor of Finance & Administration

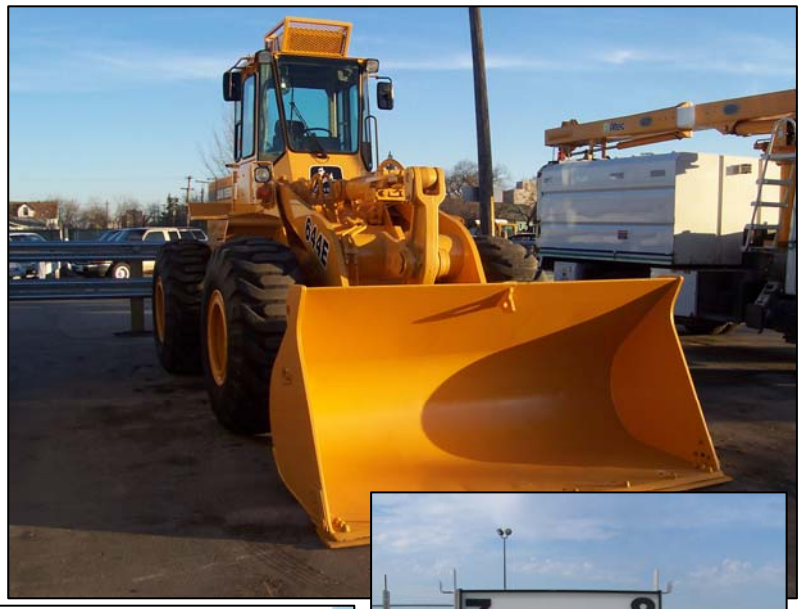
IN PREPARING THIS REPORT THERE WAS CONSULTATION WITH, AND CONCURRENCE BY:
Not Applicable.

THIS REPORT SUBMITTED BY:

Department:	Public Works	
Division:	Fleet Management Agency	
Prepared by:	Yvan Lupien	986-5337
Processed by:	Ajaleigh Williams	986-7879
File No.:	Annual Report	

WINNIPEG FLEET MANAGEMENT AGENCY
2004 ANNUAL REPORT









'Keeping You in Motion'

TABLE OF CONTENTS

MESSAGE FROM THE CHIEF OPERATING OFFICER 1

WINNIPEG FLEET MANAGEMENT AGENCY PROFILE 2

OPERATIONAL ACCOMPLISHMENTS 6

FINANCIAL HIGHLIGHTS 10

FLEET COMPLEMENT STATISTICS 26

FUEL SITE AND REPAIR SHOP LOCATIONS 28

FLEET CONTACTS 29

MESSAGE FROM THE CHIEF OPERATING OFFICER

The Winnipeg Fleet Management Agency demonstrated its commitment to providing high quality and cost-effective fleet management services in 2004, establishing itself as an effective business choice for City of Winnipeg departments and other public organizations.

Agency employees have done an exceptional job this year of working together to help structure the organization into a viable business by developing a new financial reporting process, applying life cycle cost management principles for fleet services, and addressing both safety and environmental issues.

The Agency has also focused on improving customer satisfaction through a number of different venues including developing standardized general ledger accounts and standardized billing reports. These new financial tools have improved visibility of fleet charges and made it easier for customers to understand the cost factors behind their fleet costs and to make better budgeting and forecasting decisions.

The Agency was also pleased to meet with all customers in 2004 as part of a large-scale customer service campaign to discuss individual fleet complements and answer any customer questions one on one.

In 2004 the Agency has worked hard to ensure safety compliance in all its operations. Environmental activities such as conducting a hybrid vehicle evaluation and investigating cleaner burning alternative fuels have also been a priority for the Agency and will continue to be in the future.

Overall, 2004 has been a successful year where challenges in a diversity of fields have been met. While our team can be proud of what was accomplished, our collective minds are already turning their thoughts to making the next year even more rewarding.

Sincerely,



Yvan Lupien
Chief Operating Officer
Winnipeg Fleet Management Agency

'Keeping you in Motion'







WINNIPEG FLEET MANAGEMENT AGENCY PROFILE

Who We Are

Winnipeg Fleet Management Agency (WFMA) is a Special Operating Agency that is dedicated to fleet service delivery with the ability to provide integrated service and comprehensive fleet management expertise to its customers. WFMA uses life cycle cost management principles to manage a fleet of approximately 1,700 light and heavy vehicles and specialty equipment ranging from riding mowers to front end loaders.

Mission

To deliver the highest quality and most cost-effective fleet management services to City of Winnipeg departments and other public organizations.

Vision

To become the best public fleet service provider in North America.

Goals

The goals of Winnipeg Fleet Management Agency are to:

- Increase customer satisfaction
- Expand fleet services across internal markets
- Increase employee satisfaction
- Implement Life Cycle Cost Management
- Move toward a self financing operation

Guiding Principles

The guiding principles of WFMA are to ensure:

- Quality customer service to City of Winnipeg users and other public service customers
- Safety for fleet employees and users of our fleet management services
- Financial accountability

Values

The core values of the Agency include:

- Trust
- Fairness
- Accountability
- Respect
- Commitment to excellence

History

On May 28, 2003, Winnipeg Fleet Management Agency (WFMA) received Council approval to operate as a Special Operating Agency (SOA) of the City of Winnipeg, effective January 1, 2003. The creation of the SOA provided for a distinct, accountable Agency dedicated to fleet service delivery with the ability to provide integrated service and comprehensive fleet management expertise to its customers. WFMA manages a fleet of approximately 1,700 light and heavy vehicles and specialty equipment ranging from riding mowers to front end loaders, using life cycle cost management principles.

Other historical milestones in the creation of the Agency included:

- On March 20, 1997, Council adopted a document entitled "Reshaping our Civic Government". The document identified the development of Special Operating Agencies ("SOA") as one of the five strategic initiatives needed to create a more affordable and fundamentally better civic government.

