Winnipeg Fleet Management Agency

2005 ANNUAL REPORT









'Keeping You in Motion'

Winnipeg

WINNIPEG FLEET MANAGEMENT AGENCY

2005 Annual Report

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MESSAGE FROM THE CHIEF OPERATING OFFICER OF THE AGENCY

The Winnipeg Fleet Management Agency (WFMA) is dedicated to becoming the best fleet service provider in North America, and in 2005 we made great strides towards accomplishing this vision. Building on the strong foundation established in the years since our inception, the Agency was able to focus its efforts this year on enhancing services, improving customer satisfaction and reducing costs.

Throughout the year, our Life Cycle Cost Management (LCCM) team met with departments to discuss their needs, review their fleet options and assist them in making replacement decisions. This team also worked diligently to improve the tender process in order to ensure our customers receive the best products, options and services.

Our Finance and Administration team was successful in streamlining the insurance and licensing procedures, improving the accuracy and consistency of billing and taking steps to enhance communication with customers through the process of developing lease agreements.

Through the purchase of new equipment, the amalgamation of facilities and the provision of advanced mechanic training, the Maintenance & Repair team has been able to improve facility efficiency and productivity, reduce vehicle and equipment downtime, and decrease shop costs.

In 2005, the Agency also dedicated a group of its key staff members to assist the Winnipeg Fire Paramedic Service's (WFPS) Emergency Mechanical Services Branch (EMSB) to enhance their shop operations through the implementation of the RTA Fleet Management System. The adoption of this system has allowed EMSB to improve control of their parts inventory and increase their ability to monitor work performed, permitted WFPS Management to use lifecycle cost management principles when making fleet acquisition and disposal decisions, and resulted in standardized fleet data for City decision-makers.

In November, the Agency was granted stand-alone status. This change is expected to allow greater flexibility to act in an entrepreneurial manner and enable WFMA to continue to remain cost competitive, improve customer satisfaction and embark on progressive new initiatives in the upcoming years.

During 2006, we will continue our efforts to enhance a number of our existing services. We will also be dedicating resources towards taking our safety program to the next levels. Further, the Agency will be participating in several significant environmental initiatives, including engaging in the development of the City's Climate Change Action Plan, developing a proposal for a biodiesel test site and supporting the National Alternative Fuel Vehicle Odyssey Day Event.

2005 was another exciting year for the Agency. We look forward to continuing to provide our customers with exceptional service at below market prices in the future.

Sincerely,



Yvan Lupien
Chief Operating Officer
Winnipeg Fleet Management Agency

'Keeping you in Motion'

2005 ADVISORY BOARD MEMBERS

Barry MacBride, Director of Water and Waste

Bill Larkin, Director of Public Works – Advisory Board Chair

Bruce McPhail, Manager of Streets Maintenance - Public Works Representative

Peter Tartsch, National Representative - Appointee of CUPE

Robert Young, Executive Director - Appointee of WAPSO

Terry Sanderson, Manager of Fleet Operations - Agency Staff Representative

Yvan Lupien, Chief Operating Officer of Winnipeg Fleet Management Agency

WINNIPEG FLEET MANAGEMENT AGENCY PROFILE

Who We Are

Winnipeg Fleet Management Agency (WFMA) is a Special Operating Agency 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 1,600 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

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

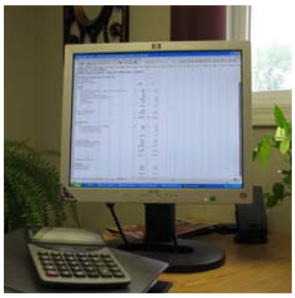
The core values of the Agency include:

- 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 managed at the time a fleet of approximately 2,300 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.

- On November 24, 2004, Council approved a reporting amendment that provided the Chief Administrative Office, or a delegate, direct authority over Special Operating Agencies. Effective November 30, 2005, the WFMA Chief Operating Officer reports directly to the Chief Information Officer of the City of Winnipeg (CAO delegate).

Services Offered

Winnipeg Fleet Management Agency offers ten basic services to City Departments and other public organizations. Each service is provided to customers in a cost-effective fashion, tailored to meet their unique needs.

1. Fleet Management Service

Fleet management services include policy development, fleet consultation, advice on vehicle and equipment options, and fleet statistics and analysis. The Agency uses the Life Cycle Cost Management (LCCM) approach, which includes tracking and assessing repair and maintenance costs, fuel usage, and residual value, in order to provide the best possible information and recommendations to its customers.

2. Fleet Acquisition & Disposal Service

Fleet acquisition service includes vehicle and equipment replacement planning, specification development, acquisition, inspection of new units, decaling and unit numbering. WFMA also assumes full responsibility for disposing of vehicles and equipment at the end of their life cycle.

3. Leasing Service

The Agency provides full service leasing and non-maintenance leasing. All capital financing and normal operating costs, including minor and major repairs, inspections and preventative maintenance costs, are incorporated into the full service lease; only unpredictable repairs due to damage from driver use and accidents, consumables and certain extraneous items are excluded.

4. Motor Pool Service

The Agency will arrange for motor pool rentals on a short-term basis to meet customer requirements that cannot best be achieved through a longer-term agreement. Motor pool rental includes both internal and external rentals, and can range from daily rentals to annual rentals.

5. Fleet Maintenance Service

Repair and maintenance service provides for in-shop and field repairs for scheduled, unscheduled and emergency conditions. WFMA uses qualified mechanics, a network of accredited repairers, and an after hours/emergency service line to ensure customers repairs are completed quickly and conveniently. WFMA has four repair facilities located throughout the City – two satellite repair shops, one major repair facility operating 16 hours a day/5 days a week and one 24-hour, 5-day a week repair facility. Service trucks are also available to conduct on-site maintenance and repairs when necessary or more convenient to the customer. In addition, WFMA will provide on-site service for customers able to supply a service bay.

6. Manufacturing & Fabrication Service

Certified staff conduct all manufacturing and fabrication services, which include machining, welding, carpentry, metal fabrication, and structural repair. This service allows for modifications to vehicles and equipment to meet customer's specific operational requirements, when not available through the original equipment manufacturer. The manufacturing facility is also capable of producing non-fleet related items for customers, such as signage, cages, structures, gates, and bollards.

7. Fuel Management Service

WFMA offers three types of fuel - unleaded gas, clear diesel and marked diesel – at eight different fuel sites strategically located throughout the City. Fuel is managed using a charge-back system based on fuel consumption. Customers have access to the fuel sites 24-hour per day, 7 days a week.

8. Insurance & Licensing Service

WFMA provides insurance, licensing and registration services for all Agency vehicles and equipment and to other departments or public organizations with fleets separate from the Agency's fleet. WFMA also manages, tracks and processes insurance claims from the time of the accident until the return of the unit, assists drivers, and performs other administrative tasks relating to accidents, such as incident and summary reporting and unit replacement. Upon request, the Agency will also provide accident investigation services.

