**Agenda - Executive Policy Committee - November 14, 2007**

**Report – Alternate Service Delivery Committee – November 8, 2007**

**Item No. 3 Winnipeg Fleet Management Agency Special Operating Agency – 2008 Business Plan (Selection Report)**
**File GL-5.6.1**

COMMITTEE RECOMMENDATION:

On November 8, 2007, the Alternate Service Delivery Committee concurred in the recommendation of the Winnipeg Public Service and submits the following to Council:

1. That the Winnipeg Fleet Management Agency 2008 Business Plan (Selection Report) including the 2008 budget be approved and the 2009 and 2010 financial projections, as outlined in Appendix 2 to the report from the Chief Financial Officer dated November 1, 2007, be received as information.

2. That in accordance with subsection 215(4) of The City of Winnipeg Charter with respect to Special Service Units, authorization be given to the Winnipeg Fleet Management Agency to transfer a portion of the cash and/or accounts under its control to the General Revenue Fund in the amount of $4,446,000.00.

3. That in accordance with subsection 215 (4) of the City of Winnipeg Charter with respect to Special Service Units, additional long-term borrowing of up to $20,500,000.00 in 2008 be approved, and authorization be given to the Winnipeg Fleet Management Agency Special Operating Agency to finance a portion of its operations through external sources, including from the City's bank, or from any other persons or corporations, including the City of Winnipeg Sinking Fund Trustees, for a total cumulative borrowing authorization of up to $65,800,000.00.

3. That Recommendation 3.B of Item 1 of the Report of Alternate Service Delivery Committee dated March 12, 2007 as adopted by Council on March 21, 2007, be rescinded.

4. That the Organization Chart, outlined in Appendix 1 to the report from the Chief Financial Officer dated November 1, 2007, be received as information.

5. That the Proper Officers of the City of Winnipeg be authorized to do all things necessary to implement the intent of the foregoing, including the execution of any documents related thereto.

**Agenda - Executive Policy Committee - November 14, 2007**

**Report – Alternate Service Delivery Committee – November 8, 2007**

DECISION MAKING HISTORY:

COMMITTEE RECOMMENDATION:

On November 8, 2007, the Alternate Service Delivery Committee concurred in the recommendation of the Winnipeg Public Service and submitted the matter to the Executive Policy Committee and Council.

Further on November 8, 2007, the Alternate Service Delivery Committee passed the following motions, namely:

1. That the Winnipeg Fleet Management Agency, be directed, in consultation with the Chief Financial Officer, to prepare a Business Plan for consideration by the Alternate Service Delivery Committee in early February, 2008, on the provision of the transport of goods and materials to and from Shoal Lake.

2. That the Alternate Service Delivery Committee recommend to the Executive Policy Committee that the City adopt a "Green Fleet Policy" that would utilize hybrid vehicles where suitable and appropriate.

3. That the Winnipeg Fleet Management Agency be directed to report back in early February, 2008, on assuming the administration of City driver training to decrease accident rates and increase fuel efficiency.

Mr. Y. Lupien, Chief Operating Officer, Winnipeg Fleet Management Agency, provided a PowerPoint Presentation with respect to the 2008 Business Plan (Selection Report) of the Winnipeg Fleet Management Agency.

**RE:** **2008 BUSINESS PLAN (SELECTION REPORT)**
**–**
**WINNIPEG FLEET MANAGEMENT AGENCY**
**(SOA)**

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

**ORIGINAL REPORT SIGNED BY:** Michael Ruta, Chief Financial Officer

**REPORT DATE:** November 1, 2007

**RECOMMENDATION(S):**

It is recommended:

