Minutes – Executive Policy Committee – January 21, 2015

Report – Alternate Service Delivery Committee – January 19, 2015

Item No. 1 Winnipeg Fleet Management SOA – 2015 Business Plan

EXECUTIVE POLICY COMMITTEE RECOMMENDATION:

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

1. That the 2015 Business Plan for Winnipeg Fleet Management – Special Operating Agency including the 2015 budget be approved, and the 2016 and 2017 financial projections, as outlined in Appendix A, be received as information.

2. That annual long-term borrowing authority of up to $11.3 million in 2015 be approved in accordance with subsection 215 (4) of The City of Winnipeg Charter with respect to Special Service Units, and the Winnipeg Fleet Management – Special Operating Agency be authorized to finance a portion of its operations through external sources, for the purpose of acquiring fleet assets, including from the City's bank, or from any other persons or corporations, including The City of Winnipeg Sinking Fund Trustees.

3. That one full-time equivalent (FTE) position, supervisor major repair facility, as an addition to the Winnipeg Fleet Management Agency's permanent establishment, be approved.

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

Minutes – Executive Policy Committee – January 21, 2015

Report – Alternate Service Delivery Committee – January 19, 2015

DECISION MAKING HISTORY:

Moved by Councillor Browaty,

That Rule 10(3) of The Procedure By-law No. 50/2007 be suspended in order that the following item, which was received less than 96 hours preceding the committee meeting, be considered by Committee.

Carried

Moved by Councillor Browaty,

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

Carried

COMMITTEE RECOMMENDATION:

On January 19, 2015, 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 – Special Operating Agency – 2015 Business Plan**

Critical Path: **Alternate Service Delivery Committee – Executive Policy Committee – Council**

AUTHORIZATION

Author	Department Head	CFO	CAO
Cheryl Turman, CA	Dennis Konowich, COO	M. Ruta	D. Joshi

RECOMMENDATIONS

1. That the 2015 Business Plan for Winnipeg Fleet Management – Special Operating Agency including the 2015 budget be approved and the 2016 and 2017 financial projections be received as information, as outlined in Appendix A.
2. That annual long-term borrowing authority of up to $11.3 million in 2015 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 Winnipeg Fleet Management – Special Operating Agency to finance a portion of its operations through external sources, for the purpose of acquiring fleet assets, including from The City's bank, or from any other persons or corporations, including The City of Winnipeg Sinking Fund Trustees.
3. That one full-time equivalent (FTE) position, supervisor major repair facility, be approved as an addition to the Winnipeg Fleet Management Agency's permanent establishment.
4. That the Proper Officers of The City be authorized to do all things necessary to implement the foregoing, including the execution of any documents related thereto.

REASON FOR THE REPORT

A Business Plan is presented to Council, in accordance with the Winnipeg Fleet Management Agency Operating Charter.

IMPLICATIONS OF THE RECOMMENDATIONS

A fully integrated Automatic Vehicle Location System will be acquired by the Winnipeg Fleet Management Agency during 2015, in collaboration with the Public Works Department, Corporate Support Services Department, Water and Waste Department, and Winnipeg Fire Paramedic Service Department.

During 2014, Winnipeg Fleet Management Agency will transfer $1.75 million to The City of Winnipeg – General Revenue Fund representing a dividend, in accordance with the Agency's 2014 Adopted Business Plan and budget, and an additional $.092 million, consistent with The City of Winnipeg 2014 – 2016 Adopted Operating Budget.

During 2015, Winnipeg Fleet Management Agency will transfer $.092 million to The City of Winnipeg – General Revenue Fund, representing a dividend, consistent with The City of Winnipeg 2014 – 2016 Adopted Operating Budget.

With additional capacity available through the recently constructed Repair Facility located at The City of Winnipeg East Yards Complex, Winnipeg Fleet Management Agency will continue to convert a portion of vendor repair service to in-house repair service.

Consistent with the Winnipeg Fleet Management Agency 2014 Adopted Business Plan and budget, transfers to The City where the Agency does not receive goods or services from The City directly in return will cease beginning in 2017, as transactions of this nature are dividends in substance, and dividends are to be distributed in accordance with the Agency's Operating Charter.

