Minutes – Executive Policy Committee – October 31, 2012

Minute No. 432
Report – Alternate Service Delivery Committee – October 22, 2012

Item No. 1 Winnipeg Fleet Management SOA – 2013 Business Plan (Selection Report)

EXECUTIVE POLICY COMMITTEE RECOMMENDATION:

The Executive Policy Committee concurred in the recommendation of the Alternate Service Delivery Committee and submits the following to Council:

1. That the 2013 Business Plan (Selection Report) for Winnipeg Fleet Management Special Operating Agency including the 2013 budget be approved and the 2014 and 2015 financial projections, as outlined in Appendix A, be received as information.

2. That additional long-term borrowing of up to $11.3 million in 2013 be approved 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 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.

3. That the revision to the Winnipeg Fleet Management SOA Operating Charter as tabled in Appendix A be approved.

4. That the Proper Officers of the City be authorized to do all things necessary to implement the intent of the foregoing.

Pursuant to the provisions of the Operating Charters of the Special Operating Agencies, changes to the Operating Charter require approval of two-thirds of the members present at Council.

Minutes – Executive Policy Committee – October 31, 2012

Report – Alternate Service Delivery Committee – October 22, 2012

DECISION MAKING HISTORY:

Moved by Councillor Fielding,

That the recommendation of the Alternate Service Delivery Committee be concurred in and forwarded to Council.

Carried

Councillor Swandel asked to be recorded as having voted against the above motion, in accordance with Rule 47(7) of The Procedure By-law No. 50/2007.

COMMITTEE RECOMMENDATION:

On October 22, 2012, 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.

ADMINISTRATIVE REPORT

Title: **Winnipeg Fleet Management Agency (Special Operating Agency) 2013 Business Plan (Selection Report)**

Critical Path: **Alternate Service Delivery (ASD) Committee – Executive Policy Committee (EPC) – Council**

AUTHORIZATION

Author	Department Head	CFO	CAO
C. Turman	H. Hajer	M. Ruta	D Joshi, COO

RECOMMENDATIONS

1. That the 2013 Business Plan (Selection Report) for Winnipeg Fleet Management Agency (Special Operating Agency) including the 2013 budget be approved and the 2014 and 2015 financial projections, as outlined in Appendix A, be received as information.
2. That additional long-term borrowing of up to $11.3 million in 2013 be approved 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.
3. That Council approve a revision to the Winnipeg Fleet Management Agency's Operating Charter as tabled in Appendix A.
4. That the proper officers of The City be authorized to do all things necessary to implement the intent of the foregoing.

REASON FOR THE REPORT

A Business Plan (Selection Report) is provided to Council in accordance with the Winnipeg Fleet Management Agency Operating Charter.

IMPLICATIONS OF THE RECOMMENDATIONS

- Service capacity will be expanded through a leasing arrangement with Planning Property and Development for a 20,500 square foot repair facility at The City's East Yards complex.
- With additional capacity available at the East Yards facility, a portion of vendor repair service will be converted to in-house service.
- The Agency's Tecumseh head office, repair and manufacturing operations will be relocated to a new 50,000 square foot facility during 2014, through a leasing arrangement with Planning, Property and Development.
- An Environmental Site Assessment of the Agency's Tecumseh property will be conducted during the year, in preparation for the sale of the property during 2014.
- A revision to the Agency's Operating Charter is outlined in Appendix A – 2, which dissolves the Advisory Board and establishes a Department Representative framework.

HISTORY

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

During 1999, the Public Works Department conducted a feasibility study of alternate service delivery options for those services provided by the Equipment and Material Services Division (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 Alternate Service Delivery Committee's feasibility study recommendation that Administration produce a Business Plan and Operating Charter to convert EMS to a Special Operating Agency (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 May 28, 2003, Winnipeg Fleet Management Agency received Council approval to operate as a Special Operating Agency of The City of Winnipeg, effective January 1, 2003.

FINANCIAL IMPACT

Financial Impact Statement

Date: September 17, 2012

Project Name:

Winnipeg Fleet Management Agency (SOA) - 2013 Business Plan (Selection Report)

First Year of Program: 2013

	2013	2014	2015	2016	2017
Capital					
Capital Expenditures Required	$ -	$ -	$ -	$ -	$ -
Less: Existing Budgeted Costs	-	-	-	-	-
Additional Capital Budget Required	$ -	$ -	$ -	$ -	$ -
Funding Sources:					
Debt - Internal	$ -	$ -	$ -	$ -	$ -
Debt - External	-	-	-	-	-
Grants (Enter Description Here)	-	-	-	-	-
Reserves, Equity, Surplus	-	-	-	-	-
Other - Enter Description Here	-	-	-	-	-
Total Funding	$ -	$ -	$ -	$ -	$ -
Total Additional Capital Budget Required	$ -				
Total Additional Debt Required	$ -				
Current Expenditures/Revenues					
Direct Costs	$ -	$ -	$ -	$ -	$ -
Less: Incremental Revenue/Recovery	-	-	-	-	-
Net Cost/(Benefit)	$ -	$ -	$ -	$ -	$ -
Less: Existing Budget Amounts	-	-	-	-	-
Net Budget Adjustment Required	$ -	$ -	$ -	$ -	$ -

Additional Comments: See Appendix A - 1, for the 2013 to 2015 projected financial statements and notes.

Cheryl Turman, CA

Controller

CONSULTATION

In preparing this report there was consultation with:

- Assessment and Taxation
- Community Services
- Corporate Support Services
- Fire Paramedic Service
- Planning, Property and Development
- Public Works
- Water and Waste
- Winnipeg Police Service

SUBMITTED BY

Department: Winnipeg Fleet Management Agency (SOA)
Division
Prepared by: Cheryl Turman, CA
Date: September 17, 2012
File No.

APPENDIX A

WINNIPEG FLEET MANAGEMENT AGENCY
SPECIAL OPERATING AGENCY (SOA)

BUSINESS PLAN (SELECTION REPORT)

2013

Strategic Overview

Winnipeg Fleet Management Agency is a Special Operating Agency (SOA) of The City of Winnipeg, with its own Operating Charter approved by Council. The SOA concept permits the Agency to operate in a business-like and transparent manner through managerial flexibilities including special delegations, exemptions and authorities.

The Agency's strategic direction, as set out by its Operating Charter, Business Plan (Selection Report) and Annual Report, places emphasis on managing for results, bottom-line accountability, cost-savings, customer satisfaction, and full disclosure.

Mission

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.

Vision

To become the best public sector fleet services provider in North America.

Values

Accountability
Commitment to excellence
Fairness
Respect
Trust

Guiding Principles

Quality service to The City of Winnipeg and other public sector customers
Safety for employees and customers
Financial accountability and sustainability

Mandate

To provide efficient and effective fleet, manufacturing and equipment management services to civic departments and other public organizations.

Strategic Goals

Procure planned and demanded vehicles and equipment to ensure City departments' operational performance requirements and safety legislative requirements are met.

Strategies:

- Develop sound and innovative contractual and partnering agreements including contracting for repeat purchases.
- Create a fleet replacement planning data base with a link to the current fleet management software in conjunction with Corporate Support Services.
- Implement vehicle and equipment trial and testing to ensure new technologies will meet operational demands.
- Identify safety legislative requirements and operator training requirements.

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.

Strategies:

- Enhance repair service through the implementation of state-of-the-art shop improvement initiatives.
- 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 and a customer website, which provides accurate data to customers to assist in their fleet related decision making process.
- Monitor and ensure compliance of Workplace Safety Standards and regulations for Agency facilities and offices.