1. That Council approve the Winnipeg Fleet Management Agency's 2008 Business Plan (Selection Report) including the 2008 budget, and receive the 2009 and 2010 financial projections as information (attached as Appendix 2).
2. That, in accordance with subsection 215(4) of The City of Winnipeg Charter with respect to Special Service Units, authorization be given to the Winnipeg Fleet Management Agency to transfer a portion of the cash and/or accounts under its control to the general revenue fund in the amount of $4,446 thousand.
3. That Council approve additional long-term borrowing of up to $20,500 thousand in 2008, in accordance with subsection 215 (4) of the City of Winnipeg Charter with respect to Special Service Units, and authorization be given to the Winnipeg Fleet Management Agency (SOA) to finance a portion of its operations through external sources, including from the City's bank, or from any other persons or corporations, including the City of Winnipeg Sinking Fund Trustees, for a total cumulative borrowing authorization of up to $65,800 thousand.
4. That Recommendation 3.B of Item 1 of the Report of Alternate Service Delivery Committee dated March 12, 2007 and adopted by Council on March 21, 2007 be rescinded.
5. That the Organization Chart in Appendix 1 be received as information.
6. That the proper officers of the City of Winnipeg be authorized to do all things necessary to implement the intent of the foregoing, including the execution of any documents related thereto.

## REPORT SUMMARY:

**Key Issues:**

- The Agency requires an additional $20,500 thousand in long-term borrowing for 2008 to finance a portion of its operations including capital acquisitions, and partial repayment of debt - due to the City of Winnipeg in the amount of $4,446 thousand.
- The Agency will continue with the integration of Winnipeg Police Service's vehicle fleet and the implementation of RTA fleet management software at the Winnipeg Police Service repair facility.
- The Agency will continue with the remediation of all City fuel sites with the exception of two fuel sites under the Transit Department's control.
- The Agency is proposing to establish weekend shifts, in accordance with the CUPE collective agreement, to ensure full coverage of customer operations.

**Implications of the Recommendation(s):**

**General Implications**

- ☐ 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)**: The Agency will continue with the integration of Winnipeg Police Service's vehicle fleet and the implementation of RTA fleet management software at the Winnipeg Police Service repair facility.
The Agency will continue with the remediation of all City fuel sites with the exception of two fuel sites under the Transit Department's control.

**Policy Implications**

- ☒ No
- ☐ Yes

**Comments:**

**Regulatory Implications**

- ☒ None
- ☐ Eliminates or reduces regulatory impact
- ☐ Proposes regulatory impact

**Environmental Implications**

- ☒ No
- ☐ Yes

**Human Resource Implications**

☐ No
☒ Yes

**Comment(s):** The Agency will continue with the integration of Winnipeg Police Service's vehicle fleet and the implementation of RTA fleet management software at the Winnipeg Police Service repair facility.

The Agency is seeking to establish weekend shifts to ensure full coverage of client operations, in accordance with the collective agreement.

**Financial Implications**

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

**Comment(s)**: Change to the Agency's long-term borrowing requires Council approval.

**REASON FOR THE REPORT:**

Winnipeg Fleet Management Agency is governed by its Operating Charter which specifies that a Business Plan (Selection Report) be submitted to Council.

**HISTORY:**

Winnipeg Fleet Management Agency received Council approval on May 28, 2003 to operate as a Special Operating Agency of the City of Winnipeg, effective January 1, 2003. Historical milestones in the creation of the Agency include the following:

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, 2005, Council adopted a recommendation that gave the Chief Administrative Officer (CAO), or delegate, direct authority over Special Operating Agencies. The Acting Chief Administrative Officer delegated this authority to the Chief Financial Officer on September 27, 2007.

On March 21, 2007, Council adopted the following amendment to the Agency's Operating Charter:

3. That Winnipeg Fleet Management Agency's Operating Charter be amended by:

A. Adding the contents of Appendix 1 to the report from the Chief Information Officer dated November 21, 2006, immediately after subsection 5.9 of the Operating Charter.

B Adding the contents of Appendix 2 to the Report from the Chief Information Officer dated November 21, 2006, immediately after the existing contents of Appendix B of the Operating Charter.

Appendix 1 of the above amendment contains the Agency's retained earnings transfer policy and Appendix 2 contains the administration chart of the Agency's organizational structure.

**DISCUSSION:**

# Service Overview

## Service Description

To provide economical, state-of-the-art, safe and eco-friendly fleet vehicle, equipment and other asset management services to the City of Winnipeg and other public sector organizations, in support of their service delivery.