9. Vehicle Safety Training Service

WFMA coordinates customer requests for vehicle and equipment safety training, including providing courses in defensive driving, professional driving, dangerous goods handling and winter driving techniques. Upon request, WFMA will also create a program tailored to a customer's specific training requirements.

10. Power Tools Service

Power tool rental service includes repairs, maintenance and replacement of power tools, including chainsaws, weed eaters, push-style lawn mowers, and small generators.

OPERATIONAL ACCOMPLISHMENTS

Building on our past successes, 2005 was a year of significant growth and advancement for WFMA. Our activities focused primarily on reducing our costs and enhancing customer satisfaction through expanding the breadth of our services and improving the efficiency and effectiveness of various aspects of our business - from the delivery of new vehicles and equipment to customer billings.

Taking LCCM to the Next Level

Life Cycle Cost Management

The cornerstone of the WFMA approach to fleet management is its application of the principle of Life Cycle Cost Management (LCCM). In 2005, WFMA moved their LCCM processes to the next level – working side-by-side with vendors and customers to ensure delivery of the best products and services. The LCCM team met with department representatives throughout the year to discuss upcoming purchases and provide presentations outlying their options. The team also worked to develop more stringent specifications and improved formulas for calculating bid winners, which has challenged vendors applying for contracts to supply exceptional products, meet delivery dates and offer great after market service. Improved vendor relationships in turn allow WFMA to provide exceptional service to all our customers.

RTA at Winnipeg Fire Paramedic Service

December 5, 2005 marked the first day of implementation for the RTA fleet management software system at Winnipeg Fire Paramedic Service - Emergency Mechanical Services Branch. The Agency worked throughout 2005 with the WFPS-EMSB team to prepare for the transition to the new system that allows Winnipeg Fire Paramedic Service to utilize life cycle cost management to make key decisions regarding their heavy-duty fleet vehicles.

> "Everything from an initial communication plan through hardware installation and staff training was accomplished on time and under budget. Today our Service is much better positioned to understand the flow of work passing through the Branch while our parts inventory has been properly reduced and controlled."
>
> *Jim Brennan, Deputy Chief, Support Services*
> *Winnipeg Fire Paramedic Service*

The implementation of RTA in other City departments allows for the harmonization of fleet parts inventory and the expansion of life-cycle cost management, permitting significant cost reductions to City departments, and enhanced service to the citizens of Winnipeg.

Life Cycle Cost Management

Life Cycle Cost Management (LCCM) is a procurement methodology that assists fleet managers in making financial decisions by considering all unit or activity costs over the life of the vehicle or equipment. WFMA uses LCCM to make decisions on vehicle and equipment replacement in order to prioritize its purchases and ensure the optimal management of the fleet for its customers.

There are a variety of benefits to using life cycle cost management, all of which translate into a cost savings and improved satisfaction for customers:

- Facilitates the creation of an integrated fleet management system that can provide reliable and valid data in all areas of the Agency's operations;
- Ensures all vehicles and equipment are replaced at the appropriate point in time so as to optimize maintenance cost, reduce vehicle downtime and receive the best resale value;
- Allows for fully accountable operations and transparent financial statements;
- Ability to monitor Agency progress through performance management and bottom-line financial results;
- Permits the Agency to provide expert advice to customers on fleet management, including recommending optimal vehicle and equipment configurations and fleet improvements consistent with market developments;
- Allows the Agency to provide information and offer suggestions to customers on how to best rationalize their fleet size, mix, usage and costs so that customers can manage their fleet effectively.

Standard City of Winnipeg Part Numbers

In 2005, WFMA initiated a project to standardize vehicle part numbers in the City of Winnipeg. The numbers were first introduced in the Winnipeg Fire Paramedic Service shop. The Agency plans to continue rolling out the new numbers in 2006 to all Agency facilities and any other departments choosing to implement RTA. Standardized numbers will ensure a product, even if supplied by multiple vendors, has the same number in RTA, allowing for greater inventory control and better vendor relations and pricing.

Revised City of Winnipeg Vehicle Type Tables

2005 saw the introduction of an improved vehicle classification system. This new system has allowed the Agency to ensure accurate and consistent billing across the departments, as well as providing the foundation for a vehicle renumbering project to be launched in 2006.

Improved Meter Readings

Meter readings (odometer or hour meters) are an integral part of our preventative maintenance program and LCCM processes. ProFuel, the system managing fuel distribution at WFMA sites, has been linked to the RTA system. Now, through a combination of ProFuel data and data entered into RTA when vehicles are brought in for servicing or repairs, WFMA has more accurate and consistent meter readings, permitting the Agency to advance our preventative maintenance program in 2006.

Enhanced Maintenance Service

New Equipment

In 2005, the Agency purchased a new hoist with larger capacity. The hoist can support up to 60,000 pounds, permitting the Tecumseh Street Repair Facility to now service the entire city fleet.

Streamlining Facilities:

In the fall of 2005, in an effort to reduce costs and enhance service, WFMA amalgamated its Main Street Repair Facility with the Tecumseh Street Repair Facility. The move has allowed the Agency to improve repair and maintenance efficiency and facility productivity.

Mechanic Training Programs

Aerial Inspection Program: Eight WFMA mechanics have recently completed the first phase of the Agency's aerial training initiative. Aerial training will allow WFMA to provide quicker repair and preventative maintenance turnaround to customers leasing equipment with aerial devices, including Traffic Services, Building Maintenance and Forestry.

Sand Spreader Training: In 2005, in cooperation with a local supplier and the original engine manufacturers, a group of WFMA mechanics were trained how to service and repair sand spreaders. The facilities have also acquired new diagnostic tools for the spreaders. This training and new equipment has resulted in less downtime and reduced cost for customers.

Other Training: Other training occurring in 2005 included the continuation of an on-going hydraulic training initiative and diagnostic training for CAT equipment, expanding the capabilities of WFMA mechanics with relation to the fleet's heavy-duty vehicles and specialty equipment.

Administrative Accomplishments

Stand Alone Agency

On November 24, 2004, Council approved a reporting amendment that provided the Chief Administrative Office, or a delegate, direct authority over Special Operating Agencies. Effective November 30, 2005, the WFMA Chief Operating Officer reports directly to the Chief Information Officer of the City of Winnipeg (CAO delegate). The transition from operating within a department to a stand-alone agency permits WFMA a greater degree of independence and autonomy, allowing it to operate in a more entrepreneurial, open and transparent manner. As a stand-alone agency, WFMA will be able to further build our relationship with our customers and continue to provide first-rate service at competitive prices.

APWA Accreditation

WFMA, along with the Department of Public Works, has been working diligently to prepare for American Public Works Association (APWA) accreditation. The APWA accreditation program is intended to recognize agencies adopting national recognized best practices in the field of public works, including fleet management.

The first stage of the accreditation process is self-assessment, which involves an objective evaluation of the Agency's current policies, procedures and practices in comparison to those recommended by APWA members. It is an opportunity to identify the strengths of the organization, areas in need of improvement and strategies for encouraging continuous

improvement. WFMA has completed its self-assessment and as a result has implemented a number of new initiatives, including an enhanced preventative maintenance program and an improved accident reporting procedure. The Agency is now looking forward to an on-site evaluation and documentation review by an APWA accreditation team in late 2006.