Winnipeg Fleet Management Agency will consolidate the railway fleet, owned by the Water and Waste Department, and maintained by the Agency since October 2012, with the Agency's current vehicle and equipment fleet.

Winnipeg Fleet Management Agency will increase its permanent establishment by one FTE position, for a supervisor major repair facility, to integrate the supervision and management of the Winnipeg Fire Paramedic Service's heavy vehicle and specialty equipment repair and maintenance facility, in alignment with the Agency's Operating Charter mandate.

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. The report was presented in June 2000 and it recommended that the Equipment and Material Services Division 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 the Equipment and Material Services Division to a Special Operating Agency. Further, Council approved that the Business Plan and Operating Charter be premised on the following principles:

- The Special Operating Agency maintain the existing dedicated customer base for a period of three years;
- The Special Operating Agency assume ownership of the fleet of its current customers;
- The Special Operating Agency have the authority to access the Equipment Replacement Reserve as a financing source for the replacement of equipment; and
- The Special Operating Agency has 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: December 19, 2014

Project Name:

Winnipeg Fleet Management - Special Operating Agency - 2015 Business Plan

First Year of Program: 2015

	2015	2016	2017	2018	2019
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: 2015 to 2017 projected financial statements and notes are presented in Appendix A - 1.

Cheryl Turman, CA

Controller
Winnipeg Fleet Management Agency

CONSULTATION

In preparing this report there was consultation with:

- Assessment and Taxation Department
- Community Services Department
- Corporate Finance Department
- Corporate Support Services Department
- Planning, Property and Development Department
- Public Works Department
- Water and Waste Department
- Winnipeg Fire Paramedic Service Department
- Winnipeg Parking Authority – Special Operating Agency
- Winnipeg Police Service Department

SUBMITTED BY

Department: Winnipeg Fleet Management Agency
Division
Prepared by: Cheryl Turman, CA
Date: December 19, 2014
File No.

APPENDIX A

THE CITY OF WINNIPEG

FLEET MANAGEMENT – SPECIAL OPERATING AGENCY

BUSINESS PLAN

2015

STRATEGIC OVERVIEW

Winnipeg Fleet Management Agency was established in 2003 as a Special Operating Agency, a Special Service Unit of The City of Winnipeg, delivering services and operating within The City's organization.

The Special Operating Agency 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, and Annual Report, places emphasis on managing for results, bottom-line accountability, 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 Canada.

VALUES

1. Accountability
2. Commitment to excellence
3. Fairness
4. Respect
5. Trust

GUIDING PRINCIPLES

1. Quality service to The City of Winnipeg
2. Safety for employees and customers
3. Financial accountability and sustainability

MANDATE

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

SERVICE GOALS

1. ***Provide planned, and unscheduled, fleet vehicles and equipment to City departments, meeting operational performance, environmental, and safety requirements.***

   Strategies:
   - Review the optimal replacement point for vehicle and equipment leases through life cycle costing principles.
   - Recommend vehicle and equipment types, and opportunities for fleet sharing based on City department program requirements, and document contradictory results.
   - Continue development of a comprehensive fleet replacement planning and billing information system, in collaboration with the Corporate Support Services Department.
   - Expand vehicle and equipment trial and testing to include hybrid, electric, flex fuel, imports, and a three-year sidewalk equipment trial, and evaluate cost-effectiveness and operational suitability with City departments.
   - Provide fleet life cycle analysis and recommendations to assist City departments, through meetings and communication with the addition of a Customer Service Representative.
   - Apply green fleet procurement initiatives including hybrid, electric, and flex fuel to 20 percent of annual light vehicle acquisitions, and implement weighted criteria in fleet bid opportunities, incorporating fuel efficiency and life cycle costs, together with the Corporate Finance Department.