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.

Strategies:

- Provide competitively priced re-fuelling for vehicles and equipment at fuel sites strategically located across The City.
- Automate and standardize fuel site communications, limit fuel draws by vehicle, and improve the fuel reconciliation and billing reporting systems.
- Ensure ongoing compliance with existing safety legislative requirements related to fuel site operations.

Implement the City's Green Fleet Plan and other environmental programs.

Strategies:

- Execute the strategies of The City's Green Fleet Plan aimed at reducing city-wide fuel use and emissions, and report on the Plan's effectiveness annually.
- Assess opportunities for greening the workplace, and ensure environmental criteria are considered for the procurement of office equipment, new building construction, and renovation projects.
- Participate with boards and committees supporting sustainable transportation such as the Climate Change Connection, the Centre for Emerging & Renewable Energy, and the City's Transportation Demand Management Committee.
- Offer a complimentary bicycle service program to City employees, as a means of transportation for travel between City buildings.
- Investigate new fuel alternatives from both an economic and climate change perspective.

Continue to integrate fleet management services within The City of Winnipeg, and offer services to external public sector entities.

Strategies:

- Review possibilities for implementation of a fleet management system in Winnipeg Police Service, and Transit.
- Review the potential for implementation of a fully integrated automatic vehicle locator (AVL) system for The City's fleet.
- Continue providing services to public sector entities.

Service Lines

The Agency provides comprehensive fleet vehicle and specialty equipment management services to The City of Winnipeg through the following lines of service:

- Acquisition, leasing and disposal
- Repair and maintenance
- Fuel
- Manufacturing and fabrication
- Insurance, licensing and registration
- Rentals
- Accident management and operator training

Policy Direction

Winnipeg Fleet Management Agency abides by The City's collective agreements and by-laws, and has its own Operating Charter approved by Council. The City of Winnipeg Charter, Section 215 references the establishment and powers of Special Service Units.

The Agency follows provincial regulations such as the Environment Act, the Contaminated Sites Remediation Act, Workplace Safety and Health Act, and the Employment Standards Code.

Performance Measurements

Agency effectiveness measurements include overall customer satisfaction, and mechanic productivity. Efficiency measurements include fuel efficiency by fleet category, and operating costs by fleet category.

Overall Customer Satisfaction

The Agency conducted a customer survey during 2012, which indicated that 75% of customers were satisfied with 2011 fleet management services.

Overall Customer Satisfaction	2008	2009	2010	2011
Customer satisfaction rate	75%	73%	78%	75%

Mechanic Productivity

The Agency's mechanic productivity statistics are based on total work order hours divided by adjusted hours. Adjusted hours include annual hours less vacation, sick, and training hours.

Mechanic Productivity	2008	2009	2010	2011
Productivity rate	68%	74%	77%	78%

Fuel Efficiency by Fleet Category

Fuel efficiency is reported for The City excluding Transit, by light vehicles based on litres per 100 kilometres, and by heavy vehicles and specialty equipment based on litres per hour.

Fuel Efficiency for The City by Light Vehicles, Heavy Vehicles and Specialty Equipment	2008	2009	2010	2011
Light vehicles (in litres per 100 kilometres)	20.2	21.5	20.2	20.8
Heavy vehicles (in litres per hour)	6.2	6.7	8.0	7.6
Specialty equipment (in litres per hour)	6.8	6.5	7.7	7.9

Fuel efficiency is presented for City departments excluding Transit, by light vehicles based on litres per 100 kilometres.

Fuel Efficiency for City Departments by Light Vehicles (in litres per 100 kilometres)	**2008**	**2009**	**2010**	**2011**
Assessment and Taxation	11.4	12.0	11.6	11.0
Corporate Support Services	16.3	25.6	21.7	20.6
Winnipeg Fire Paramedic Service	22.5	22.0	20.1	20.9
Winnipeg Fleet Management Agency	20.5	18.8	20.5	21.5
Planning, Property and Development	22.1	20.6	20.0	20.6
Winnipeg Parking Authority	20.1	19.6	11.0	10.6
Public Works – Engineering	21.0	20.3	19.9	19.4
Public Works - Parks & Open Space	24.5	22.3	23.0	24.0
Public Works - Streets Maintenance	21.2	21.3	22.0	23.5
Public Works - Traffic Signals (Note 1)	21.1	32.0	32.0	33.1
Public Works - Transportation Signals	25.3	25.2	24.4	23.9
Winnipeg Police Service	19.6	19.4	19.7	20.4
Water and Waste – Engineering	17.3	18.2	18.4	17.3
Water and Waste - Environmental Standards	16.1	14.6	14.2	12.4
Water and Waste - Solid Waste	25.2	27.1	20.8	22.0
Water and Waste – Wastewater	21.0	21.1	22.3	21.6
Water and Waste - Water Services	21.0	21.5	21.4	21.7

Note 1: During 2009, certain Public Works - Traffic Signals vehicles were reclassified from heavy to light.

Operating Costs by Fleet Category

Operating costs for The City exclude Transit, Winnipeg Police Service and Winnipeg Fire Paramedic Service, and are presented by municipal equipment category excluding off-road vehicles, as defined by Ontario Municipal Benchmarking Initiative (OMBI) on a per kilometre basis, with the following components:

- Fuel is determined based on litres consumed by City departments at Agency selling price.
- Repairs performed in-house by the Agency are determined based on labour hours at Agency shop labour rates, and parts at Agency cost with markup.
- Vendor repairs are based on Agency cost with markup.
- Odometer hours are converted to kilometres according to fleet classification, with a range from 18 kilometres per hour to 30 kilometres per hour.

OMBI Operating Costs for The City by Category (in dollars per kilometre)	**2008**	**2009**	**2010**	**2011**
Light vehicles	n/a	n/a	n/a	.35
Medium vehicles	n/a	n/a	n/a	.76
Heavy vehicles and specialty equipment	n/a	n/a	1.06	1.15

Estimated operating costs for the Agency exclude Transit, Winnipeg Police Service and Winnipeg Fire Paramedic Service, and are presented by municipal equipment category excluding off-road vehicles, as defined by OMBI on a per kilometre basis, with the following components:

- Fuel is determined based on litres consumed by City departments at 90% of Agency selling price.
- Repairs performed in-house by the Agency are determined based on labour hours at 60% of Agency shop labour rates, and parts at Agency cost.
- Vendor repairs are based on Agency cost.
- Odometer hours are converted to kilometres according to fleet classification, with a range from 18 kilometres per hour to 30 kilometres per hour.

Operating Costs for The Agency by Category (in dollars per kilometre)	**2008**	**2009**	**2010**	**2011**
Light vehicles	n/a	n/a	n/a	.28
Medium vehicles	n/a	n/a	n/a	.59
Heavy vehicles and specialty equipment	n/a	n/a	n/a	.88

Assumptions to the Projected Financial Statements and Notes

The projected financial statements include management's best estimates of future financial performance and incorporate the financial implications of the Agency's goals and strategies. The financial projections are estimates of the financial position, operations and accumulated surplus, cash flows, and net financial liabilities using management's assumptions that reflect the Agency's planned course of action for the three years ending December 31, 2015.

Management's judgment has been used in the assumptions, with the most probable set of economic conditions. Some assumptions inevitably will not materialize and unanticipated events and circumstances may occur subsequent to the date of this projection. Therefore, the actual results achieved during the projected period will vary from the projections, and the variations may be material.