- **On September 24, 1997, Council adopted the strategic direction with regard to SOAs identified in the report entitled "Special Operating Agencies Initiative".**

- On March 25, 1998, Council adopted the Policy and Framework for Alternative Service Delivery (ASD), which recommended that certain services be studied as potential candidates for delivery outside of the departmental structure of government.

- In 1999, Public Works Department conducted a feasibility study of alternative service delivery options for those services provided by Equipment and Material Services (EMS). The report was presented in June 2000 and it recommended that EMS become a Special Operating Agency.

- On October 18, 2000, Council approved the Alternative Service Delivery Committee's feasibility study recommendation that administration produce a Business Plan and Operating Charter to convert EMS to an SOA.

- Further, Council approved that the Business Plan and Operating Charter be premised on the following principles:

    - The SOA maintain the existing dedicated customer base for a period of three years;

    - The SOA assume ownership of the fleet of its current customers;

    - The SOA have the authority to access the Equipment Replacement Reserve as a financing source for the replacement of equipment; and

    - The SOA have the authority to increase its customer base.

Services Offered

There are nine types of services offered by Winnipeg Fleet Management Agency. Each service is provided to customers in a cost-effective fashion, tailored to meet the needs of each customer. The nine service categories are outlined below.

1. Fleet Acquisition and Disposal Service

WFMA selects and acquires fleet vehicles and equipment. WFMA is also responsible for vehicle and equipment disposal.

2. Motor Pool Service

The Agency has a pool of vehicles and equipment that are rented to the customer to meet short-term requirements that cannot best be met by more longer-term agreements.

3. Fleet Maintenance Service

This service includes preventative and corrective maintenance for vehicles and equipment. Qualified and licensed staff at three major repair facilities and one satellite facility in Winnipeg conduct the maintenance and repair of the fleet. Repair facilities are open 24 hours, five days per week, with on duty supervisor for after hours call outs. This is a service that has constant, day-to-day interactions with customers as their vehicles and equipment are being maintained.

Service trucks are also used to conduct on-site maintenance as required for immobile equipment, flat tires, landfill equipment repairs or for other like circumstances where the vehicle or equipment cannot attain access to a repair facility.

4. Manufacturing and Fabrication Service

Manufacturing and fabrication services provide a one-stop solution to the unique needs of customers. The manufacturing and fabrication is conducted at one major manufacturing facility in Winnipeg, with certified staff. Mobile work units are customized while specialty equipment is manufactured to meet the changing needs of work crews. Services include machining, welding, carpentry and structural repair.

5. Fuel Management Service

The three fuel types provided by WFMA include unleaded gas, clear diesel and marked diesel. Fuel is managed using a charge-back system to customers based on fuel consumption. Customers have access to fuel on a 24-hour per day basis, 7 days a week, at seven major fueling stations operated by the Agency.

6. Insurance and Licensing Service

WFMA provides complete insurance and licensing services for all Agency vehicles and equipment and to other City departments with fleets separate from the Agency's fleet. Insurance and licensing includes accident investigation and claims settlement.

7. Power Tools Service

This is a rental and repair service that provides motor driven tools to City of Winnipeg departments engaged in outdoor construction and maintenance activities, such as parks maintenance. Typical tools that are rented include chainsaws, quick cut saws and lawn mowers.

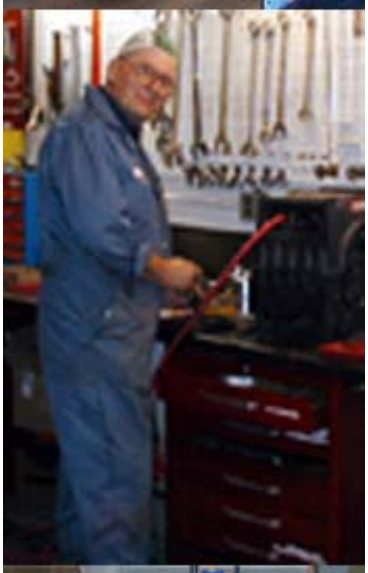
8. Vehicle Safety Training Service

This service coordinates safety/training for vehicle operators in addition to Occupational Safety Services within the Agency. This service also ensures appropriate accident management procedures are followed in the event of a vehicle or equipment accident.

9. Leasing Service

The Agency provides full maintenance leasing and some non-maintenance leasing to City of Winnipeg departments.







OPERATIONAL ACCOMPLISHMENTS

In 2004 there were a number of actions taken that have facilitated the structuring of the organization into a viable business including developing a new financial reporting process, continuing to apply principles of Life Cycle Cost Management, improving customer and employee satisfaction and initiating a number of safety and environmental activities.

Implementing Life Cycle Cost Management

Acquisition of New Vehicles and Equipment

Since 2003 the Agency has applied the principles of Life Cycle Cost Management to the management of the fleet. An integral part of Life Cycle Cost Management is to ensure that all vehicles and equipment are replaced at a point in time so as to receive the optimum resale value possible and to ensure the optimization of the maintenance cost associated with vehicles and equipment. In 2004 the Agency had replaced all light duty vehicles allocated to customers that were past their optimum life cycle. This results in a savings to the City, as it would be more expensive to maintain older vehicles past their life cycles. An example of the newer equipment being provided to customers in 2004 were riding mowers. Many of the mowers in the fleet prior to this replacement were more than 20 years old.

Continual implementation of RTA

RTA is the sole fleet management software system used at the Agency to provide detailed management information and support Life Cycle Cost Management. In 2004 RTA was fully implemented into all three repair facilities. In the past only one facility was operating with RTA and in 2004 two more facilities were added. All three repair facilities begun to use the paperless shop feature of RTA in 2004 which enables repair facilities personnel to electronically manage the shops and repairs, consolidating all shop

data in one electronic database, rather than manually managing, as was the past practice.