2. ***Maintain Fleet Service Centres to support The City's geographically dispersed and varying fleet, providing superior customer service, reliability and safety.***

   Strategies:
   - Continue to review repair and maintenance service types for outsourcing, and convert a portion of vendor repairs to in-house repairs, with additional capacity available through the recently constructed Repair Facility at The City of Winnipeg East Yards Complex.
   - Continue ongoing assessment of staffing levels and positions within the Agency, in consultation with the Corporate Support Services Department.
   - Enhance repair service through the implementation of facility improvement initiatives and partnering arrangements for developing a pool of licensed mechanics, in conjunction with the Corporate Support Services Department.
   - Establish a comprehensive repair service billing information system, in collaboration with the Corporate Support Services Department.
   - Monitor compliance with the Workplace Safety and Health Act and associated regulations, and The City of Winnipeg Vehicle Safety Program concerning accident and damage repair occurrences.
   - Provide management and supervision for the Winnipeg Fire Paramedic Service's heavy vehicle and specialty equipment repair and maintenance facility, to optimize efficient and effective fleet management for the Heavy Fire fleet and provide for alignment with Winnipeg Fleet Management Agency's Operating Charter mandate which is to provide fleet management services to civic departments.

3. ***Manage The City's fuel distribution system on a day-to-day and emergency basis, providing a safe, dependable and convenient fuel supply.***

   Strategies:
   - Manage compliance with existing safety regulations for fuel site operations.
   - Establish a comprehensive fuel service billing information system, in collaboration with the Corporate Support Services Department.
   - Assess fuel site locations, and consider the potential for construction of a new fuel site at The City of Winnipeg East Yards Complex at 960 Thomas Avenue.
   - Consult with the Corporate Finance Department to secure contracts for fuel supply during states of emergency.
   - Consider implementation of a fully integrated Automatic Vehicle Location System to monitor City departments' idling and fuel efficiency, in conjunction with the Public Works Department, Corporate Support Services Department, Water and Waste Department, and Winnipeg Fire Paramedic Service Department.

POLICY DIRECTION

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

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

SERVICES

The Agency delivers the following comprehensive fleet management services to City of Winnipeg departments:

1. Specification, inspection and contract administration
2. Insurance, licensing and registration
3. Manufacturing and fabrication
4. Seasonal and short term rentals
5. Surplus sales and disposal
6. Fleet supply with maintenance lease
7. Fuel
8. Repair and maintenance
9. Operator training and accident reporting; funded by the Agency, outsourced to and independently managed by the Public Works Department

Certain fleet management services are not provided to the Winnipeg Police Service Department's fleet, and the Winnipeg Fire Paramedic Service Department's heavy fire apparatus fleet, including fleet supply with maintenance lease, repair and maintenance, and operator training and accident reporting. The Agency delivers fleet supply without maintenance lease service, applicable only to the Winnipeg Police Service Department's fleet and the Winnipeg Fire Paramedic Service Department's heavy fire apparatus fleet, as an alternate to the Agency's fleet supply with maintenance lease service.

The Agency's nine fleet management services are not provided to the Winnipeg Transit Department's bus fleet, and certain fleet management services are not provided to the Department's vehicle fleet including fleet supply with maintenance lease, fuel, repair and maintenance, and operator training and accident reporting. Fleet supply without maintenance lease service is not applicable to the Winnipeg Transit Department's bus fleet and vehicle fleet.

The Agency provides manufacturing and fabrication, and fuel services to other public sector organizations.

PERFORMANCE MEASUREMENTS

CUSTOMER SATISFACTION

The Agency conducted a customer survey during 2014, which indicated that 75% of customers were satisfied with 2013 fleet management services.

CUSTOMER SATISFACTION	2011	2012	2013
Satisfaction rate	75%	85%	75%

OPERATING COSTS BY CATEGORY

City of Winnipeg operating costs, excluding the Winnipeg Transit Department, the Winnipeg Police Service Department, and the Winnipeg Fire Paramedic Service Department's heavy fleet, are presented by fleet category, excluding off-road vehicles, as defined by Ontario Municipal Benchmarking Initiative 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.

The Ontario Municipal Benchmarking Initiative definitions are not currently available for 2013 statistics.