The financial forecast and projections are based on actual 2011 results of operations with inflationary increases derived from Consumer Price Index (CPI), except where otherwise described in the notes to projected financial statements, or as noted in these assumptions.

The 2013 to 2015 Projected Financial Statements and Notes are presented in Appendix A – 1. The 2011 Auditors' Report and Financial Statements are presented in Appendix A – 3.

Revenue Assumptions

Fleet Leases:

- Fleet leases revenue includes both an operating and capital component, based on the Agency's fleet replacement plan as at April 1, 2012, with current unit types and quantities assigned to customers.
- Fleet leases operating revenue is determined based on actual repair history by type classification and usage level, with an annual inflation factor.
- Fleet leases operating revenue is increased by $173 thousand in 2012 and $345 thousand in 2013 and thereafter, for Water and Waste fleet maintenance consolidation.
- Fleet leases capital revenue reflects capital and financing costs, with lease terms and residual values based on lifecycle cost management principles.

Fuel Sales:

- Fuel sales are based on annual projected fuel cost, with a 10% margin.

Services and Parts Revenue:

- Insurance revenue is based on annual insurance expense with a 5% margin, net of a portion of insurance revenue allocated to rental income for internal rental service.
- Other revenue includes an increase of $585 thousand in 2011 resulting from a non-recurring refund received from Manitoba Public Insurance.

Gain on Sale of Tangible Capital Assets:

- The gain on sale of tangible capital assets is based on estimated auction sales.

Expense Assumptions

Amortization:

- Tangible capital assets are amortized on the basis of their cost less approximate residual value over their estimated useful lives using the following rates and methods:
    - Buildings at 4% to 8% straight-line
    - Fleet assets acquired at start-up, at 30% declining balance
    - Fleet assets purchased, at 1 to 15 years straight-line
    - Equipment at 3% to 30% straight-line
- Fleet asset amortization expense is based on the Agency's fleet replacement plan as at April 1, 2012.

Supplies:

- Parts expense is increased by $100 thousand in 2012, $200 thousand in 2013, and $300 thousand in 2014 and thereafter due to conversion of vendor repair service to in-house service.
- Parts expense is increased by $43 thousand in 2012 and $85 thousand in 2013 and thereafter due to the consolidation of the Water and Waste fleet maintenance operations.

Salaries and Employee Benefits:

- During 2012, the Agency's full-time equivalent (FTE) position complement was increased from 114 to 118 with the transfer of four mechanic positions due to the consolidation of the Water and Waste fleet maintenance operations.
- Salaries and benefits expense for 2013 is based on collective agreements for 118 FTE positions, and 7 temporary positions as follows:
    - 93 CUPE FTE
    - 23 WAPSO FTE
    - 1 CUPE exempt FTE
    - 1 WAPSO exempt FTE
    - 5 CUPE temporary
    - 2 WAPSO temporary
- Salaries and benefits expense for 2014 is based on 120 FTE positions, an increase of one CUPE mechanic FTE position and one CUPE storekeeper FTE position, and includes four CUPE temporary positions.
- Salaries and benefits expense for 2015 is based on 120 FTE positions and three CUPE temporary positions.
- Benefits including pension, group insurance, dental, vision, CPP and EI are based on 18% of salaries.

Services:

- Consulting and professional services expense is based on estimated project requirements.
- Allocated department costs include the following:
    - $75 thousand in 2012, $77 thousand in 2013, $78 thousand in 2014 and thereafter to Corporate Support Services for information services.
    - $94 thousand annually to Corporate Support Services for human resource services.
    - $662 thousand in 2012, plus CPI thereafter to Public Works for operator training service.
- External long-term lease costs are based on current long-term lease agreements.

- Maintenance costs are increased by $13 thousand in 2014 plus CPI thereafter for shop equipment, due to expansion at the East Yards facility.
- Vendor repairs expense is reduced by $300 thousand in 2012, $600 thousand in 2013, and $900 thousand in 2014 and thereafter, resulting from conversion of a portion of vendor repair service to in-house service.

Interest:

- Debt interest expense is based on current loan agreements for existing long-term debt, and estimated long-term borrowing rates for new term loans.
- Due to The City of Winnipeg – General Revenue Fund interest expense is based on estimated short-term borrowing rates.

Other:

- Transfer to Municipal Accommodations Fund includes $194 thousand annually for Waverley facility office and garage lease costs, based on information provided by Planning, Property and Development, and $5 thousand annually for call answer service.
- Fuel site upgrade costs and accretion expense are based on fuel site requirements, and are $nil for 2013 and thereafter, due to projected fuel site compliance.
- Miscellaneous expense includes the following:
    - An increase of $45 thousand in 2011 for black box reimbursement to external customers.
    - A decrease of $390 thousand in 2011 for realization of a reduction in environmental liability for the decommissioning of the Agency's fuel site.
    - An increase of $193 thousand in 2012, $275 thousand in 2013, and $400 thousand in 2014 and thereafter, representing all-inclusive lease and other costs for a 20,500 square foot repair facility located at The City's East Yards complex.
    - An increase of $400 thousand in 2014, and $800 thousand in 2015 and thereafter, representing all-inclusive lease and other costs for a 50,000 square foot head office, repair, and manufacturing facility, to be developed by Planning Property and Development, for the relocation of the Agency's Tecumseh facilities.
    - An increase of $180 thousand in 2014 and thereafter representing new facility contingency costs.
- Transfers to The City of Winnipeg – General Revenue Fund expense is determined based on information provided by Corporate Support Services, representing savings which may be realized by the Agency with the implementation of certain transactions. The below amounts will be transferred from the Agency to The City, however the transactions will not be executed by the Agency during the projection period, and realized savings to the Agency are estimated at $nil:
    - $14 thousand in 2012 and thereafter to Corporate Support Services, representing unrealized FTE reductions related to City server consolidation.
    - $8 thousand in 2012 and thereafter to Corporate Support Services representing unrealized information system procurement reductions related to City contract pricing.
    - $41 thousand in 2013 and thereafter to Corporate Support Services representing unrealized FTE reductions related to PeopleSoft timekeeping adaptation.

Liability Assumptions

Due to The City of Winnipeg – General Revenue Fund, and Debt:

- Due to The City of Winnipeg – General Revenue Fund represents the Agency's line of credit used to fund fleet acquisitions as bridge financing between the time when cash is needed and when term financing is arranged.
- Debt includes the following components:
    - Debt – term loans represent amounts payable to lenders of unsecured term loans, used by the Agency to finance light and heavy vehicle and specialty equipment acquisitions.
    - Debt – The City of Winnipeg represents amounts payable to The City, set aside for future City department radio communication equipment purchases.
- Total debt and due to The City of Winnipeg – General Revenue Fund as at December 31st is projected to be below the maximum level of $65,300 thousand established by the Agency's 2010 Business Plan, as follows:

Total Debt and Due to The City of Winnipeg – General Revenue Fund (in thousands of dollars)	**2012**	**2013**	**2014**	**2015**
Debt – term loans opening	48,478	47,073	43,269	47,912
Proceeds from term loans (Note 1)	9,000	6,700	15,500	9,400
Less repayment of term loans	(10,405)	(10,504)	(10,857)	(10,928)
Debt – term loans closing	47,073	43,269	47,912	46,384
Debt – The City of Winnipeg	178	178	178	178
Debt	47,251	43,447	48,090	46,562
Due to The City of Winnipeg – General Revenue Fund	6,693	15,493	9,405	15,323
Total debt and Due to The City of Winnipeg – General Revenue Fund	53,944	58,940	57,495	61,885
Maximum debt threshold – remaining	11,356	6,360	7,805	3,415
Maximum debt threshold – established	65,300	65,300	65,300	65,300

Note 1: Proceeds from term loans are estimated based on the prior year Due to The City of Winnipeg – General Revenue Fund balance (line of credit). 2012 proceeds from term loans were received by the Agency on April 10, 2012.