Using RTA in all facilities has increased data integrity and has increased the ability of the Agency to retrieve accurate vehicle repair and maintenance history and to have an accurate depiction of the City's vehicle and equipment inventory. Implementing a standardized way for all facilities to enter data into RTA has also increased the data integrity on vehicles and equipment and has enabled future comparisons for shop productivity since all repair shops now enter information in the same manner into RTA, including work repair orders.

RTA increases efficiency...

- Tracks inventory, vehicle warranties, fuel usage and more.
- Plans preventative maintenance and facilitates vehicle maintenance process.
- Enables shop floor control.
- Tracks financial information such as purchase price, trade in costs, amortization, licensing and insurance costs.
- Has an extensive database, so that the possibilities for improving fleet efficiencies are significant.

Re-Building Heavy Equipment

In 2004 the Agency rebuilt equipment that had exceeded its life cycle. As a principle of Life Cycle Cost Management, the Agency is always looking for ways to optimize the life of a vehicle or equipment. In appropriate cases, rather than buying new equipment, the Agency rebuilds equipment that is past its life cycle, which results in savings to City departments. The rebuilds are operationally comparable to buying newer expensive equipment and utilize downtime of mechanics to maximize their productivity.

Increasing Customer Satisfaction

Completion of Large Scale Customer Service Campaign

A large scale customer service campaign was conducted where the Agency met with each City Department individually to discuss their vehicle fleet complement, answer any questions or concerns from customers, provide an overview of direction forward for the Agency and to work with customers on how to best optimize their fleet operations and save money in the future. The implementation of RTA has allowed the Agency to compile a variety of reports for customers which gives a detailed description of their fleet complement. This type of customer communication was the first of its kind for the Agency and will continue in the future.

Standardization of G/L Accounts

In cooperation with Corporate Finance and consultation with customers, the Agency created standardized general ledger accounts for fleet charges. In the

past it was not possible for the City to ascertain how much money was spent on fleet charges for the City's consolidated fleet. By creating a standardized general ledger account the City can know actual fleet costs, while making budgeting and forecasting easier for customers.

With the standardized accounts all vehicle costs are now transparent and allow customers to budget fleet costs appropriately. Additionally, fleet costs can be tracked back to the new fleet billing reports the Agency created in 2004, enabling specific costs to be analyzed more readily.

Standardized Billing Reports

WFMA implemented a standardized billing report system for fleet management services, providing customers with billing details at the unit level. In the past customers received a number of different fleet billing reports, with varied formats, which made if very difficult for customers to determine the total cost on a unit basis. The new fleet billing system provides one complete monthly report to customers, which allows for the ability to analyze the cost on a vehicle level. The result is clearer visibility on fleet costs for customers, and these costs can be directly tied to the general ledger accounts created in 2004.

Conducting a Market Rate External Review

The Agency conducted a review of its full service lease rates to ensure that the Agency's lease rates are below market. In 2004 the Agency noted that some departments were receiving a larger benefit than others, and in 2005 the Agency committed to address these discrepancies so that all customers receive proportionate below market rates.

Increasing Employee Satisfaction

Safety Improvements

The Agency has maintained a high level of safety through facility safety inspections, improved signage in facilities, and improved communications on safety issues with employees, including awareness about Bill C-45. The Agency has recently initiated an asbestos abatement program for their buildings.

Staff Communication

In 2004 the Agency made a commitment to improve communication with staff. As part of its planning process for the 2005 business plan the Agency interviewed staff at all repair and manufacturing facilities to receive input into how staff satisfaction could be improved. The input provided at these interviews was included in the 2005 business plan.

Implementation of Environmental Initiatives

Hybrid Gas Electric Vehicles

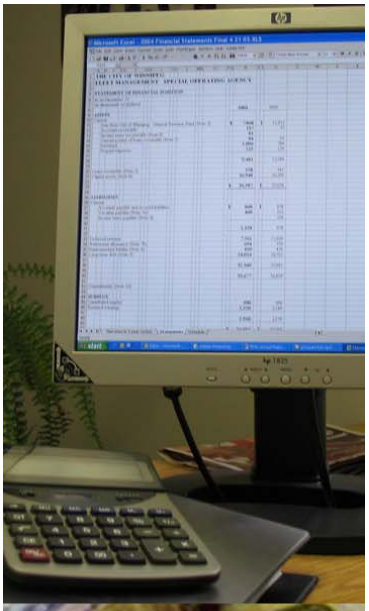
The Agency has an ongoing evaluation into hybrid gas electric vehicles, whereby light duty sedans are currently being assessed for fuel mileage. The evaluation will expand to SUV and other hybrid applications in the future.

Support for Clean Cities

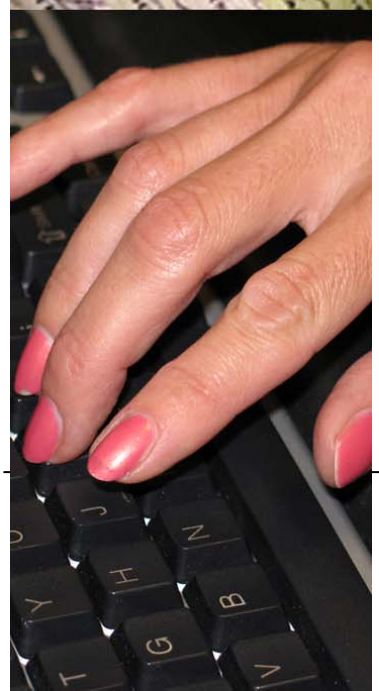
Winnipeg Fleet Management Agency provides administrative support to the Red River Valley Clean Cities Coalition (RRVCCC) Winnipeg Chapter Inc. The RRVCCC Winnipeg Chapter is a voluntary partnership between government, business, non-profit organizations and post-secondary institutions with a mandate to promote alternative fuels, advanced vehicle technologies, idle reduction and fuel-efficiency in Manitoba. In 2004, the organization hosted both the National Alternative Fuel Vehicle Odyssey Day Event (a conference on cleaner burning fuels) and the Test-Run for the North American Solar Challenge (an international solar car race), sat on the Biodiesel Advisory Council to the Government of Manitoba, and engaged in a variety of outreach and educational activities. Clean Cities website is located at http://www.cleancitieswinnipeg.org/.