Direct services, provided to most City of Winnipeg departments that deliver core services to our citizens (Public Works, Water and Waste, Fire Paramedic Services, Community Services, Police etc) include:

- Vehicle, equipment and other asset lifecycle cost management
- Vehicle and equipment acquisition, leasing and disposal
- Fuel supply and management
- Vehicle and equipment repair and maintenance
- Vehicle insurance, licensing and registration
- Equipment manufacturing and fabrication
- Safety training and accident management
- Vehicle and equipment rentals

## Key Goals

- Present forecasted and demanded vehicles and equipment to ensure City departments' operational performance requirements and safety legislative requirements are met.

- Maintain fleet service centres which provide superior customer service and administrative support to the City's geographically dispersed and varying fleet, while ensuring reliability and safety.

- Manage the City's fuel distribution system on a day to day and emergency basis, providing customers with a safe, dependable and convenient fuel supply, while ensuring compliance with legislation.

- Encourage fleet greenhouse gas emission awareness through research, testing, and offering environmentally friendly vehicles and equipment, and alternative fuels.

- Expand fleet management services to new customers within the City and offer services to external public sector markets.

## Service Level Statistics

| Description | 2004 | 2005 | 2006 |
|---|---|---|---|
| Number of vehicle and equipment bid opportunities completed | 36 | 55 | 89 |
| Number of vehicle and equipment units acquired | 308 | 175 | 148 |
| Number of insurance and license registrations completed | 1,895 | 1,607 | 1,497 |
| Number of service work order lines completed | n/a | 40,154 | 38,568 |
| Number of parts used | n/a | 153,265 | 110,263 |
| Number of service labour hours completed | n/a | 44,137 | 31,696 |
| Number of service maintenance codes tracked | n/a | n/a | 845 |
| Number of fuel fill-up transactions and odometer readings verified | 103,336 | 108,526 | 99,460 |
| Litres of unleaded, clear diesel and marked diesel provided | 6,720,124 | 7,371,911 | 6,990,485 |
| Number of internal and external motor pool rental days provided | n/a | n/a | 76,676 |
| Number of vehicle and equipment units disposed | 218 | 185 | 150 |
| Number of recurring customers | n/a | n/a | 263 |

# Strategic Direction

## Link to Plan Winnipeg

2B-02 Commit to the Reduction of Greenhouse Gas Emissions
2B-03 Commit to Responsive Government
2B-04 Provide Sound Municipal Management
2B-05 Meet High Standards of Service Delivery

## Synopsis of Council Policy

Plan Winnipeg's vision of providing the citizens of Winnipeg with "affordable, responsive, and innovative public service" is embraced by the Winnipeg Fleet Management Agency. Fleet lifecycle cost management allows the City to capture and analyze all costs associated with owning and operating a fleet, and allows City departments to improve the productivity of their fleet, while lowering costs and extending the useful life of vehicles and equipment used in direct service delivery to the Citizens of Winnipeg.

The Agency's services provide City departments with the means to run their vehicle and equipment fleets in a manner that works toward all three priorities set out by the Executive Policy Committee on July 19, 2006; Crime Reduction, Visible Front Line Services (keeping our City clean and green) and Infrastructure (pipes and pavements).

The Winnipeg Fleet Management Agency is a Special Operating Agency (SOA) with its own Operating Charter approved by Council.

## Key Factors Influencing Service Delivery

**Vehicle and Equipment Rentals**

- North American automakers have reduced sales to vehicle rental companies, resulting in increased rental prices and shortages in available rental units.

**Labour Shortages**

- Nation-wide skilled labour shortages, particularly in certified heavy duty mechanics increased the challenge of staffing front-line positions within the Agency.

**Safety Regulations**

- New fleet safety legislation prescribes suitable fire extinguishers and first aid kits be mounted in all fleet vehicles and equipment by February 1, 2008.
- Bill C45 amending the criminal liability of organizations, reinforces safety as a priority.

**Fuel Regulations**

- New fuel legislation requirements demand upgrades to the City fuel distribution system.