CITY OF WINNIPEG OPERATING COSTS BY FLEET CATEGORY *(in dollars per kilometre)*	2011	2012	2013
Light vehicles	.35	.40	N/A
Medium vehicles	.76	.93	N/A
Heavy vehicles and specialty equipment	1.15	1.53	N/A

FUEL EFFICIENCY BY CATEGORY

The Agency collects and provides monthly fuel management information to City departments, including litres of fuel supplied, and kilometre and hour usage information as reported at time of fueling by City department vehicle and equipment operators.

City of Winnipeg Light Vehicle Fuel Efficiency by Department and Division

Fuel efficiency is presented for light vehicles by City department and division, excluding the Winnipeg Transit Department, in litres per 100 kilometres.

CITY OF WINNIPEG LIGHT VEHICLE FUEL EFFICIENCY BY CITY DEPARTMENT AND DIVISION *(in litres per 100 kilometres)*	**2011**	**2012**	**2013**
Assessment and Taxation Department	11.0	10.5	10.4
Corporate Support Services Department	20.6	22.0	20.4
Winnipeg Fire Paramedic Service Department	20.9	19.6	19.3
Fleet Management – Special Operating Agency (Note 1)	21.5	20.9	22.2
Planning, Property and Development Department	20.6	23.4	21.5
Parking Authority – Special Operating Agency (Note 2)	10.6	22.5	11.6
Public Works Department – Engineering	19.4	16.7	16.7
Public Works Department – Parks & Open Space	24.0	25.3	25.8
Public Works Department – Streets Maintenance	23.5	26.4	24.5
Public Works Department – Traffic Signals	33.1	27.8	28.4
Public Works Department – Transportation Signals	23.9	21.9	23.5
Winnipeg Police Service Department	20.4	21.2	19.0
Water and Waste Department – Engineering	17.3	18.5	18.3
Water and Waste Department – Environmental Standards	12.4	12.7	12.2
Water and Waste Department – Solid Waste	22.0	22.5	22.9
Water and Waste Department – Wastewater	21.6	23.1	22.8
Water and Waste Department – Water Services	21.7	22.3	22.6

Notes:

1) Increased yard snow clearing, inclusion of East Yards Repair Facility, and increased service calls provided to the Water and Waste Department's railway operations.
2) During 2012, certain units were reclassified to the Winnipeg Parking Authority – Special Operating Agency from the Planning, Property and Development Department.

City of Winnipeg Fuel Efficiency by Fleet Category

Fuel efficiency is reported for The City, excluding the Winnipeg Transit Department, by light vehicles in litres per 100 kilometres, and by heavy vehicles and specialty equipment in litres per hour.

CITY OF WINNIPEG FUEL EFFICIENCY BY FLEET CATEGORY	2011	2012	2013
Light vehicles (in litres per 100 kilometres)	20.8	20.9	19.9
Heavy vehicles and specialty equipment (in litres per hour)	7.6	7.3	7.4

ASSUMPTIONS TO THE PROJECTED FINANCIAL STATEMENTS

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, 2017.

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 2013 results of operations, with increases for annual inflation, except where otherwise described in the notes to projected financial statements, or as noted in these assumptions.

The 2015 to 2017 Projected Financial Statements and Notes are presented in Appendix A – 1.

The 2013 Auditors' Report and Financial Statements are presented in Appendix A – 3.

REVENUES

Fleet Leases

The Agency enters into leases to supply and maintain vehicles and equipment to City departments for specified lease periods.

Fleet leases revenue is derived from the Agency's April 14, 2014 fleet replacement plan, with current unit types and quantities assigned to City departments, and consists of the following revenue components:

- Fleet leases capital revenue reflects capital and financing costs, with lease terms and residual values based on lifecycle cost management principles.
- Fleet leases operating revenue is determined based on repair history by type classification and usage level, with an annual inflation factor.