Other Liabilities:

- Asset retirement obligation is recognized for The City's underground fuel storage tanks used for fleet vehicles and equipment managed by the Agency, and is projected to be settled during 2012.
- Environmental liability is recognized for the Agency's underground used oil storage tank, and is projected to be settled during 2012.

Asset Assumptions

Tangible Capital Assets:

- Tangible capital asset acquisitions are presented below:

Tangible Capital Asset Acquisitions (in thousands of dollars)	2012	2013	2014	2015
Fleet assets	11,334	20,755	17,789	20,939
Building and other equipment	1,357	1,717	1,169	757
Total tangible capital asset acquisitions	12,691	22,472	18,958	21,696

- Fleet acquisitions are based on the Agency's fleet replacement plan as at April 1, 2012, and are subject to amendment by City departments and the Agency.
- Building and other equipment acquisitions are estimated based on operational requirements and include building and leasehold improvements, shop equipment, office equipment, computer, power tools, and fuel equipment.
- Projected 2013 fleet acquisitions by classification are as follows:

2013 Fleet Acquisitions (in thousands of dollars)	
Agricultural equipment	443
Attachments	170
Cargo vans	1,027
Heavy duty trucks	1,681
Industrial equipment	3,122
Light duty trucks	897
Medium duty trucks	3,783
Passenger vans	113
Sedans	1,441
Specialty and fire equipment	7,624
Sport utility vehicles	454
	20,755

- Tangible capital asset net book value is reduced by $2,900 thousand in 2014 for the projected sale of the Agency's Tecumseh property, with proceeds of sale estimated at equivalent to net book value, and $nil gain/loss on disposition.
- An Environmental Site Assessment will be conducted in advance of the disposition of the Tecumseh property, with remediation costs estimated at $nil.

Inventories:

- Parts inventory balance is decreased by 30% in 2013 for inventory management efficiencies.

Prepaid Expenses:

- Prepaid expenses are based on current agreements in 2012, plus CPI thereafter.

Other Assumptions

Accumulated Surplus:

- Accumulated surplus consists of the following:
    - Cumulative excess revenues over expenses.
    - Cumulative transfers from surplus to The City of Winnipeg – General Revenue Fund, representing dividends.
    - A transfer to surplus of $11,145 thousand from long-term debt due to The City of Winnipeg during 2008, representing contributed surplus.

Borrowing Authority:

- Long-term borrowing authority as at December 31st is projected as follows:

Borrowing Authority (in thousands of dollars)	**2012**	**2013**	**2014**	**2015**
Borrowing authority opening (Note 1)	19,100	17,300	21,900	17,200
Additional borrowing authority (Note 2)	7,200	11,300	10,800	10,900
Less proceeds from term loans (Note 3)	(9,000)	(6,700)	(15,500)	(9,400)
Borrowing authority closing	17,300	21,900	17,200	18,700
Less due to The City of Winnipeg – General Revenue Fund	(6,693)	(15,493)	(9,405)	(15,323)
Borrowing authority remaining (Note 4)	10,607	6,407	7,795	3,377

Note 1: 2012 opening borrowing authority is determined based on cumulative borrowing authority less cumulative term loan draws as at December 31, 2011.

Note 2: The Agency received Council approval for 2012 borrowing authority on March 21, 2012.

Note 3: 2012 proceeds from term loans were received by the Agency on April 10, 2012.

Note 4: Remaining borrowing authority is required for unpredictable fleet acquisitions and Green Fleet Plan flexibility, and is estimated for 2013 and forward based on remaining maximum debt threshold.

Debt/Worth:

- Debt/worth ratio is determined based on total liabilities divided by accumulated surplus, and is projected as at December 31st as follows:

Debt/Worth	2012	2013	2014	2015
Debt/Worth Ratio	2.6	2.6	2.3	2.4

Operational Statistics

Service Level Statistics

Service level statistics are reported by service category on an annual basis.

Service Category	2008	2009	2010	2011
Bid opportunities	84	53	80	106
Fleet acquisitions	252	183	229	262
Insurance, license and registrations	1,589	1,663	1,680	1,739
Repair transactions	43,147	49,487	45,045	40,789
Parts transactions	43,950	50,420	47,460	49,305
Repair labour hours	40,022	43,348	58,014	61,579
Fuel transactions	109,832	113,339	114,198	114,320
Fuel litres provided to The City (Note 1)	6,811,506	7,141,038	6,942,028	7,350,212
Fuel litres provided to other public organizations	586,685	567,193	645,497	687,613
Total fuel litres provided	7,398,191	7,708,231	7,587,525	8,037,825
Motor pool rental days	67,284	66,279	67,194	67,678
Fleet dispositions	148	148	139	108
Fleet units managed (Note 2)	1,668	1,703	1,793	1,947

Note 1: The increase in City fuel consumption during 2011 reflects department flood program requirements, and expansion of the Winnipeg Police Service fleet.

Note 2: The increase in fleet units managed during 2011 reflects expansion of the Winnipeg Police Service fleet, and conversion of a portion of external rentals to internal rentals and certain external long-term rentals to fleet leases.

Fleet Average Age by Category

Fleet average age is presented as at December 31st by light vehicles, and by heavy vehicles and specialty equipment combined.

Fleet Average Age (in years)	2008	2009	2010	2011
Light vehicles	3	4	3	3
Heavy vehicles and specialty equipment	6	6	6	7

Service Request

Service request rate is determined by unscheduled work order hours, divided by total work order hours including unscheduled hours and preventative maintenance hours.

Service Request	2008	2009	2010	2011
Service request rate	n/a	n/a	83%	81%

APPENDIX A – 1

PROJECTED FINANCIAL STATEMENTS AND NOTES 2013 TO 2015



2013 Projected Statements

THE CITY OF WINNIPEG
FLEET MANAGEMENT - SPECIAL OPERATING AGENCY

PROJECTED STATEMENT OF FINANCIAL POSITION

As at December 31
(in thousands of dollars)

	Actual 2011	Budget 2012	Forecast 2012	Variance 2012	**2013**	2014	2015
FINANCIAL ASSETS							
Accounts receivable	$ 121	$ 206	$ 122	$ (84)	$ **125**	$ 127	$ 130
LIABILITIES							
Due to The City of Winnipeg - General Revenue Fund (Note 3)	7,621	10,370	6,693	(3,677)	**15,493**	9,405	15,323
Accounts payable and accrued liabilities	1,067	1,322	1,142	(180)	**1,165**	1,189	1,213
Debt (Note 4)	48,830	48,303	47,251	(1,052)	**43,447**	48,090	46,562
Other liabilities	83	420	-	(420)	**-**	-	-
Accrued employee benefits (Note 5a)	1,359	1,395	1,400	5	**1,441**	1,484	1,529
	58,960	61,810	56,486	(5,324)	**61,546**	60,168	64,627
NET FINANCIAL LIABILITIES	(58,839)	(61,604)	(56,364)	5,240	**(61,421)**	(60,041)	(64,497)
NON-FINANCIAL ASSETS							
Tangible capital assets (Note 6)	77,056	80,728	75,890	(4,838)	**83,728**	84,050	89,841
Inventories	1,841	1,565	1,878	313	**1,277**	1,303	1,329
Prepaid expenses	636	478	439	(39)	**452**	461	470
	79,533	82,771	78,207	(4,564)	**85,457**	85,814	91,640
ACCUMULATED SURPLUS	$ 20,694	$ 21,167	$ 21,843	$ 676	$ **24,036**	$ 25,773	$ 27,143