**Best Practices**

- The American Public Works Association recognized the Agency as a leader in the future of fleet operations throughout North America, and awarded the Agency with accreditation.

## Human Resource Issues Influencing Service Delivery

**Proposed 24/7 Coverage Information**

- Currently the Agency provides 24 hour/five day coverage, but due to the customer service requirements from other departments who work 24/7, the Agency requires a staffing compliment on weekends.
- The proposed coverage would be from 10:00 p.m. on Fridays through to 6:00 a.m. on Mondays at one of the four maintenance facilities to ensure staff are available to deal with emergency and after-hours maintenance requirements.
- The Agency is working with representatives of the Internal Services Department and CUPE to develop a suitable arrangement for 24/7 coverage within the collective agreement.

**Proposed Staffing Changes**

- The Agency is undergoing reorganization to better serve its customers (see Appendix 1 Organization Structure).

## Summary of Goals and Strategies

**Present forecasted and demanded vehicles and equipment to ensure City departments' operational performance requirements and safety legislative requirements are met.**

- Evaluate vehicles and equipment and prepare specifications for quality units that accommodate customer requirements by involving customers in buying decisions
- Enhance lifecycle cost management analysis and replacement planning
- Develop sound and innovative contractual and partnering agreements including contracting for repeat purchases
- Provide and install fire equipment and safety kits according to safety legislation
- Provide accident reporting kits and implement an accident call centre system
- Implement Zonar System capabilities to assist with pre-trip and post-trip safety inspections and data reporting

**Maintain fleet service centres which provide superior customer service and administrative support to the City's geographically dispersed and varying fleet, while ensuring reliability and safety.**

- Develop comprehensive support network partnerships for outsourcing repair, maintenance and rental services
- Further enhance service through mobile support teams or service trucks, extending the flexibility and geographic coverage
- Evaluate ways to standardize the City's fleet to reduce parts wait time
- Implement 24 hour, seven day a week repair and maintenance service, to accommodate customer shift scheduling
- Measure and evaluate customer surveys and comment cards to provide the Agency with a direct means to tailor services provided
- Maintain communications through regular customer meetings, customer bulletins, customer newsletter and a customer website

**Manage the City's fuel distribution system on a day to day and emergency basis, providing customers with a safe, dependable and convenient fuel supply, while ensuring compliance with legislation.**

- Provide competitively priced re-fuelling for vehicles and equipment at fuel sites strategically located across the City
- Automate fuel service with Cowen Corp System and ensure all fuel is managed by a single standard fuel reporting system
- Maintain fuel prices and manage upgrade costs required under new fuel legislation by eliminating a number of under-used fuel sites in the City
- Test Zonar System capabilities for fuel usage and consumption information

**Encourage fleet greenhouse gas emission awareness through research, testing, and offering environmentally friendly vehicles and equipment, and alternative fuels.**

- Develop a customer brochure on fuel conservation tips with suggestions on how to conserve fuel, and highlight several resources for additional information
- Continue to investigate and implement alternative fuel options while maintaining the operational integrity of the vehicles and equipment and their intended use
- Manage a new biodiesel fuel station, partially funded by the federal WinSmart program

**Expand fleet management services to new customers within the City and offer services to external public sector markets.**

- Implement RTA fleet management system in Winnipeg Police Services
- Review possibilities for implementation of the RTA fleet management system in Winnipeg Transit
- Present vehicle and equipment leasing opportunities to Manitoba Rural Municipalities
- Market to external cities across Canada and the Unites States promoting fleet consulting services

# Performance Information

## Effectiveness Measures

| Description | 2004 | 2005 | 2006 |
|---|---|---|---|
| Number of light and heavy vehicles and specialty equipment managed | 1,700 | 1,600 | 1,530 |
| Net book value of fleet assets in-service | $24,142,000 | $26,617,000 | $34,284,000 |
| Debt/worth ratio | 11.6 | 18.3 | 11.9 |

**Number of light and heavy vehicles and specialty equipment managed**

- The Agency manages the City's fleet in a manner that ensures the lowest possible lifecycle cost while maintaining consistently high mechanical reliability, resulting in the downsizing of the City's fleet, reducing both capital and operating costs.