Participating in municipal fleet forum-CAMFM

The Winnipeg Fleet Management Agency is a founding member and participates in a municipal fleet forum called the Canadian Association of Municipal Fleet Managers. The forum was launched in 2004 and is a consortium of municipal fleet managers. The mandate of the association is to share information on alternative fuels, advance vehicle technologies, environmental initiatives, in addition to best business practices for municipal fleets across Canada.







FINANCIAL HIGHLIGHTS

Years ended December 31 In thousands of dollars	**2004**	**2003**	**Change**
Operating Data:			
Revenue	$27,241	$27,400	(.6%)
Net income	$331	$2,189	(84.9%)
Financial Data:			
Total assets	$36,587	$35,038	4.4%
Total debt	$33,677	$32,459	3.8%
Equity (surplus)	$2,910	$2,579	12.8%
Debt to equity	11.6:1	12.6:1	(1 pt)
Capital expenditures	$10,888	$9,393	15.9%

Financial Review

Full service leasing continues to be the Agency's major line of service, for long-term vehicle and equipment requirements. Under full service leasing, the Agency offers customers vehicle and equipment specification and acquisition support, preventative and corrective maintenance, licensing and insurance, financing, emergency road service, fuel, substitute vehicles, safety and accident programs, decaling and washing, flexible return conditions, and fleet reliability and management programs. The Agency provides full service leasing for 1,315 vehicles and equipment, on the basis of lifecycle cost management principles.

The Agency owns and leases 1,534 vehicles and equipment, and manages the replacement of 146 units, for a total fleet size of 1,680 units. The Agency improved the condition of its fleet with $10.4 million in acquisitions, and $805 thousand in dispositions during

2004. The average age of light vehicles is three years, and eight years for heavy equipment.

The Agency provided 236 new leases for vehicles and equipment during 2004, an increase of 120 percent over 2003. Gain on sale of capital assets decreased from 2003 by 49 percent, due to a large number of vehicle and equipment dispositions in 2003 that resulted from the transition to the new Special Operating Agency business.

Revenues from fleet leases were reduced by rebates given to customers in the amount of $623 thousand ($1.6 million in 2003), which provided City departments with some relief for budget pressures during the transition to fleet leasing. The Agency will not offer rebates after 2004.

Fuel sales increased by five percent over last year, reflecting an increase in fuel prices, along with a decrease in fuel consumption. During 2004, a total of 7.0 million litres (7.2 million in 2003) of fuel were provided, including 3.5 million litres of regular gasoline, 1.2 million litres of marked diesel, and 2.3 million litres of clear diesel.

Rental income increased by 27 percent over 2003, due to an increase in the number of internal rentals available to customers for short-term rental. The Agency has a pool of 115 internal rental units, which are units previously replaced and still in good condition. This represents a new source of revenue for WFMA, as these vehicles, prior to the creation of the SOA, would have been rented from the industry. They also represent a saving for our customers as the rent charged is below market rate.

Services expense increased by 19 percent over 2003, representing an increase in long-term leases for heavy and specialty equipment, secured by the Agency as the most cost-effective and efficient replacement for certain types of equipment.

Salaries increased during 2004 by 13 percent. This increase was the result of a three percent wage settlement for CUPE and WAPSO employees, the introduction of the Vehicle Safety Program, the increase in accounting and information technology resources and succession planning.

During 2004, the Agency incurred new expenses in the amount of $691 thousand, which represented the 2003 and 2004 Autopac rebate amounts the Agency receives on its insurable light fleet. The Agency has Council approval through its operating charter to retain the yearly Autopac rebates. The rebates are currently forwarded to the Public Works Department in the form of a grant for driver training.

In addition to the grant to the Public Works Department, during 2004 the Agency transferred to the City of Winnipeg's General Revenue Fund $873 thousand for

general government charges, payments in lieu of taxes and income tax equivalency.

It is anticipated that during 2005, the Agency will pay a dividend to the City of Winnipeg in the amount of $2.25 million, and repay a portion of its long-term debt to City departments in the amount of $1.9 million. Also for 2005, the Agency anticipates payment to the City for GST equivalency in the amount of $637 thousand and for purchasing savings equivalency in the amount of $32 thousand, which will increase to $137 thousand by 2007.

The audited financial statements for year ending December 31, 2004 are included on the following pages.

Financial Statements

The City of Winnipeg
Fleet Management –
Special Operating Agency

December 31, 2004

AUDITORS' REPORT

To the Mayor and Members of City Council
The City of Winnipeg

We have audited the statement of financial position of **The City of Winnipeg Fleet Management – Special Operating Agency** as at December 31, 2004 and the statements of operations and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of **The City of Winnipeg Fleet Management – Special Operating Agency** as at December 31, 2004 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Ernst & Young LLP

Winnipeg, Canada,
April 15, 2004

Chartered Accountants

THE CITY OF WINNIPEG
FLEET MANAGEMENT - SPECIAL OPERATING AGENCY

On March 20, 1997, Council adopted a document entitled "Reshaping our Civic Government". The document identified the development of Special Operating Agencies ("SOA") as one of the five strategic initiatives needed to create a more affordable and fundamentally better civic government.