See accompanying notes and schedules to the financial statements

THE CITY OF WINNIPEG
FLEET MANAGEMENT - SPECIAL OPERATING AGENCY

PROJECTED STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS

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

	Actual 2011	Budget 2012	Forecast 2012	Variance 2012	**2013**	2014	2015
REVENUES							
Fleet leases	$ 24,153	$ 26,990	$ 26,152	$ (838)	$ **28,403**	$ 30,052	$ 30,669
Fuel sales	8,734	7,089	8,971	1,882	**9,150**	9,333	9,520
Services and parts revenue (Schedule 1)	7,664	7,289	7,239	(50)	**7,389**	7,542	7,698
Rental income	2,539	2,857	2,589	(268)	**2,641**	2,694	2,748
Gain on sale of tangible capital assets	532	100	200	100	**100**	100	100
Total Revenues	43,622	44,325	45,151	826	**47,683**	49,721	50,735
EXPENSES							
Amortization	12,239	13,709	13,857	148	**14,634**	15,731	15,905
Supplies	10,516	9,777	10,860	1,083	**11,216**	11,535	11,758
Salaries and employee benefits	8,201	8,890	9,257	367	**9,747**	10,005	10,147
Services	6,976	7,514	6,980	(534)	**6,865**	6,691	6,836
Interest (Notes 3 and 4)	2,087	2,255	2,029	(226)	**2,046**	2,326	2,614
Other	236	906	1,019	113	**982**	1,696	2,105
Total Expenses	40,255	43,051	44,002	951	**45,490**	47,984	49,365
Excess Revenues Over Expenses	3,367	1,274	1,149	(125)	**2,193**	1,737	1,370
ACCUMULATED SURPLUS, BEGINNING OF YEAR	17,327	19,893	20,694	801	**21,843**	24,036	25,773
ACCUMULATED SURPLUS, END OF YEAR	$ 20,694	$ 21,167	$ 21,843	$ 676	$ **24,036**	$ 25,773	$ 27,143

See accompanying notes and schedules to the financial statements

THE CITY OF WINNIPEG
FLEET MANAGEMENT - SPECIAL OPERATING AGENCY

PROJECTED STATEMENT OF CASH FLOWS

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

	Actual 2011	Budget 2012	Forecast 2012	Variance 2012	**2013**	2014	2015
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:							
OPERATING							
Excess Revenues Over Expenses	$ 3,367	$ 1,274	$ 1,149	$ (125)	$ **2,193**	$ 1,737	$ 1,370
Non-cash charges to operations							
Amortization	12,239	13,709	13,857	148	**14,634**	15,731	15,905
Gain on sale of tangible capital assets	(532)	(100)	(200)	(100)	**(100)**	(100)	(100)
Retirement allowance and compensated absences	58	22	24	2	**23**	25	26
Writedown of environmental liability	(390)						
Accretion expense	4	-	4	4	**-**	-	-
	14,746	14,905	14,834	(71)	**16,750**	17,393	17,201
Net change in non-cash working capital related to operations	(114)	301	220	(81)	**626**	5	5
Cash provided by operating activities	14,632	15,206	15,054	(152)	**17,376**	17,398	17,206
CAPITAL							
Acquisition of tangible capital assets	(15,670)	(15,840)	(12,691)	3,149	**(22,472)**	(18,958)	(21,696)
Proceeds on disposal of tangible capital assets	875	100	200	100	**100**	3,005	100
Cash used in capital activities	(14,795)	(15,740)	(12,491)	3,249	**(22,372)**	(15,953)	(21,596)
FINANCING							
Change in due to The City of Winnipeg - General Revenue Fund	(1,171)	1,061	(984)	(2,045)	**8,800**	(6,088)	5,918
Proceeds from term loans	10,000	9,300	9,000	(300)	**6,700**	15,500	9,400
Repayment of term loans	(8,666)	(9,827)	(10,405)	(578)	**(10,504)**	(10,857)	(10,928)
Repayment of debt - The City of Winnipeg	-	-	(174)	(174)	**-**	-	-
Cash provided by financing activities	163	534	(2,563)	(3,097)	**4,996**	(1,445)	4,390
CASH, END OF YEAR	$ -	$ -	$ -	$ -	$ **-**	$ -	$ -

See accompanying notes and schedules to the financial statements

THE CITY OF WINNIPEG
FLEET MANAGEMENT - SPECIAL OPERATING AGENCY

PROJECTED STATEMENT OF CHANGE IN NET FINANCIAL LIABILITIES

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

	Actual 2011	Budget 2012	Forecast 2012	Variance 2011	**2013**	2014	2015
EXCESS REVENUES OVER EXPENSES	$ 3,367	$ 1,274	$ 1,149	$ (125)	$ **2,193**	$ 1,737	$ 1,370
Amortization of tangible capital assets	12,239	13,709	13,857	148	**14,634**	15,731	15,905
Proceeds on disposal of tangible capital assets	875	100	200	100	**100**	3,005	100
Gain on sale of tangible capital assets	(532)	(100)	(200)	(100)	**(100)**	(100)	(100)
Change in inventories and prepaid expenses	(22)	261	160	(101)	**588**	(35)	(35)
Acquisition of tangible capital assets	(15,670)	(15,840)	(12,691)	3,149	**(22,472)**	(18,958)	(21,696)
(DECREASE) INCREASE IN NET FINANCIAL LIABILITIES	257	(596)	2,475	3,071	**(5,057)**	1,380	(4,456)
NET FINANCIAL LIABILITIES, BEGINNING OF YEAR	(59,096)	(61,008)	(58,839)	2,169	**(56,364)**	(61,421)	(60,041)
NET FINANCIAL LIABILITIES, END OF YEAR	$ (58,839)	$ (61,604)	$ (56,364)	$ 5,240	$ **(61,421)**	$ (60,041)	$ (64,497)

See accompanying notes and schedules to the financial statements

THE CITY OF WINNIPEG
FLEET MANAGEMENT - SPECIAL OPERATING AGENCY

NOTES TO THE PROJECTED FINANCIAL STATEMENTS

For the three years ending December 31, 2015
(all tabular amounts are in thousands of dollars, unless otherwise noted)

1. Status of the Winnipeg Fleet Management Agency

On May 28, 2003, City 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 effective January 1, 2003.

The Agency provides 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 organizations in support of their service delivery.

2. Significant Accounting Policies

The financial statements have been prepared by management in accordance with Canadian public sector accounting standards. The significant accounting policies are summarized as follows:

a) Basis of accounting

The financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting records revenue as it is earned and measurable. Expenses are recognized as they are incurred and measurable based upon receipt of goods or services and/or the creation of a legal obligation to pay.

b) Non-financial assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations. The change in non-financial assets during the year, together with the excess of revenues over expenses, provides the change in net financial liabilities for the year.

i) Tangible capital assets

Tangible capital assets, other than land and buildings, transferred from The City of Winnipeg on January 1, 2003 are recorded at their estimated fair value on that date. Subsequent acquisitions are recorded at cost which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. Land and buildings are stated at fair value as of January 1, 2003, which was determined by The City of Winnipeg Assessment and Taxation Department.