**Net book value of fleet assets in-service**

- Fleet replacement planning based on lifecycle cost management has improved vehicle and equipment suitability to customer operations, safety and reliability.

**Debt/worth ratio**

- The Agency's debt/worth ratio target is the industry average of 4.1.
- The Agency's Transfer Policy, approved by Council in 2007 will allow for a better ratio, which is projected at 5.2 for 2008.

## Efficiency Measures

| Description | 2004 | 2005 | 2006 |
|---|---|---|---|
| Repair shop labour rate per hour | $68.00 | $73.00 | $78.00 |
| Average fuel price per litre (unleaded, clear diesel, marked diesel) | $0.68 | $0.83 | $0.88 |
| Average full service lease rate per day | n/a | n/a | $22.69 |

**Repair shop labour rate per hour**

- The Agency's standard hourly shop labour rate compares favorably to private sector shop labour rates which average $96.50 per hour.

**Average fuel price per litre (unleaded, clear diesel, marked diesel)**

- The Agency's per litre fuel prices are two cents below private sector per litre fuel prices.

**Average full service lease rate per day**

- The Agency's average full service lease rate per day for a light vehicle (the cost to City departments) is well below the average industry cost comparison of $28.89 per day.

# Financial Information

## Operating Results

The Agency's projected net income for 2008 is $1,058 thousand (2007 forecast - $2,071 thousand), with total revenues projected at $35,580 thousand (2007 forecast - $32,352 thousand) and total expenses projected at $34,522 thousand (2007 forecast - $30,281 thousand).

See Appendix 2 for Projected Financial Statements, Notes and Assumptions.

## 2008 Debt Repayment Transfers to the City

The Agency will transfer $4,446 thousand to the General Revenue Fund for repayment of a portion of its debt - due to the City of Winnipeg, to be repaid on December 31, 2008.

All City of Winnipeg debt, excluding line of credit, debt assigned to radio communications and the above mentioned 2008 debt repayment, will be converted to equity at January 1, 2008.

**RECOMMENDATIONS**

1. That Council approve the Winnipeg Fleet Management Agency's 2008 Business Plan (Selection Report) including the 2008 budget, and receive the 2009 and 2010 financial projections as information (attached as Appendix 2).
2. That, in accordance with subsection 215(4) of The City of Winnipeg Charter with respect to Special Service Units, authorization be given to the Fleet Management Agency to transfer a portion of the cash and/or accounts under its control to the general revenue fund in the amount of $4,446 thousand.
3. That Council approve additional long-term borrowing of up to $20,500 thousand in 2008, in accordance with subsection 215 (4) of the City of Winnipeg Charter with respect to Special Service Units, and authorization be given to the Winnipeg Fleet Management Agency (SOA) to finance a portion of its operations through external sources, including from the City's bank, or from any other persons or corporations, including the City of Winnipeg Sinking Fund Trustees, for a total cumulative borrowing authorization of up to $65,800 thousand.
    a. The Agency's additional loan requirements for 2008 amount to $20,500 thousand. Borrowed funds will be used to finance a portion of its operations including capital acquisitions in the amount of $16,000 thousand and partial repayment of debt - due to the City of Winnipeg in the amount of $4,446 thousand. The Agency has total borrowing authority in the amount of $45,300 thousand as adopted by Council on March 21, 2007 in the Agency's 2007 Selection Report. Additional Council borrowing authority of $20,500 thousand for 2008 is requested by the Agency, for total cumulative borrowing authorization of up to $65,800 thousand.
4. That Recommendation 3.B of Item 1 of the Report of Alternate Service Delivery Committee dated March 12, 2007 and adopted by Council on March 21, 2007 be rescinded.
5. That the Organization Chart in Appendix 1 be received as information.
6. That the proper officers of the City of Winnipeg be authorized to do all things necessary to implement the intent of the foregoing, including the execution of any documents related thereto.