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On October 18, 2000, Council approved the Alternative Service Delivery Committee's feasibility study recommendation that administration produce a Business Plan and Operating Charter to convert EMS to an SOA. Further, Council approved that the Business Plan and Operating Charter be premised on the following principles:

- The SOA maintain the existing dedicated customer base for a period of three years;
- The SOA assume ownership of the fleet of its current customers;
- The SOA have the authority to access the Equipment Replacement Reserve as a financing source for the replacement of equipment; and
- The SOA have the authority to increase its customer base.

The Agency commenced operations on January 1, 2003.

THE CITY OF WINNIPEG
FLEET MANAGEMENT - SPECIAL OPERATING AGENCY

STATEMENT OF FINANCIAL POSITION

As at December 31
(in thousands of dollars)

	2004	2003
ASSETS		
Current		
Due from City of Winnipeg - General Revenue Fund (Note 3)	**$ 7,868**	$ 11,453
Accounts receivable	**137**	77
Income taxes recoverable (Note 4)	**81**	-
Current portion of loans receivable (Note 5)	**84**	85
Inventory	**1,096**	794
Prepaid expenses	**215**	179
	9,481	12,588
Loans receivable (Note 5)	**158**	241
Capital assets (Note 6)	**26,948**	22,209
	$ 36,587	$ 35,038
LIABILITIES		
Current		
Accounts payable and accrued liabilities	**$ 868**	$ 428
Vacation payable (Note 7a)	**460**	222
Income taxes payable (Note 4)	**-**	328
	1,328	978
Deferred revenue	**7,261**	11,626
Retirement allowance (Note 7b)	**654**	714
Environmental liability (Note 8)	**420**	420
Long-term debt (Note 9)	**24,014**	18,721
	32,349	31,481
	33,677	32,459
Commitments (Note 10)		
SURPLUS		
Contributed surplus	**390**	390
Retained earnings	**2,520**	2,189
	2,910	2,579
	$ 36,587	$ 35,038

See accompanying notes and schedule to the financial statements

THE CITY OF WINNIPEG
FLEET MANAGEMENT - SPECIAL OPERATING AGENCY

STATEMENT OF OPERATIONS AND RETAINED EARNINGS

For the years ended December 31
(in thousands of dollars)

	2004	2003
REVENUES		
Fleet leases	**$ 10,609**	$ 9,194
Services and parts revenue (Schedule 1)	**5,802**	5,368
Fuel sales	**4,649**	4,446
Amortization of deferred revenue	**3,282**	5,014
Rental income	**2,304**	1,803
Gain on sale of capital assets	**595**	1,575
Total Revenues	**27,241**	27,400
EXPENSES		
Services	**7,221**	6,058
Salaries and employee benefits	**6,679**	5,913
Supplies	**6,306**	5,713
Amortization	**4,856**	5,741
Grant - Autopac rebate to Public Works Department (Note 11f)	**691**	-
Interest	**461**	472
General government charges (Note 11b)	**421**	363
Other	**356**	623
Total Expenses	**26,991**	24,883
Net income from operations	**250**	2,517
Income tax recovery (equivalency charge) (Note 4)	**81**	(328)
Net income for the year	**331**	2,189
RETAINED EARNINGS, BEGINNING OF YEAR	**2,189**	-
RETAINED EARNINGS, END OF YEAR	**$ 2,520**	$ 2,189

See accompanying notes and schedule to the financial statements

THE CITY OF WINNIPEG
FLEET MANAGEMENT - SPECIAL OPERATING AGENCY

STATEMENT OF CASH FLOWS

For the years ended December 31
(in thousands of dollars)

NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:

	2004	2003
OPERATING		
Net income for the year	**$ 331**	$ 2,189
Non-cash items related to operations		
Amortization	**4,856**	5,741
Income from fleet acquired at start-up	**(3,282)**	(5,014)
Gain on sale of capital assets	**(595)**	(1,575)
Retirement allowance	**(60)**	-
Working capital from operations	**1,250**	1,341
Net change in working capital	**(129)**	501
	1,121	1,842
FINANCING		
Decrease in Due from City of Winnipeg - General Revenue Fund	**3,585**	6
Increase in long-term debt	**5,293**	6,169
	8,878	6,175
INVESTING		
Purchase of capital assets	**(10,888)**	(9,393)
Decrease (increase) in loans receivable	**84**	(199)
Proceeds from sale of capital assets	**805**	1,575
	(9,999)	(8,017)
CASH POSITION, END OF YEAR	**$ -**	$ -

See accompanying notes and schedule to the financial statements

THE CITY OF WINNIPEG
FLEET MANAGEMENT - SPECIAL OPERATING AGENCY

NOTES TO THE FINANCIAL STATEMENTS

As at December 31, 2004
(in thousands of dollars)

1. Commencement of Operations

On May 28, 2003, Council adopted the Fleet Management Agency Selection Report, that recommended the Equipment and Material Services operation of the Public Works Department commence operations as a Special Operating Agency (SOA) effective January 1, 2003.

The Agency offers a complete range of fleet management services to The City of Winnipeg, its main customer, and provides light, super and heavy duty vehicles and construction and specialty equipment, using life cycle cost management principles.

2. Summary of Significant Accounting Policies

The preparation of periodic financial statements necessarily involves the use of estimates and approximations because the precise determination of financial data frequently depends on future events. These financial statements have been prepared by management within reasonable limits of materiality and within the framework of accounting policies summarized below.

The financial statements have been prepared on the basis of Canadian generally accepted accounting principles and include the following significant accounting policies:

Inventory

Inventory is recorded at the lower of cost and net realizable value.

Capital assets

Capital assets, other than land and buildings, transferred from The City of Winnipeg on January 1, 2003, are recorded at their estimated net realizable value on that date. Subsequent acquisitions are recorded at cost. Land and buildings are stated at assessed values as of January 1, 2003 which were determined by The City of Winnipeg Property Assessment Department.