Lease Agreements

Throughout 2005, WFMA staff worked on the development of standardized lease agreements for all vehicles and equipment. The agreements clearly identify the terms and conditions of leasing a WFMA unit and layout the roles and responsibilities of both WFMA and the customer. The Lease Agreements will be rolled out to customers during 2006.

Streamlined Manitoba Public Insurance Process

WFMA now receives and process all MPI information electronically, better enabling the Agency to manage licensing and insurance. Electronic processing allows for improved data integrity, increased accuracy and less staff hours.

New Vehicles & Equipment

WFMA, on behalf of its customers, purchased a number of interesting new vehicles and equipment in 2005, including:

- 2 Toyota Highlander hybrids, a Bronto Rescue Ladder Platform and 2 mobile Hazardous Material Decontamination Units for Winnipeg Fire Paramedic Service
- 21 sander spreader/dump trucks, 6 loader mounted snow blowers, 2 graders and 1 force feed loader for Public Works (Streets Maintenance Division)
- 27 full-sized sedans for Winnipeg Police Services
- 3 aerial devices for Public Works (Urban Forestry Branch)
- 1 Chrysler 2500 Sprinter Van for Public Works (Traffic Signals Branch)

WFMA's Manufacturing and Fabrication Services was also involved in a unique project in 2005, constructing the new lion cage at the Winnipeg Zoo for Community Services.

Awards & Recognitions

During 2005, WFMA distributed 36 attendance awards to employees with outstanding attendance records in 2004. The Agency also presented four staff members with pins commending their 25-years of service to the City of Winnipeg.

Implementation of Environmental Initiatives

Hybrid Evaluation

Winnipeg Fleet Management Agency owns four gas-electric hybrid sedans and two hybrid SUVs, which are being monitored in order to assess vehicle performance and fuel efficiency. To date the vehicles have performed well in all seasons and have proven to be the most fuel-efficient vehicles in the fleet. The performance and efficiency data collected throughout the evaluation will allow the Agency to provide departments with advice and recommendations regarding the "greening' of their fleet.

Technology Evaluation

The Agency is in the midst of technology evaluation with an Ottawa-based company that manufactures an affordable, wireless vehicle monitoring system that tracks vehicle usage data, such as engine hours, odometer readings and idling, as well as abnormal vehicle operating conditions, including reporting trouble codes. The evaluation will involve an extensive test of the technology in cold weather to ensure the device can withstand our climate. A formal report will be prepared in 2006, at which point a decision will be made as to whether to roll out the device to the entire fleet. The expected benefit of this initiative is a reduction in idling time and the associated fuel waste and resulting pollution.








Repair our Air Challenge

WFMA participated in the 2005 Repair our Air Challenge, a competition to encourage fleets across Canada to reduce their idling. The goal of the Challenge was to increase management and staff awareness of idling and reinforce the environmental benefits and financial savings that can be achieved by reducing the amount of emissions and fuel wasted as the result of unnecessary vehicle idling. Other Winnipeg-based fleets participating include Manitoba Telecom Services (MTS) and Manitoba Hydro.

Support for Clean Cities

The Agency is a member of and 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 2005, the Chapter launched their website (www.cleancitieswinnipeg.org) and hosted two events for local stakeholders – *Local Efforts to Reduce Fossil Fuel Consumption & Advance Sustainable Transportation* and *Reducing Fleet Costs and Vehicle Exhaust Emissions*. The Chapter was also actively involved in the 2005 North American Solar Challenge – the longest solar powered car race in the world, racing from Austin, Texas to Calgary, Albert. The RRVCCC developed the Green Caravan Awards, which acknowledged teams filling up with alternative fuels or driving fuel-efficient support vehicles, and organized a Green Vehicle Display for an event held at Red River College to support the race as it passed through Winnipeg.









FINANCIAL STATEMENTS 2005

Financial Statement Review

The Agency is pleased to present its 2005 financial statements, prepared in accordance with Canadian generally accepted accounting principles. The following comments on the year's activities should be read in conjunction with the audited financial statements.

Agency Status

Winnipeg Fleet Management Agency received Council approval on May 28, 2003 to operate as a Special Operating Agency (SOA). The Agency is governed by its Operating Charter and prepares an annual Selection Report (summary of its business plan) for adoption by City Council. The Agency offers all-inclusive, full service leasing and fleet management services to the City of Winnipeg.

The Agency owns and leases 1,422 light and heavy vehicles and specialty equipment units under lifecycle cost management, and manages the replacement of an additional 162 fleet units, resulting in a total fleet size of 1,584 units. The Agency employs 112 staff to provide fleet services including fleet management, acquisition and disposal, fuel management, repair and maintenance, insurance and licensing, manufacturing and fabrication, vehicle and equipment safety training, motor pool rentals and power tool rentals.

The Agency serves the City of Winnipeg by providing information on the City's consolidated fleet, and is the City's main fleet provider for all fleet requirements. The Agency allows for cost reductions in running the City's fleet through reduced capital replacement, repairs, maintenance, overhead and administration costs. Standardized fleet accounts allow the Agency to report fleet costs on a citywide basis, providing information to the City for planning requirements.

Outcomes include better fleet utilization, fleet selection and standardization, timely replacement of vehicles and equipment, productivity increases, provision of timely and accurate information, and fleet rationalization. All data and information, essential to the lifecycle management of the fleet, is gathered and managed, providing for an efficient and cost-effective City fleet.

Operating Results

The Statement of Operations and Retained Earnings present the Agency's revenues and expenses, City of Winnipeg charges and transfers, net income and retained earnings on a comparative basis. During the year, the Agency recorded revenues of $31,150 thousand (2004 - $27,241 thousand) and expenses of $27,911 thousand (2004 - $25,879 thousand).

Net income from operations, before charges from the City amounted to $3,239 thousand (2004 - $1,362 thousand). Net income for the year is reported at $1,079 thousand (2004 - $331 thousand).

The increase in revenues occurred partially from the continuing transition to fleet leases, where capital lease revenue grows in relation to the replacement of pre-SOA units; units transferred from the City at SOA inception. The Agency provides a unique fleet management service to the City through lifecycle management and leasing of vehicles and equipment. All capital financing and normal operating costs including repairs, inspections and preventative maintenance are covered under the terms of the lease. The Agency provides closed-end leases, and retains the capital and operating risks associated with fleet ownership. During the year, the Agency provided new leases for 139 units (2004 - 236 units).

The increase in fuel sales occurred mainly as a result of increased fuel market prices. The average fuel pricing increase during the year, based on changes in market prices was 17 percent for unleaded gasoline, 27 percent for clear diesel and 34 percent for marked diesel. During the year, a total of 7.4 million litres of fuel were consumed (2004 - 7.0 million litres), including 3.5 million litres of unleaded gasoline, 2.5 million litres of clear diesel and 1.4 million litres of marked diesel.