## Financial Impact Statement **Date:** Nov 1, 2007

**Project Name: 2008 Business Plan (Selection Report) - Winnipeg Fleet Management Agency (SOA)**

**COMMENTS:**

See Appendix 2 Financial Projections, Notes and Assumptions

*Original Signed by Cheryl Turman, CA*

Supervisor of Finance & Administration

**IN PREPARING THIS REPORT THERE WAS:**

**Internal Consultation With and Concurrence By:** Business Review and Credit Committee (BRACC)

**External Consultation With:** N/A

**THIS REPORT SUBMITTED BY:**

Department: Winnipeg Fleet Management Agency (SOA)
Prepared by: Yvan Lupien, Chief Operating Officer
File No.: 2008 Business Plan (Selection Report)

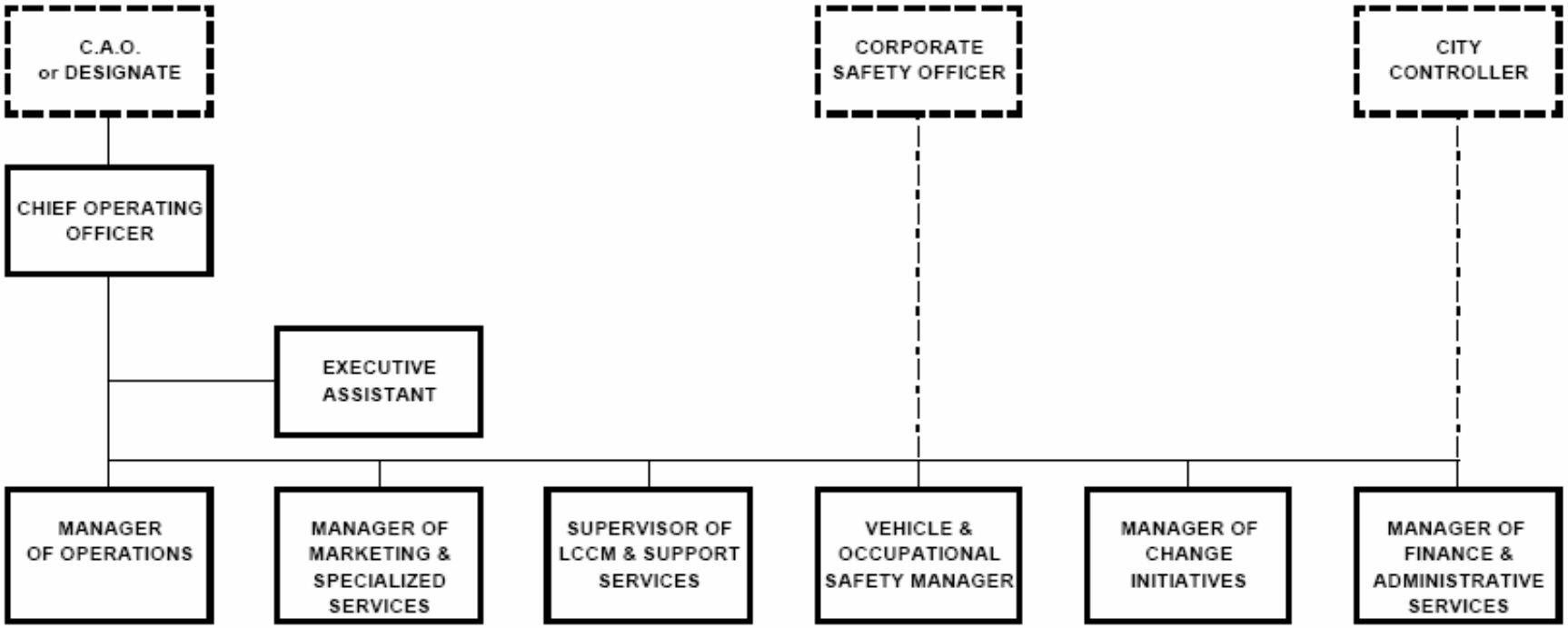
**APPENDIX 1**

**ORGANIZATION STRUCTURE**

# Winnipeg Fleet Management Agency

Organization Structure

Administration



**APPENDIX 2**

**FINANCIAL PROJECTIONS, NOTES AND ASSUMPTIONS**