Capital assets are amortized on the basis of their cost less approximate residual value over the estimated useful life using the following rates and methods:

Buildings	4%	Straight-line
Fleet assets		
Acquired at start-up	30%	Declining balance
Purchased	Lease term	Straight-line
Equipment	10% to 30%	Straight-line

Revenue recognition

The Agency enters into operating lease agreements to supply and maintain vehicles and equipment to lessees for specified lease periods. The Agency recognizes the monthly lease payments from the lessees as income each month. Services and parts revenue, including insurance and fuel sales, are recognized upon the completion of the work or transfer of the goods or service. Revenue from short-term rentals of vehicles or equipment is recognized as income evenly over the rental period.

2. Summary of Significant Accounting Policies (continued)

Deferred revenue

Deferred revenue represents the value of fleet assets acquired from the City of Winnipeg at start-up. This amount is recognized as income at the same rate that the related assets are being amortized.

Financial instruments

Financial instruments include due from City of Winnipeg - General Revenue Fund, accounts receivable, income taxes recoverable/payable, loans receivable, accounts payable and accrued liabilities, and long-term debt. Unless otherwise stated, it is management's opinion that the Agency is not exposed to significant interest, currency or credit risks arising from these financial instruments.

3. Due from City of Winnipeg - General Revenue Fund

The City of Winnipeg operates a centralized treasury function with a single operating bank account in the General Revenue Fund. Consequently, the Agency does not have a bank account. Cash transactions are credited or charged to the "Due (to)/from" account. Interest is credited or charged based on the City's average short-term earnings (cost of funds) on the single bank account. The Agency has negotiated an operating line of credit up to $300 thousand from The City of Winnipeg at the City's borrowing rate.

4. Income Tax Equivalency

As part of the municipal government, the Agency is not subject to corporate income taxes. However, in order to approximate a business model, the operation of the Agency is assessed with an income tax equivalency charge which is payable to (recoverable from) The City of Winnipeg based on the following rates:

Small business rate on the first $250 thousand of net income	18.12%
Regular corporate rate on the balance	37.62%

The gain on sale of fleet assets acquired at inception is excluded from net income for the purpose of the tax calculation.

5. Loans Receivable

	2004	2003
Glacial Sand and Gravel - Special Operating Agency		
Equipment financing program loan, interest at 6.5%, payment of $2.1 thousand monthly, due September 2005	**$ 18**	$ 42
Equipment financing program loan, interest at 6.5%, payment of $6.5 thousand monthly, due February 2008	**224**	284
	242	326
Current portion	**(84)**	(85)
	$ 158	$ 241

6. Capital Assets

	Cost	Accumulated Amortization	Net Book Value 2004	Net Book Value 2003
Land	**$ 390**	**$ -**	**$ 390**	$ 390
Building	**1,914**	**128**	**1,786**	1,661
Fleet assets				
Acquired at start-up	**14,818**	**7,557**	**7,261**	11,626
Purchased	**18,621**	**1,740**	**16,881**	7,979
Equipment	**1,051**	**421**	**630**	553
	$ 36,794	**$ 9,846**	**$ 26,948**	$ 22,209

7. Employee Benefits

a) Vacation

The Agency's employees accrue vacation credits, which together with unused holidays from previous years become a charge to operations in the year they are earned.

b) Retirement allowance

Under various union agreements, unused sick leave credits accumulate and employees with specified minimum service requirements become entitled to a cash payment upon retirement, death or termination of service under certain conditions (excluding resignation). An actuarial valuation has estimated the retirement allowance liability at $654 thousand at December 31, 2004 (2003 - $714 thousand).

c) Pension

The Agency's employees are eligible for pensions under the Winnipeg Civic Employees' Benefits Program. The Plan is a defined benefit plan. The City of Winnipeg allocates its pension costs to various departments. During the year, $369 thousand (2003 - $333 thousand) of pension costs were allocated to the Agency. An actuarial valuation for the Winnipeg Civic Employees' Benefits Program was made as of December 31, 2003 and has an actuarial surplus.

8. Environmental Liability

The Agency has included an estimate of the cost to remediate fuel sites. A third party has estimated the cost at $420 thousand (2003 - $420 thousand).

9. Long-Term Debt

	2004	2003
City of Winnipeg Equipment and Material Services - non-interest bearing, no repayment schedule	**$ 1,230**	$ 1,586
City of Winnipeg (see below)	**22,784**	17,135
	$ 24,014	$ 18,721

On May 28, 2003, Council approved the transfer of the Equipment Replacement Reserve Fund balance at January 1, 2003 to the Agency, to be used as a source of financing for fleet replacement, thereby resulting in the termination of the Fund at January 1, 2003. The balance increases during the year by customer capital contributions and interest, and decreases by the amount of capital leases charged to customers, to the limit of the annual contribution amount. Interest paid on the balance was $461 thousand for the year (2003 - $412 thousand). The balance at December 31, 2004 is $22,784 thousand (2003 - $17,135 thousand).

10. Commitments

The Agency has entered into lease agreements mainly for the lease of fleet equipment. Future minimum lease payments are as follows:

	Operating Leases
2005	$ 540
2006	388
2007	363
2008	335
2009	260
	$ 1,886

11. Related Party Transactions

The Agency is economically dependent on The City of Winnipeg, as it derives most of its revenue and all of its financing requirements from the City.

In addition to those disclosed elsewhere in the financial statements, included in the Agency's revenues/expenses are the following transactions which occurred in the normal course of operations and are recorded at the exchange amount.

a) Revenues include sales of goods and services of $22,264 thousand (2003 - $19,880 thousand) to The City of Winnipeg.

b) General government charges in the amount of $421 thousand (2003 - $363 thousand) to the General Revenue Fund, which represents a transfer to The City of Winnipeg as determined by Corporate Finance Department.

c) An amount of $156 thousand (2003 - $271 thousand) has been transferred to the Civic Accommodations Fund for the rental of office space.

d) An amount of $124 thousand (2003 - $162 thousand) has been transferred to the General Revenue Fund for payment in lieu of business taxes, payment in lieu of municipal tax and human resource services.

e) An amount of $328 thousand (2003 - $0) has been transferred to the General Revenue Fund for 2003 income tax equivalency.

f) A grant in the amount of $691 thousand has been made to the Public Works Department representing the 2003 and 2004 Autopac rebate.