The increase in rental income was due to greater offering and availability of internal rental vehicles and equipment, along with increased customer demand for external rentals. Short-term external rental units, managed by the Agency, range in number according to seasonal requirements.

The increase in expenses during the year arose partly from an increase in services and supplies expenses. Average fuel costs increased during the year by 24.9 percent, with fuel consumption increasing by 5.5 percent over 2004. External rental costs increased during the year in relation to customer demand for motor pool rentals.

The increase in salaries and employee benefits resulted mainly from planned salary and wage increases as per the collective agreements, and employee increases due to individual advancements during the year.

Charges from the City of Winnipeg - general revenue fund are reported at $2,160 thousand (2004 - $1,031 thousand), representing transfers of Agency earnings to the City during the year. In addition, the Agency transferred $2,250 thousand (2004 - $0) to the general revenue fund, representing a return of investment to the City, providing a total of $4,410 thousand (2004 - $1,031 thousand) transferred to the City during the year.

Financial Position

The Statement of Financial Position presents the assets, liabilities and surplus as at December 31 on a comparative basis. Assets decreased by $2,972 thousand, liabilities decreased by $1,801 thousand, and surplus decreased by $1,171 thousand.

The decrease in assets resulted mainly from a decrease in due from City of Winnipeg - general revenue fund, which functions as the Agency's bank account.

The decrease in liabilities resulted from the realization of deferred revenue during the year, as part of the transition to leasing for pre-SOA fleet units.

The decrease in surplus is a result of the transfer of $2,250 thousand to the City as a return of investment, offset by the Agency's net income for the year of $1,079 thousand.

Investment in Capital Assets

During the year, the Agency invested $8,708 thousand (2004 - $10,888) in the purchase of capital assets, mainly fleet vehicles and equipment. Proceeds from the sale of fleet vehicles and equipment during the year amounted to $719 thousand (2004 - $805 thousand). At the end of the year, the average age of light vehicles is three years, and eight years for heavy vehicles and specialty equipment units.

The Agency undertook a comprehensive review of its fleet during the year, and found that a considerable amount of vehicles and equipment past their optimal lifecycles had been replaced, allowing for the reduction of the City's fleet by five percent from 2004. The Agency plans to replace all remaining units past their recommended lifecycles by the end of 2008.

City of Winnipeg Reviews

During the year the Agency participated in the City Auditor's review of Special Operating Agencies, both the City Auditor's and the Corporate Controller's review of the City's purchasing card system, the Corporate Controller's review of the City's materials management system, and the City's Manager of Financial Service's review of the Agency's financial statement projections.

Looking Ahead

On July 26, 2006, Council adopted the Agency's 2006 Selection Report (summary of its business plan). The Agency is projecting $30,393 thousand in revenues and $28,320 in expenses, resulting in projected net income of $224 thousand for 2006.

The Agency is planning to secure term financing for 2006 onward, to purchase fleet assets according to its replacement plan, and to fund partial repayment of its debt - due to the City of Winnipeg. Financing sources include both the City of Winnipeg and external organizations.

Financial Statements

The City of Winnipeg Fleet Management
Special Operating Agency

December 31, 2005

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, 2005 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, 2005 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,
March 24, 2006.

Chartered Accountants

THE CITY OF WINNIPEG
FLEET MANAGEMENT - SPECIAL OPERATING AGENCY

STATEMENT OF FINANCIAL POSITION

As at December 31
(in thousands of dollars)

	2005	2004 (Restated Note 11)
ASSETS		
Current		
Cash	**$ 51**	$ -
Due from City of Winnipeg - General Revenue Fund (Note 3)	**991**	7,868
Accounts receivable (Note 4a)	**145**	218
Current portion of loans receivable (Note 4b)	**70**	84
Inventory	**1,275**	1,096
Prepaid expenses	**208**	215
	2,740	9,481
Loans receivable (Note 4b)	**87**	158
Capital assets (Note 5)	**30,788**	26,948
	$ 33,615	$ 36,587
LIABILITIES		
Current		
Accounts payable and accrued liabilities	**$ 703**	$ 868
Vacation payable	**664**	460
Debt (Note 6)	**23,977**	24,014
	25,344	25,342
Deferred revenue	**5,431**	7,261
Retirement allowance (Note 7a)	**681**	654
Environmental liability (Note 8)	**420**	420
	6,532	8,335
	31,876	33,677
Commitments (Note 9)		
SURPLUS		
Contributed surplus	**390**	390
Retained earnings	**1,349**	2,520
	1,739	2,910
	$ 33,615	$ 36,587

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)

	2005	2004 (Restated Note 11)
REVENUES		
Fleet leases	**$ 12,811**	$ 10,609
Services and parts revenue (Schedule 1)	**6,688**	5,802
Fuel sales	**6,001**	4,649
Rental income	**2,872**	2,304
Amortization of deferred revenue	**2,159**	3,282
Gain on sale of capital assets	**619**	595
Total Revenues	**31,150**	27,241
EXPENSES		
Supplies	**8,955**	7,764
Salaries and employee benefits	**7,261**	6,679
Services	**6,584**	5,763
Amortization	**4,767**	4,856
Other	**344**	356
Interest (Note 6)	**-**	461
Total Expenses	**27,911**	25,879
Net income from operations	**3,239**	1,362
Charges from City of Winnipeg - General Revenue Fund (Note 10)	**(2,160)**	(1,031)
Net income for the year	**1,079**	331
RETAINED EARNINGS, BEGINNING OF YEAR	**2,520**	2,189
Transfer to City of Winnipeg - General Revenue Fund (Note 10)	**(2,250)**	-
RETAINED EARNINGS, END OF YEAR	**$ 1,349**	$ 2,520

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:

	2005	2004
OPERATING		
Net income for the year	**$ 1,079**	$ 331
Non-cash items related to operations		
Amortization	**4,767**	4,856
Amortization of deferred revenue	**(2,159)**	(3,282)
Gain on sale of capital assets	**(619)**	(595)
Retirement allowance	**27**	(60)
Working capital from operations	**3,095**	1,250
Net change in working capital	**(45)**	(129)
	3,050	1,121
FINANCING		
Decrease in Due from City of Winnipeg - General Revenue Fund	**6,877**	3,585
Decrease in debt	**292**	5,293
Transfer to City of Winnipeg - General Revenue Fund	**(2,250)**	-
	4,919	8,878
INVESTING		
Purchase of capital assets	**(8,708)**	(10,888)
Decrease in loans receivable	**71**	84
Proceeds from sale of capital assets	**719**	805
	(7,918)	(9,999)
CASH POSITION, END OF YEAR	**$ 51**	$ -

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, 2005
(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 vehicles, heavy vehicles 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

Amortization begins once an asset is placed in service.

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.

In addition, certain user charges and fees are collected for which the related services have yet to be performed. These amounts are recognized as revenue in the fiscal year in which the related expenses are incurred or services performed.