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

Buildings	4% to 8%	Straight-line
Fleet assets		
Acquired at start-up	30%	Declining balance
Purchased	1 to 15 years	Straight-line
Equipment	3% to 30%	Straight-line

Amortization begins once an asset is placed into service.

2. *Significant Accounting Policies (continued)*

ii) Inventories

Inventories held for consumption are recorded at the lower of cost and net realizable value.

c) 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.

d) Government transfers

Government transfers are the transfer of assets from the senior levels of government that are not the result of an exchange transaction, are not expected to be repaid in the future or are the result of a direct financial return.

Government transfers are recognized in the financial statements as revenue in the financial period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met including performance and return requirements, and reasonable estimates of the amounts can be determined.

e) Employee benefit plan

The Winnipeg Civic Employees' Benefits Program is a multi-employer contributory defined benefit program and accordingly contributions are expensed as incurred. The costs of other retirement benefits have been accounted for based on actuarially determined amounts using the projected benefits method prorated on services and management's best estimate of retirement ages of employees, salary escalation and plan investment performance. Actuarial gains and losses are amortized on a straight-line basis over the average remaining service period. The liabilities are discounted using current interest rates on long-term bonds.

f) Use of estimates

The preparation of financial statements in conformity with Canadian public sector accounting principles requires management to make estimates and assumptions. These estimates and assumptions are based on the Agency's best information and judgment and may differ significantly from actual results.

3. Due to/from The 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 of Winnipeg's average short-term cost of funds, which is a function of the Bank of Canada rate. As well, the Agency has negotiated an operating line of credit up to $300 thousand and a line of credit for short-term financing from The City of Winnipeg.

Funds were advanced during the year as short-term bridge financing between the time when cash is needed and term financing is arranged for capital acquisition.

4. Debt

	Forecast 2012	**2013**	2014	2015
Term loans	$ 47,073	**$ 43,269**	$ 47,912	$ 46,384
The City of Winnipeg, non-interest bearing, no repayment schedule	178	**178**	178	178
	$ 47,251	**$ 43,447**	$ 48,090	$ 46,562

5. *Accrued Employee Benefits*

a) Retirement allowance, vacation and compensated absences

	Forecast 2012	**2013**	2014	2015
Retirement allowance and compensated absences	$ 805	**$ 828**	$ 853	$ 879
Vacation	595	**613**	631	650
	$ 1,400	**$ 1,441**	$ 1,484	$ 1,529

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). In addition, adjustment arising from plan amendment, changes in assumptions, and experience gains and losses are amortized on a straight-line basis over 11.6 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.

Compensated absences represent benefits expected to be paid during future employee absences in respect of sick leave days earned in previous years.

Demographic assumptions such as utilization of sick leave credits, salary increases as a result of increments and promotion, continuation of employment and the probability of retirement or death in future years are based on employment experience.

b) Pension

The Agency's employees are eligible for pensions under the Winnipeg Civic Employees' Benefits Program. The Plan is a defined benefit plan.

6. *Tangible Capital Assets*

	Net Book Value			
	Forecast 2012	**2013**	2014	2015
Land	**$** 390	**$ 390**	$ -	$ -
Buildings	2,654	**2,558**	-	-
Fleet assets	68,533	**75,481**	78,307	84,094
Equipment	4,313	**5,299**	5,743	5,747
	$ 75,890	**$ 83,728**	$ 84,050	$ 89,841

7. *Related Party Transactions*

The Agency is wholly owned by The City of Winnipeg. Transactions between the Agency and The City of Winnipeg are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

In addition to those disclosed elsewhere in the financial statements, the related party transactions that occurred are as follows:

	Forecast 2012	**2013**	2014	2015
a) Sales of goods and services to The City of Winnipeg	$ 43,160	$ **45,756**	$ 47,757	$ 48,734
b) Municipal Accommodations Fund				
Planning Property and Development				
Rental of office and garage space	191	**194**	194	194
Call answer service	5	**5**	5	5
c) General Revenue Fund				
Public Works Department				
Operator training service	662	**675**	689	703
Corporate Support Services				
Business technology service	75	**77**	78	78
Human resource service	94	**94**	94	94
Information system unrealized FTE reductions	14	**14**	14	14
Information system unrealized procurement reductions	8	**8**	8	8
Timekeeping unrealized FTE reductions	-	**41**	41	41

THE CITY OF WINNIPEG
FLEET MANAGEMENT - SPECIAL OPERATING AGENCY

SCHEDULE 1 - PROJECTED SCHEDULE OF SERVICES AND PARTS REVENUE

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

	Actual 2011	Budget 2012	Forecast 2012	Variance 2012	**2013**	2014	2015
Consumables and corrective maintenance	$ 3,564	$ 3,856	$ 3,635	$ (221)	$ **3,708**	$ 3,782	$ 3,858
Insurance revenue	1,755	1,746	1,797	51	**1,838**	1,880	1,923
Power tools	728	742	742	-	**757**	772	787
Autopac rebate	381	452	389	(63)	**397**	405	413
Manufacturing sales	299	169	305	136	**311**	318	324
Other	789	168	219	51	**224**	228	233
Provincial support grant	148	156	152	(4)	**154**	157	160
	$ 7,664	$ 7,289	$ 7,239	$ (50)	$ **7,389**	$ 7,542	$ 7,698

APPENDIX A – 2

OPERATING CHARTER REVISION

CURRENT OPERATING CHARTER Section 3: ACCOUNTABILITY FRAMEWORK	RECOMMENDED OPERATING CHARTER Section 3: ACCOUNTABILITY FRAMEWORK
3.10 Advisory Board The role of the Advisory Board is to provide broad advice of the Agency's strategic operations and on changes to its mandate, structure, business practices, and finances. The Advisory Board reviews and approves the Agency's proposed plans, quarterly and annual reports, and charter revisions. A City representative appointed by the CAO chairs the Advisory Board. Other than the Corporate ASD representative and the ex officio member (Chief Operating Officer), members are appointed for a two- year renewable term. Board members may be selected from various stakeholder groups approved by Council (see Appendix II). Council is advised annually of current Board members through the annual Selection Report process. The chairperson is responsible for calling meetings, setting agendas, directing meetings, seeking advice from members. Other external resources or Agency staff may be invited to attend meetings at the request of the chairperson. The composition of the Board may change over time as needs or circumstances warrant. All persons appointed to the Board shall be required to file a declaration under any existing conflict of interest policy adopted by the City of Winnipeg. The Board shall meet at least quarterly or at the call of the chairperson.	**3.10 Department Representatives** The role of Department Representatives is to facilitate communication between the department and the Agency on matters involving fleet acquisition, repair, maintenance, fuel, safety, training, disposal, and other fleet operational issues. The Agency and Department Representatives will meet regularly, and recommendations will be communicated to Department Heads through their Representatives. Recommendations involving all City Departments will be presented to Senior Management by the Agency's Chief Operating Officer.