THE CITY OF WINNIPEG
FLEET MANAGEMENT - SPECIAL OPERATING AGENCY

Schedule 1

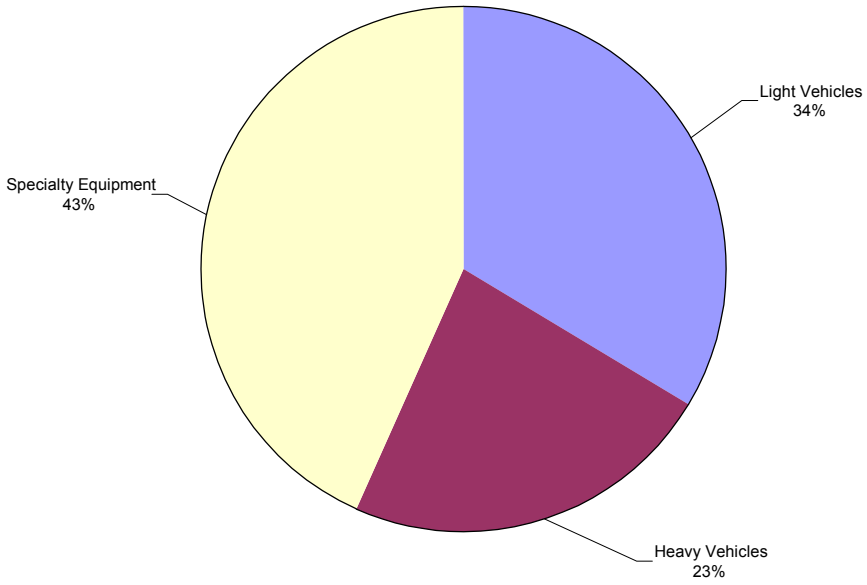
SCHEDULE OF SERVICES AND PARTS REVENUE

For the years ended December 31
(in thousands of dollars)

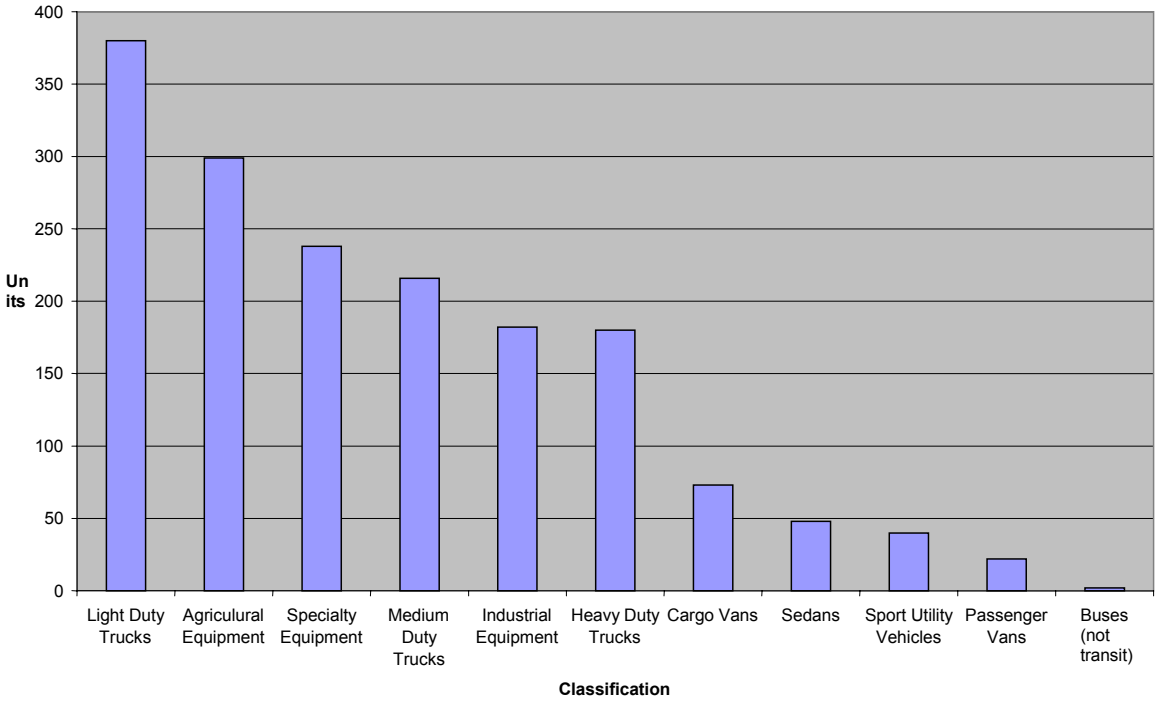
	2004	2003
Consumables and corrective maintenance	**$ 2,383**	$ 1,994
Insurance revenue	**1,542**	1,309
Power tools	**633**	675
Manufacturing sales	**543**	579
Autopac rebate	**354**	337
Interest	**241**	348
Provincial support grant	**59**	103
Other	**47**	23
	$ 5,802	$ 5,368