Financial instruments

Financial instruments include cash, due from City of Winnipeg - General Revenue Fund, accounts receivable, loans receivable, accounts payable and accrued liabilities, vacation payable, and 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. Bank transactions are credited or charged to the "Due (to)/from" account when they are processed through the bank. 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, and a line of credit up to $5,000 thousand for short-term financing, from The City of Winnipeg at the City's borrowing rate.

4. Receivables

a) Accounts receivable

	2005	2004
Trade receivables	**$ 45**	$ 218
City of Winnipeg Fire Paramedic Service	**100**	-
	$ 145	$ 218

b) Loans receivable

City of Winnipeg Glacial Sand and Gravel

	2005	2004
Equipment financing program loan, interest at 6.5%, payment of $2.1 thousand monthly, due September 2005	**$ -**	$ 18
Equipment financing program loan, interest at 6.5%, payment of $6.5 thousand monthly, due February 2008	**157**	224
	157	242
Current portion	**(70)**	(84)
	$ 87	$ 158

5. Capital Assets

	Cost	Accumulated Amortization	Net Book Value 2005	2004
Land	**$ 390**	**$ -**	**$ 390**	$ 390
Buildings	**1,866**	**196**	**1,670**	1,786
Fleet assets				
Acquired at start-up	**14,719**	**9,671**	**5,048**	7,261
Purchased	**26,914**	**3,970**	**22,944**	16,881
Equipment	**1,402**	**666**	**736**	630
	$ 45,291	**$ 14,503**	**$ 30,788**	$ 26,948

The net book value of fleet assets not yet in-service is $1,375 thousand (2004 - $800 thousand).

6. Debt

	2005	2004
City of Winnipeg Equipment and Material Services - non-interest bearing, no repayment schedule	**$ 1,230**	$ 1,230
City of Winnipeg (see below)	**22,747**	22,784
	$ 23,977	$ 24,014

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. During 2005, interest charges ceased (2004 - $461 thousand). The balance has decreased during the year by repayments.

7. Employee Benefits

a) Retirement allowance

Under the retirement allowance plan, qualifying employees become entitled to a cash payment upon retirement, death or termination of service under certain conditions (not resignation). The costs are actuarially determined using the projected benefit valuation method pro-rated on services and reflects management's best estimate of retirement ages of employees, salary escalation and length of service. In addition, adjustments arising from plan amendment, changes in assumptions, and experience gains and losses are amortized on a straight-line basis over 10.4 years, which represents the expected average remaining service life of the employee group. Amortization is calculated beginning in the year following the year of occurrence of the actuarial gains or losses.

The Agency measures its accrued retirement allowance obligation as at December 31 of each year. The most recent actuarial valuation report was at December 31, 2005.

7. Employee Benefits (continued)

Information about the Agency's retirement allowance benefit plan is as follows:

	2005	2004
Retirement allowance - accrued obligation:		
Balance, beginning of year	**$ 675**	$ 724
Current service cost	**24**	26
Interest cost	**35**	37
Net actuarial loss	**(22)**	12
Benefit payments	**(34)**	(124)
Balance, end of year	**678**	675
Unamortized net actuarial loss	**3**	(21)
Retirement allowance - accrued liability	**$ 681**	$ 654

Retirement allowance expense consists of the following:

	2005	2004
Current service cost	**$ 24**	$ 26
Interest cost	**35**	37
Amortization of net actuarial loss	**2**	1
	$ 61	$ 64

The significant actuarial assumptions adopted in measuring the retirement allowance obligation for the year ended December 31 are as follows:

	2005	2004
Valuation interest rate	**4.50%**	5.25%
General increases in pay	**3.00%**	3.00%

b) 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, $392 thousand (2004 - $369 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, 2004 and indicates 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 (2004 - $420 thousand).

9. Commitments

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

	Operating Leases
2006	$ 469
2007	427
2008	413
2009	270
2010	270
	$ 1,849

10. Related Party Transactions

The Agency is economically dependent on The City of Winnipeg, as it derives most of its revenue 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 $27,239 thousand (2004 - $22,264 thousand) to The City of Winnipeg.

b) An amount of $175 thousand (2004 - $156 thousand) has been transferred to the Civic Accommodations Fund for the rental of office space.

c) An amount of $79 thousand (2004 - $74 thousand) has been transferred to the Public Works Department for payment of human resource services.

d) An amount of $37 thousand (2004 - $0) has been transferred to the General Revenue Fund for repayment of long-term debt.

e) Charges from City of Winnipeg - General Revenue Fund

	2005	2004
GST equivalency	**$ 637**	$ -
Interest equivalency	**500**	-
General government charges	**421**	421
Grant - Autopac rebate to Public Works Department	**406**	691
Income tax equivalency (recovery)	**164**	(81)
PeopleSoft savings equivalency	**32**	-
	$ 2,160	$ 1,031

Goods and Services Tax (GST) equivalency

As part of the municipal government, the Agency pays 7% GST on its purchases. In 2004 the Agency received a 4% input tax credit with the remaining 3% input tax credit retained by the City of Winnipeg. Beginning in 2005, the Agency receives the full 7% input tax credit and is charged by the City a GST equivalency representing the 3% input tax credit retained by the City in 2004.

10. Related Party Transactions (continued)

Interest equivalency

During 2004 the Agency paid interest on long-term debt. In 2005, interest on long-term debt has ceased and the Agency is charged by the City of Winnipeg an interest equivalency, representing interest on long-term debt.

General government charges

The Agency is charged by the City of Winnipeg general government charges, as determined by the Corporate Finance Department.

Grant - Autopac rebate to Public Works Department

A grant has been made to the Public Works Department, representing the amount of Autopac Rebate received by the Agency.

Income tax equivalency (recovery)

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 $300 thousand of net income	18.12%
Manitoba Small Business Rate ($300 to $400 thousand)	27.12%
Regular corporate rate on the balance	37.12%

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

PeopleSoft savings equivalency

The City of Winnipeg operates a central finance function and charges the Agency a fee representing purchasing savings equivalency, as determined by the Corporate Finance Department.

f) Transfer to City of Winnipeg - General Revenue Fund

An amount of $2,250 thousand (2004 - $0) has been transferred to the General Revenue Fund as a return of investment.

11. Comparative Figures

Certain comparative figures have been reclassified to conform with the current year's presentation.