APPENDIX A – 3

2011 AUDITORS' REPORT AND FINANCIAL STATEMENTS



2011 Auditors'
Report & Statements

Financial Statements of

THE CITY OF WINNIPEG - FLEET MANAGEMENT - SPECIAL OPERATING AGENCY

Year ended December 31, 2011

KPMG LLP
Chartered Accountants
Suite 2000 – One Lombard Place
Winnipeg MB R3B 0X3
Canada

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Fax (204) 957-0808
Internet www.kpmg.ca

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of The City of Winnipeg - Fleet Management - Special Operating Agency, which comprise the statement of financial position as at December 31, 2011 and the statements of operations and accumulated surplus, cash flows and change in net financial assets (liabilities) for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 comply with ethical requirements and plan and perform an audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

KPMG LLP, is a Canadian limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.
KPMG Canada provides services to KPMG LLP

THE CITY OF WINNIPEG
FLEET MANAGEMENT - SPECIAL OPERATING AGENCY

STATEMENT OF FINANCIAL POSITION

As at December 31
(in thousands of dollars)

	2011	2010
FINANCIAL ASSETS		
Accounts receivable	**$ 121**	$ 198
LIABILITIES		
Due to The City of Winnipeg - General Revenue Fund (Note 3)	**7,621**	8,792
Accounts payable and accrued liabilities	**1,067**	1,169
Debt (Note 4)	**48,830**	47,496
Other liabilities (Note 5)	**83**	522
Accrued employee benefits (Note 6a)	**1,359**	1,315
	58,960	59,294
NET FINANCIAL LIABILITIES	**(58,839)**	(59,096)
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 7)	**77,056**	73,968
Inventories	**1,841**	1,799
Prepaid expenses	**636**	656
	79,533	76,423
ACCUMULATED SURPLUS	**$ 20,694**	$ 17,327

Commitments (Note 8)

See accompanying notes and schedules to the financial statements

THE CITY OF WINNIPEG
FLEET MANAGEMENT - SPECIAL OPERATING AGENCY

STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS

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

	Budget 2011 (Unaudited)	Actual 2011	Actual 2010
REVENUES			
Fleet leases	**$ 26,015**	**$ 24,153**	$ 23,435
Fuel sales	**6,403**	**8,734**	6,964
Services and parts revenue (Schedule 1)	**7,647**	**7,664**	7,281
Rental income	**2,884**	**2,539**	2,746
Gain on sale of tangible capital assets	**100**	**532**	145
Total Revenues	**43,049**	**43,622**	40,571
EXPENSES			
Amortization	**12,174**	**12,239**	10,943
Supplies	**8,780**	**10,516**	9,344
Salaries and employee benefits	**8,258**	**8,201**	8,074
Services	**9,171**	**6,976**	7,761
Interest (Notes 3 and 4)	**2,502**	**2,087**	2,137
Other	**961**	**236**	689
Total Expenses	**41,846**	**40,255**	38,948
Excess Revenues Over Expenses	**$ 1,203**	**3,367**	1,623
ACCUMULATED SURPLUS, BEGINNING OF YEAR		**17,327**	15,704
ACCUMULATED SURPLUS, END OF YEAR		**$ 20,694**	$ 17,327

See accompanying notes and schedules 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)

	2011	2010
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Excess Revenues Over Expenses	**$ 3,367**	$ 1,623
Non-cash charges to operations		
Amortization	**12,239**	10,943
Gain on sale of tangible capital assets	**(532)**	(145)
Retirement allowance and compensated absences	**58**	33
Write down of environmental liability	**(390)**	-
Accretion expense	**4**	8
	14,746	12,462
Net change in non-cash working capital related to operations	**(114)**	(1,146)
Cash provided by operating activities	**14,632**	11,316
CAPITAL		
Acquisition of tangible capital assets	**(15,670)**	(15,742)
Proceeds on disposal of tangible capital assets	**875**	941
Cash used in capital activities	**(14,795)**	(14,801)
FINANCING		
Change in due to The City of Winnipeg - General Revenue Fund	**(1,171)**	10,616
Proceeds from term loans	**10,000**	-
Repayment of term loans	**(8,666)**	(7,108)
Repayment of debt - The City of Winnipeg	**-**	(23)
Cash provided by financing activities	**163**	3,485
CASH, END OF YEAR	**$ -**	$ -

See accompanying notes and schedules to the financial statements

THE CITY OF WINNIPEG
FLEET MANAGEMENT - SPECIAL OPERATING AGENCY

STATEMENT OF CHANGE IN NET FINANCIAL LIABILITIES

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

	Budget 2011 (Unaudited)	Actual 2011	Actual 2010
EXCESS REVENUES OVER EXPENSES	**$ 1,203**	**$ 3,367**	$ 1,623
Amortization of tangible capital assets	**12,174**	**12,239**	10,943
Proceeds on disposal of tangible capital assets	**100**	**875**	941
Gain on sale of tangible capital assets	**(100)**	**(532)**	(145)
Change in inventories and prepaid expenses	**(258)**	**(22)**	124
Acquisition of tangible capital assets	**(15,309)**	**(15,670)**	(15,742)
INCREASE (DECREASE) IN NET FINANCIAL LIABILITIES	**(2,190)**	**257**	(2,256)
NET FINANCIAL LIABILITIES, BEGINNING OF YEAR	**(65,528)**	**(59,096)**	(56,840)
NET FINANCIAL LIABILITIES, END OF YEAR	**$ (67,718)**	**$ (58,839)**	$ (59,096)

See accompanying notes and schedules to the financial statements

THE CITY OF WINNIPEG
FLEET MANAGEMENT - SPECIAL OPERATING AGENCY

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2011
(all tabular amounts are in thousands of dollars, unless otherwise noted)

1. *Status of the Winnipeg Fleet Management Agency*

On May 28, 2003, City Council adopted the Winnipeg 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 effective January 1, 2003.

The Agency provides economical, state-of-the-art, safe and eco-friendly fleet vehicle, equipment and other asset management services to The City of Winnipeg and other pubic organizations, in support of their service delivery.

2. *Significant Accounting Policies*

The financial statements have been prepared by management in accordance with Canadian public sector accounting standards. The significant accounting policies are summarized as follows:

a) Basis of accounting

The financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting records revenue as it is earned and measurable. Expenses are recognized as they are incurred and measurable based upon receipt of goods or services and/or the creation of a legal obligation to pay.

b) Non-financial assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations. The change in non-financial assets during the year, together with the excess of revenues over expenses, provides the change in net financial liabilities for the year.

i) Tangible capital assets

Tangible capital assets, other than land and buildings, transferred from The City of Winnipeg on January 1, 2003 are recorded at their estimated fair value on that date. Subsequent acquisitions are recorded at cost which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. Land and buildings are stated at fair value as of January 1, 2003, which was determined by The City of Winnipeg Assessment and Taxation Department.

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

Buildings	4% to 8%	Straight-line
Fleet assets		
Acquired at start-up	30%	Declining balance
Purchased	1 to 15 years	Straight-line
Equipment	3% to 30%	Straight-line

Amortization begins once an asset is placed into service.

2. *Significant Accounting Policies (continued)*

ii) Inventories

Inventories held for consumption are recorded at the lower of cost and net realizable value.

c) 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.

d) Government transfers

Government transfers are the transfer of assets from the senior levels of government that are not the result of an exchange transaction, are not expected to be repaid in the future or are the result of a direct financial return.