FLEET COMPLEMENT STATISTICS

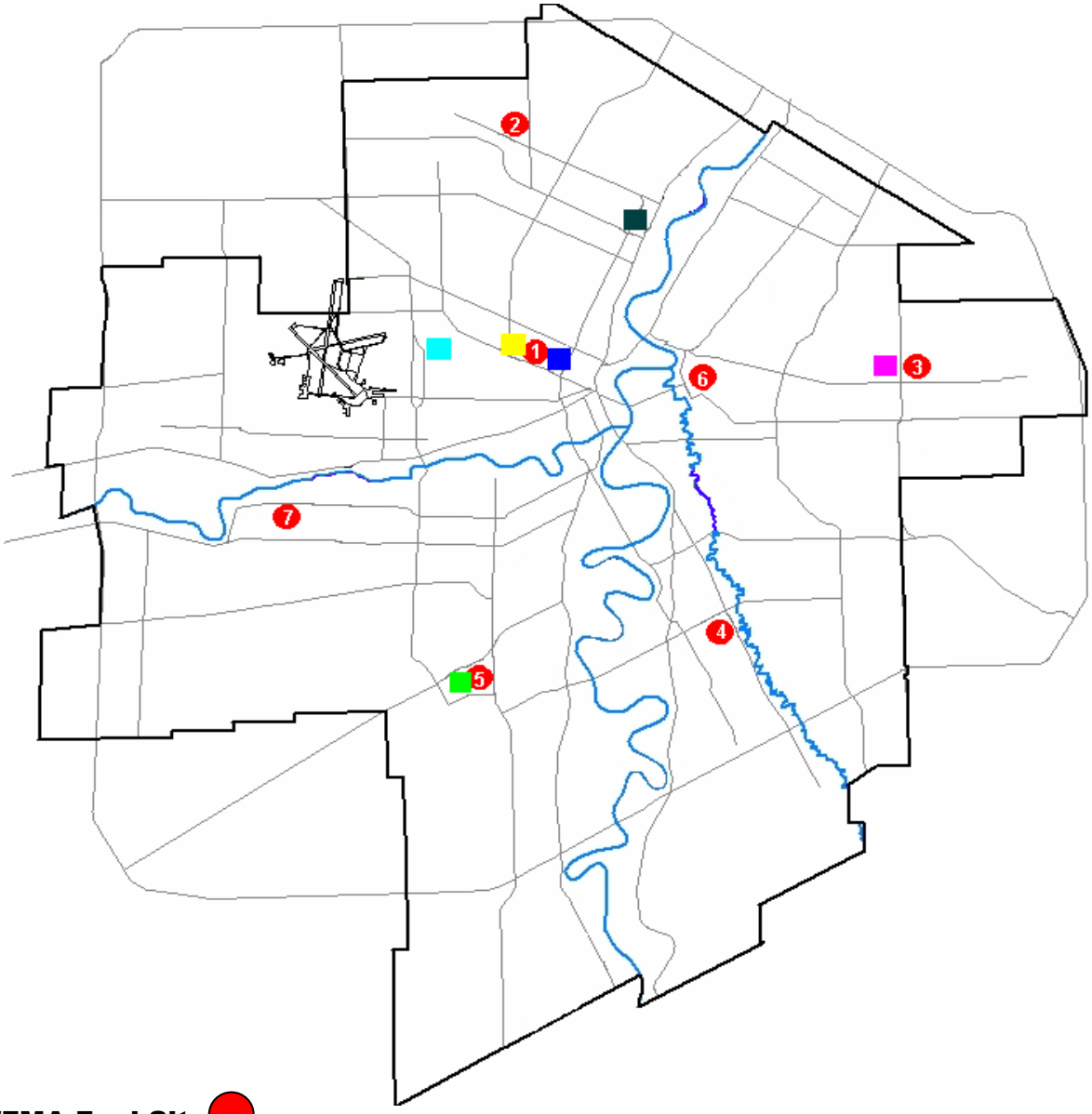
2004 Fleet Complement



2004 Fleet Classification



FUEL SITE AND REPAIR SHOP LOCATIONS



WFMA Fuel Sites
(with a Card Reader)

1. 185 Tecumseh
2. 2546 McPhillips
3. 849 Ravelston
4. 590 St. Annne's
5. 1539 Waverley
6. 552 Plinguet
7. 735 Assiniboine

WFMA Repair Sites

- Major Repair Shop 195 Tecumseh
- Major Repair Shop 1539 Waverley
- Manufacturing and Machine shop 215 Tecumseh
- 1500 Plessis (Satellite shop)
- Parks and Power Tools 2170 Main
- ~~1 Midland (Satellite shop)~~

FLEET CONTACTS

Inquiry Type	Contact Name	Address
Chief Operating Officer	Yvan Lupien Phone: 986-5337 Email: ylupien@winnipeg.ca	770 Ross Avenue Winnipeg, Manitoba R3E 1C6
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Equipment Services and General Fuel Operation	Réal Pelletier Phone: 986-5328 Email: rpelletier@winnipeg.ca	770 Ross Avenue Winnipeg, Manitoba R3E 1C6
General Administration	Shirley Thompson Phone: 986-5346 Email: shirleythompson@winnipeg.ca	770 Ross Avenue Winnipeg, Manitoba R3E 1C6
Vehicle Safety Officer	Glenn McDermid Phone: 986-2312 Email:gmcdermid@winnipeg.ca	770 Ross Avenue Winnipeg, Manitoba R3E 1C6
Superintendent of Fleet Management Operations	Terry Sanderson Phone: 986-5441 Email: tsanderson@winnipeg.ca	770 Ross Avenue Winnipeg, Manitoba R3E 1C6
Tecumseh Street Repair Facility	Dennis Konowich Phone: 986-3010 Email: dkonowich@winnipeg.ca	195 Tecumseh Street Winnipeg, Manitoba R3E 2B2
Tecumseh Street Manufacturing Facility	Aaron Lennon Phone: 986-5505 Email: alennon@winnipeg.ca	215 Tecumseh Street Winnipeg, Manitoba R3E 3SE
Waverley Street Repair Facility	Garry Asher Phone: 986-5327 Email: gasher@winnipeg.ca	1539 Waverley Street Winnipeg, Manitoba R3T 4V7

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