THE CITY OF WINNIPEG
FLEET MANAGEMENT - SPECIAL OPERATING AGENCY

Schedule 1

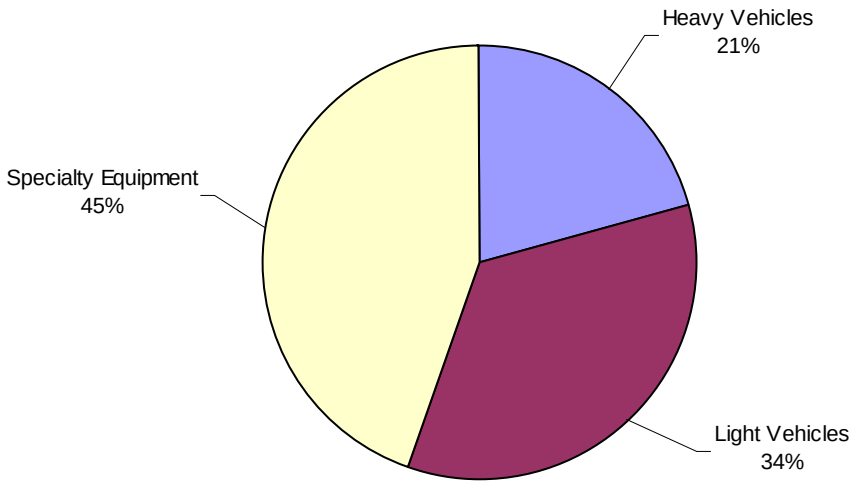
SCHEDULE OF SERVICES AND PARTS REVENUE

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

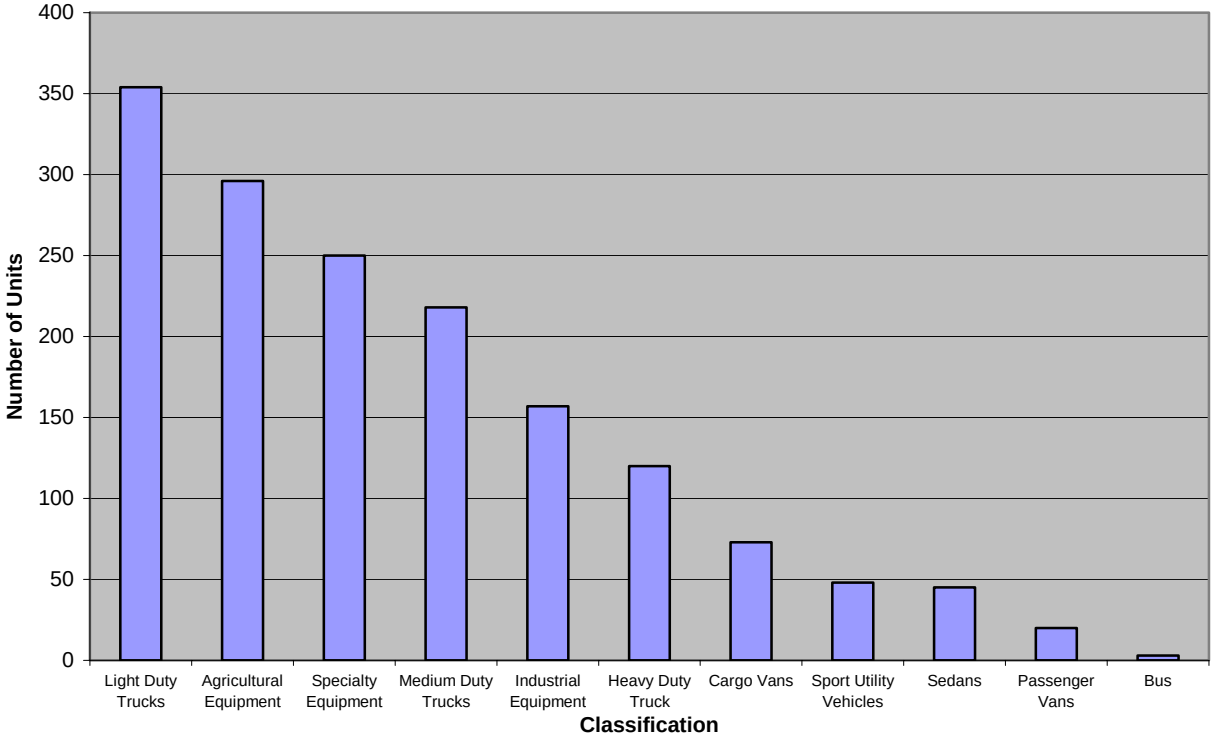
	2005	2004
Consumables and corrective maintenance	**$ 2,942**	$ 2,383
Insurance revenue	**1,497**	1,542
Manufacturing sales	**777**	543
Power tools	**635**	633
Autopac rebate	**406**	354
Other	**155**	47
Interest	**154**	241
Provincial support grant	**122**	59
	$ 6,688	$ 5,802