Government transfers are recognized in the financial statements as revenue in the financial period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met including performance and return requirements, and reasonable estimates of the amounts can be determined.

e) Employee benefit plan

The Winnipeg Civic Employees' Benefits Program is a multi-employer contributory defined benefit program and accordingly contributions are expensed as incurred. The costs of other retirement benefits have been accounted for based on actuarially determined amounts using the projected benefits method prorated on services and management's best estimate of retirement ages of employees, salary escalation and plan investment performance. Actuarial gains and losses are amortized on a straight-line basis over the average remaining service period. The liabilities are discounted using current interest rates on long-term bonds.

f) Estimates

The preparation of financial statements in conformity with Canadian public sector accounting principles requires management to make estimates and assumptions. These estimates and assumptions are based on the Agency's best information and judgment and may differ significantly from actual results.

3. *Due to The 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" account when they are processed through the bank. Interest is credited or charged based on The City of Winnipeg's average short-term cost of funds, which is a function of the Bank of Canada rate. The December 31, 2011 effective interest rate was 0.9% (2010 - 0.9%). As well, the Agency has negotiated an operating line of credit up to $300 thousand and a line of credit for short-term financing from The City of Winnipeg.

Funds were advanced during the year as short-term bridge financing between the time when cash is needed and term financing is arranged for capital acquisitions.

Interest paid to The City of Winnipeg - General Revenue Fund was $71 thousand (2010 - $31 thousand).

4. *Debt*

Lender	Maturity Date	Interest Rate	2011	2010
Royal Bank of Canada (Note 4b)	2012 - 2019	4.53% - 5.20%	**$ 17,476**	$ 20,803
The Toronto-Dominion Bank (Note 4b)	2012 - 2019	2.61% - 4.14%	**31,002**	26,341
			48,478	47,144
The City of Winnipeg - non-interest bearing, no repayment schedule (Note 9e)			**352**	352
			$ 48,830	$ 47,496

a) Principal repayments due within the next five years and thereafter are as follows:

2012	$ 9,783
2013	8,724
2014	8,065
2015	7,169
2016	5,481
Thereafter	9,608
	$ 48,830

b) The Agency has credit facilities by way of series of unsecured term loans. The term loans bear a fixed rate of interest quoted by the bank at the time of each borrowing. As at December 31, 2011, $48,478 thousand (2010 - $47,144 thousand) was outstanding under these facilities. The effective interest rate at December 31, 2011 was 4.2% (2010 - 3.3%).

c) Cash paid for interest during the year is $2,081 thousand (2010 - $2,152 thousand).

5. *Other Liabilities*

	2011	2010
Environmental liability	**$ 30**	$ 420
Other liabilities	**53**	102
	$ 83	$ 522

The Agency has estimated an environmental liability for its property containing one underground waste oil storage tank. During the year, the Agency decommissioned its fuel site containing six underground oil petroleum storage tanks. The environmental liability associated with the decommissioned fuel site property is $nil and an amount of $390 thousand realized from the reduction of the liability was recognized during the year.

Other liabilities have been recognized for the decommissioning of the Agency's petroleum storage tank systems. The Agency estimated the amount to settle the other liabilities which will be incurred prior to June 20, 2012 for decommissioning two petroleum tank systems. The estimates are based on a third-party engineering firm valuation. Funds have not been set aside to settle the other liabilities.

6. *Accrued Employee Benefits*

a) Retirement allowance, vacation and compensated absences

	2011	2010
Retirement allowance - accrued liability	**$ 670**	$ 625
Vacation	**578**	592
Compensated absences	**111**	98
	$ 1,359	$ 1,315

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). In addition, adjustments arising from plan amendment, changes in assumptions, and experience gains and losses are amortized on a straight-line basis over 11.6 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. An actuarial valuation report of the obligation was prepared effective December 31, 2011.

Compensated absences represent benefits expected to be paid during future employee absences in respect of sick leave days earned in previous years.

Information about the Agency's retirement allowance benefit plan and compensated absences are as follows:

	2011		2010	
	Retirement allowance	**Compensated absences**	Retirement allowance	Compensated absences
Accrued benefit obligation:				
Balance, beginning of year	**$ 668**	**$ 94**	$ 618	$ 89
Current service cost	**35**	**205**	32	-
Interest cost	**26**	**4**	27	4
Benefit payments	**(20)**	**(196)**	(32)	-
Amortization of net actuarial loss	**155**	**109**	23	1
Balance, end of year	**864**	**216**	668	94
Unamortized net actuarial (loss)/gain	**(194)**	**(105)**	(43)	4
Accrued benefit liability	**$ 670**	**$ 111**	$ 625	$ 98
Benefit expense consists of the following:				
Current service cost	**$ 35**	**$ 205**	$ 32	$ -
Interest cost	**26**	**4**	27	4
Amortization of net actuarial loss	**4**	**-**	2	-
	$ 65	**$ 209**	$ 61	$ 4
Reconciliation of accrued benefit liability:				
Balance, beginning of year	**$ 625**	**$ 98**	$ 596	$ 94
Benefits expense	**65**	**209**	61	4
Benefits payments	**(20)**	**(196)**	(32)	-
Balance, end of year	**$ 670**	**$ 111**	$ 625	$ 98

6. *Employee Benefits (continued)*

The significant actuarial assumptions adopted in measuring the retirement allowance and compensated absences obligations for the year ended December 31 are as follows:

	2011	2010
Valuation interest rate	**3.6%**	3.9%
General increases in pay	**3.5%**	3.0%

Demographic assumptions such as utilization of sick leave credits, salary increases as a result of increments and promotion, continuation of employment and the probability of retirement or death in future years are based on employment experience.

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, $558 thousand (2010 - $560 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, 2010 and it has an actuarial surplus.

7. *Tangible Capital Assets*

	Net Book Value	
	2011	2010
Land	**$ 390**	$ 390
Buildings	**2,708**	2,727
Fleet assets	**70,360**	67,936
Equipment	**3,598**	2,915
	$ 77,056	$ 73,968

For additional information, see the Schedule of Tangible Capital Assets (Schedule 2).

The net book value of fleet assets not yet in service is $4,163 thousand (2010 - $3,593 thousand), and equipment not yet in service is $19 thousand (2010 - $9 thousand).

Fleet assets written off during the year is $nil (2010 - $129 thousand). Interest capitalized during 2011 is $nil (2010 - $nil).

8. *Commitments*

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

	Operating Leases
2012	$ 191
2013	191
2014	191
	$ 573

9. *Related Party Transactions*

The Agency is wholly owned by The City of Winnipeg. Transactions between the Agency and The City of Winnipeg are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

In addition to those disclosed elsewhere in the financial statements, the related party transactions that occurred are as follows:

a) Revenues include sales of goods and services of $40,970 thousand (2010 - $38,716 thousand) to The City of Winnipeg.

b) An amount of $804 thousand (2010 - $811 thousand) has been transferred to the General Revenue Fund for operator training and miscellaneous services.

c) An amount of $274 thousand (2010 - $190 thousand) has been transferred to the Municipal Accommodations Fund for the rental of office and garage space, and miscellaneous services.

d) An amount of $4 thousand (2010 - $nil) has been transferred to the Parking Services Agency for miscellaneous services.

e) Transfer to the General Revenue Fund for repayment of The City of Winnipeg debt is $nil (2010 - $23 thousand).

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)

	Budget 2011 (Unaudited)	Actual 2011	Actual 2010
Consumables and corrective maintenance	**$ 4,134**	**$ 3,564**	$ 3,705
Insurance revenue	**1,552**	**1,755**	1,693
Other	**221**	**789**	303
Power tools	**727**	**727**	670
Autopac rebate	**423**	**381**	435
Manufacturing sales	**442**	**300**	325
Provincial support grant	**148**	**148**	150
	$ 7,647	**$ 7,664**	$ 7,281