FLEET STATISTICS

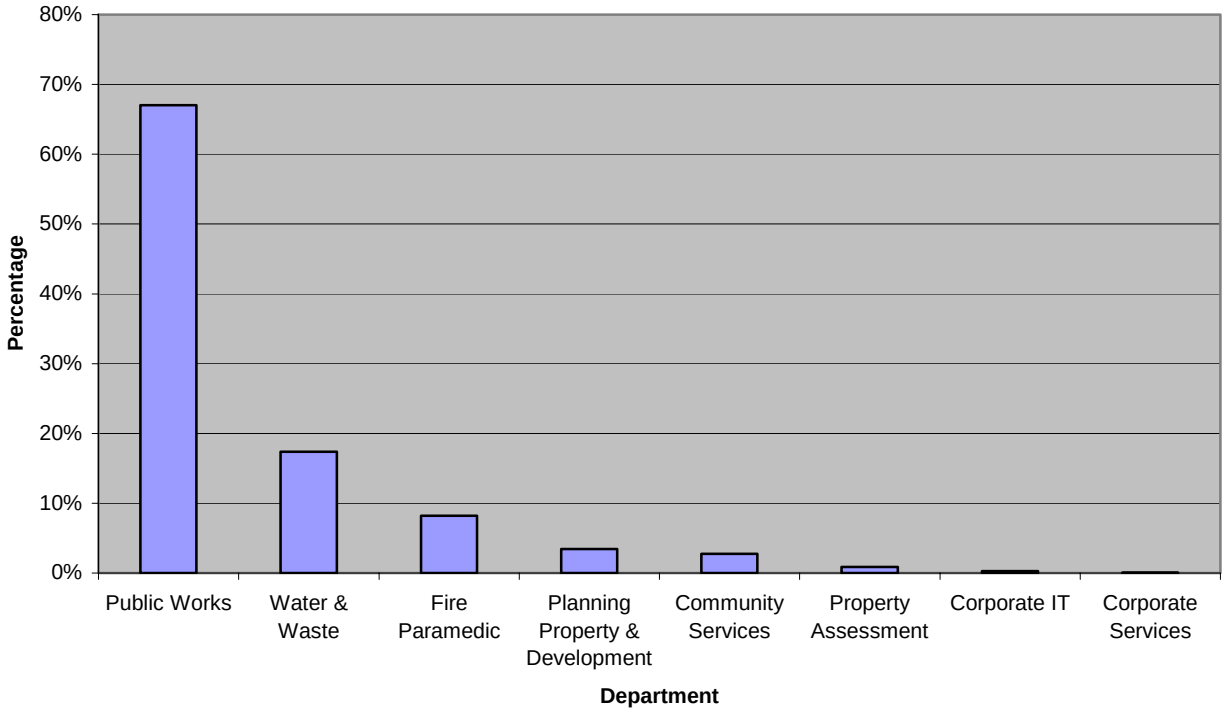
2005 Fleet Complement



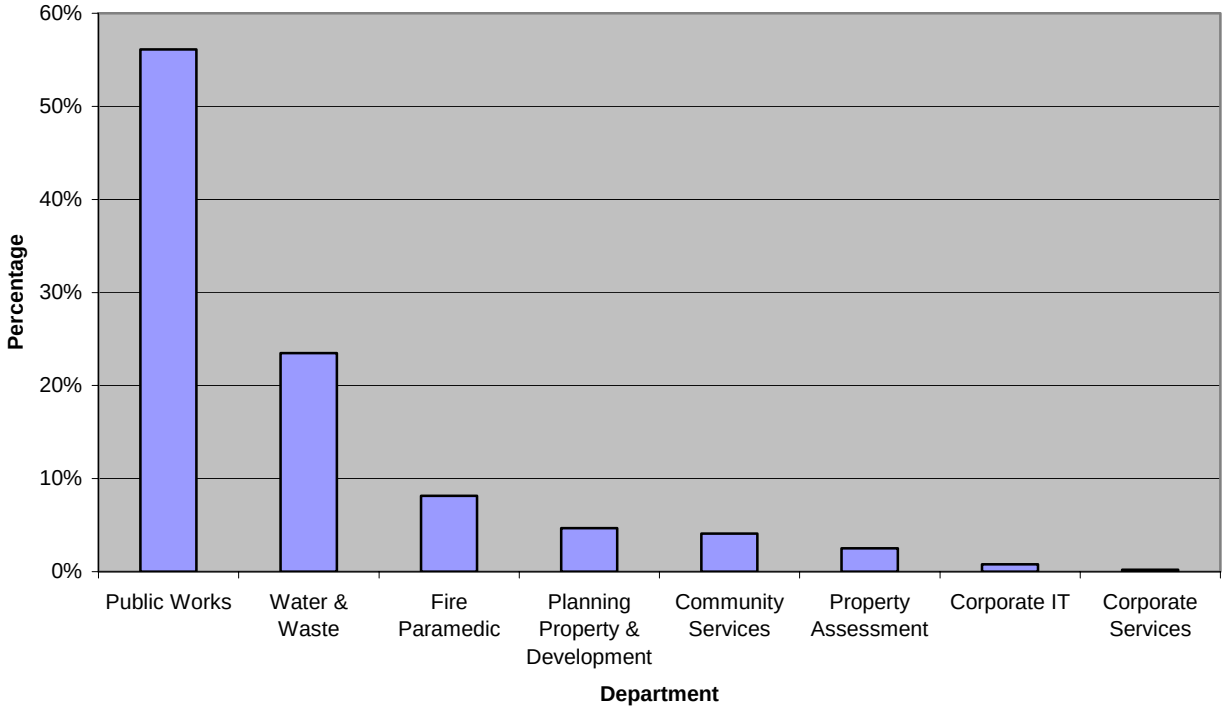
2005 Fleet Classification



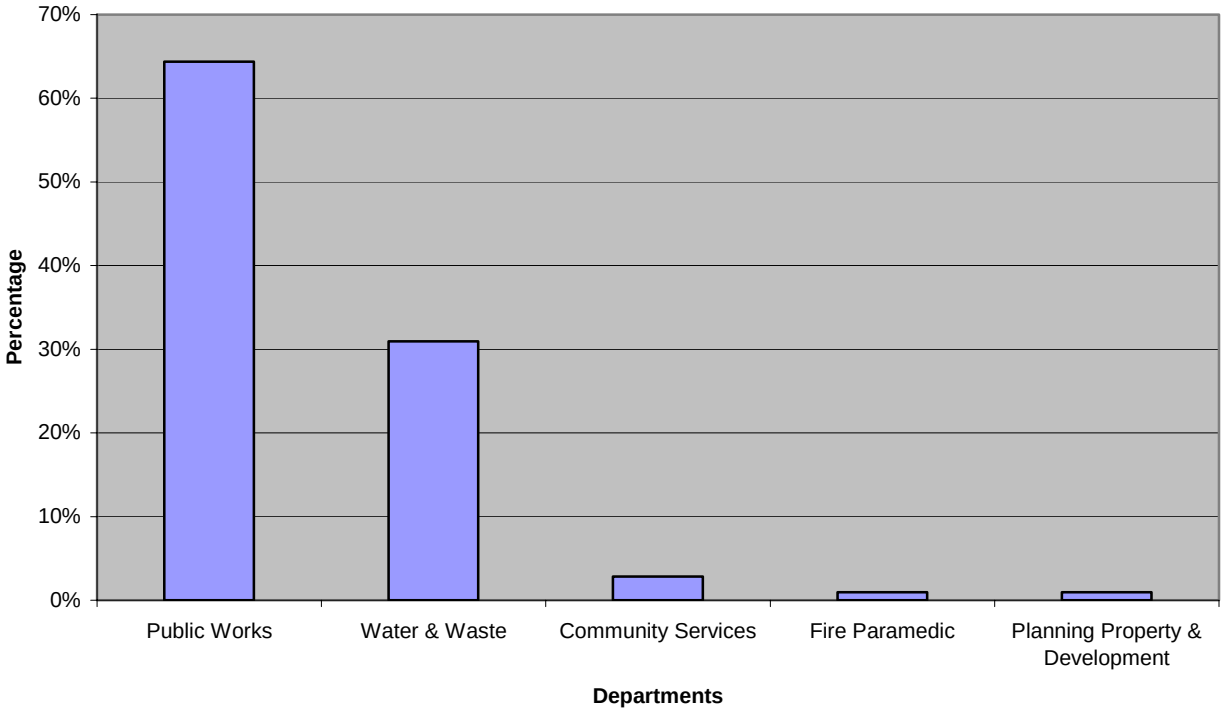
2005 Percentage of Total Fleet Units by City Department



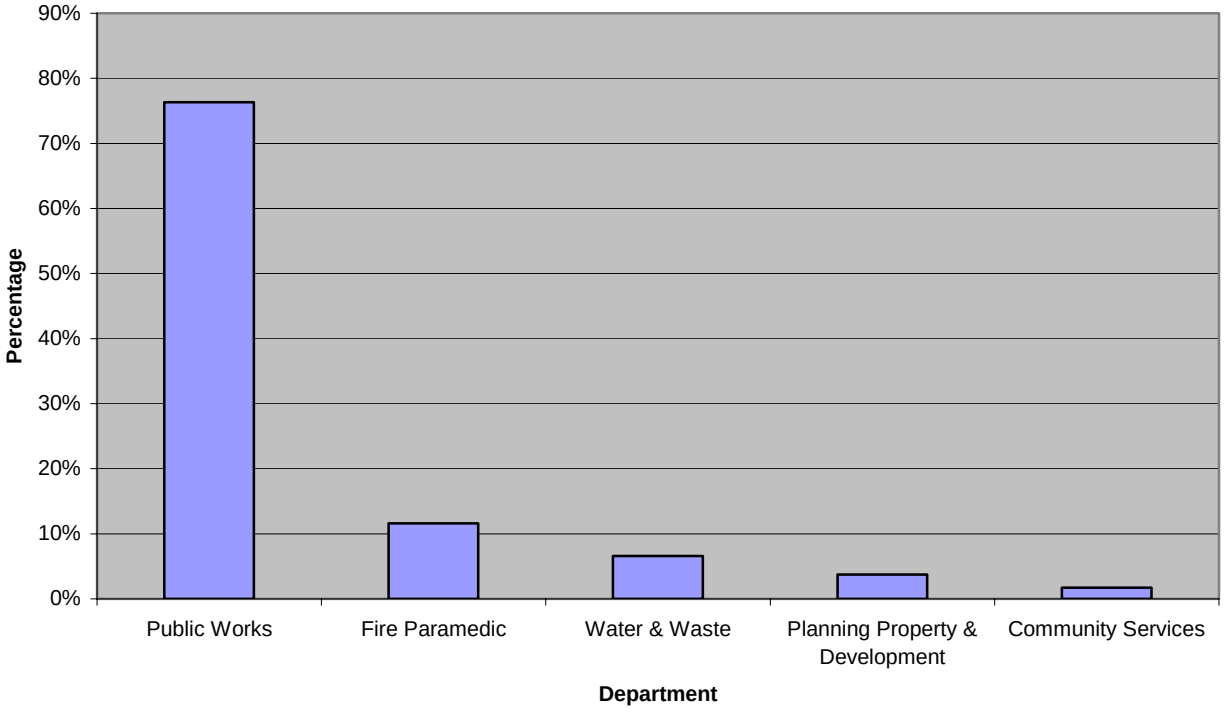
2005 Percentage of Light Fleet Units by City Department



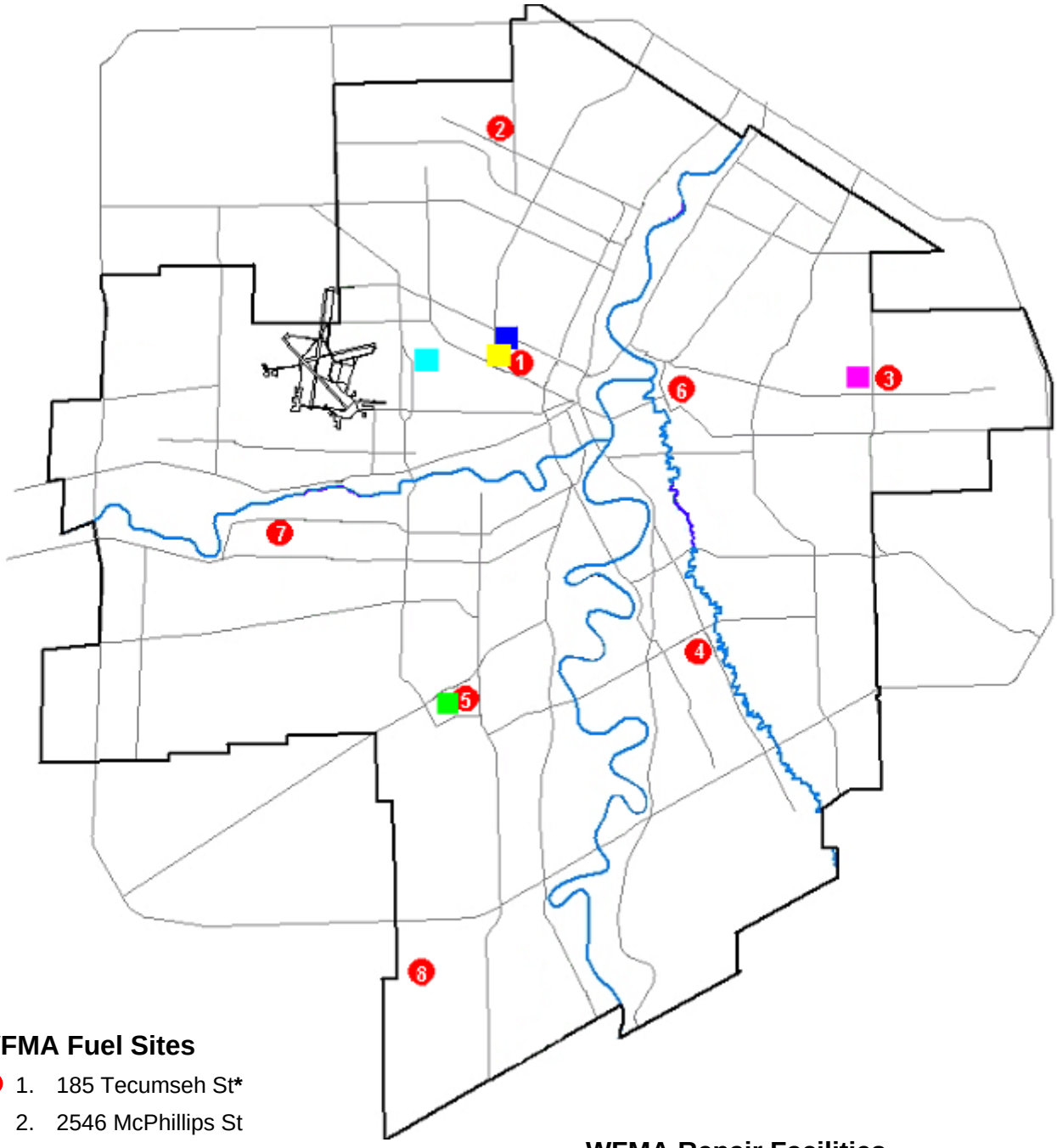
2005 Percentage of Heavy Fleet Units by City Department



2005 Percentage of Specialty Fleet Units by City Department



FUEL SITE AND REPAIR FACILITY LOCATIONS



WFMA Fuel Sites

1. 185 Tecumseh St*****
2. 2546 McPhillips St
3. 849 Ravelston Ave W
4. 590 St. Anne's Rd
5. 1539 Waverley St*****
6. 552 Plinguet St
7. 735 Assiniboine Park Dr
8. 1901 Brady Road ******

WFMA Repair Facilities

- Major Repair Facility – 195 Tecumseh St
- Major Repair Facility – 1539 Waverley St
- Manufacturing & Machine Shop – 215 Tecumseh St
- Satellite Repair Facility – 1500 Plessis Rd
- Satellite Repair Facility – 1 Midland St

***** Back-up generators available in case of power outage
** No card reader system

KEY AGENCY CONTACTS

	Contact	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 & General Fuel Operation	Réal Pelletier Phone: 986-5328 Email: rpelletier@winnipeg.ca	770 Ross Avenue Winnipeg, Manitoba R3E 1C6
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Central Repair & Manufacturing Facility	Aaron Lennon Phone: 986-5505 Email: alennon@winnipeg.ca	215 Tecumseh Street Winnipeg, Manitoba R3E 3SE



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