Gain on Sale of Tangible Capital Assets

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

EXPENSES

Amortization

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

- Buildings; 4% to 8% straight-line
- Fleet assets acquired at start-up; 30% declining balance
- Fleet assets purchased; 1 to 15 years straight-line
- Equipment; 3% to 30% straight-line

Fleet assets amortization expense is estimated based on the Agency's April 14, 2014 fleet replacement plan.

Supplies

Fuel expense is determined from annual projected fuel sales net of a 10% markup.

Parts expense is estimated to decrease by $200 thousand in 2016 and thereafter, due to better parts inventory and internal rental fleet management.

Computer and safety expenses are based on estimated requirements.

Salaries and Employee Benefits

Salaries and employee benefits expense is based on collective agreements, providing for 136 budgeted full-time equivalent (FTE) positions in 2015, including 126 permanent FTE positions and 10 temporary FTE positions. Pension, group insurance, dental, vision, and employment insurance benefits are projected at 18% of salaries. Overtime is reduced by $150 thousand in 2015 and thereafter.

The Agency operates four fleet service centres, and one satellite repair facility, located across the City to provide repair and maintenance, and manufacturing and fabrication services, with 108 budgeted FTE positions in 2015 as follows:

- 89 CUPE permanent FTE positions
- 9 CUPE temporary FTE positions
- 10 WAPSO permanent FTE positions

Beginning in 2015, the Agency will provide supervision and management services to the Winnipeg Fire Paramedic Service heavy vehicle and specialty equipment repair facility, with the following:

- 1 WAPSO permanent FTE position

Fleet supply lease, specification, inspection and contract administration, seasonal and short term rentals, surplus sales and disposals, insurance, licensing and registration, and fuel services are provided with 10 budgeted FTE positions in 2015 as follows:

- 7 CUPE permanent FTE positions
- 3 WAPSO permanent FTE positions

Professional and Support teams include 17 budgeted FTE positions in 2015 as follows:

1. Chief Operating Officer Office;
    - 1 WAPSO exempt permanent FTE position
    - 1 CUPE exempt permanent FTE position
    - 2 CUPE permanent FTE positions
2. Information Technology;
    - 5 WAPSO permanent FTE positions
    - 1 CUPE permanent FTE position
3. Finance;
    - 2 WAPSO permanent FTE positions
    - 2 CUPE permanent FTE positions
4. Safety, Project Management and Customer Service;
    - 2 WAPSO permanent FTE positions
    - 1 WAPSO temporary FTE position

The Agency's 2014 Adopted Business Plan provided for 126 budgeted FTE positions in 2014, and was subsequently adjusted by one WAPSO FTE position reduction, consistent with The City of Winnipeg 2014 – 2016 Adopted Operating Budget, for a revised 125 budgeted FTE positions in 2014. The WAPSO FTE position reduction was established after the Agency's 2014 Business Plan was adopted, and consequently is not included in the Agency's 2014 Adopted Business Plan and budget.

The increase of 11 budgeted FTE positions, comparing 136 budgeted FTE positions in 2015 to 125 revised budgeted FTE positions in 2014, includes nine temporary CUPE FTE positions to staff a weekend shift at the recently constructed Repair Facility located at The City's East Yards Complex and a midnight shift at the Tecumseh Repair Facility, one temporary WAPSO FTE position dedicated to customer service, and one permanent WAPSO FTE position for management and supervision of the Winnipeg Fire Paramedic Service heavy and specialty fleet repair facility. The 10 temporary FTE positions will enable the Agency to convert a portion of vendor repair service to in-house repair service, assist in reducing after-hours overtime, and address the implications stated in The City of Winnipeg Operational Review of Public Works Report (June 2013, pages 82 and 157), with reference to time delays in repairs, slow turnaround times resulting in inefficiencies, sub-optimal fleet asset utilization, and increased City department operating costs.

Operating with 136 budgeted FTE positions in 2015, compares favorably to The City's historical fleet management operations which provided for 196 budgeted FTE positions in 1999 as reported in The City of Winnipeg Foundations of Supervisory Development course material (May 7, 2014, page 39).

Services

Consulting, professional services and training expenses are based on estimated requirements.

Allocated department costs include $703 thousand in 2015 with inflation thereafter, for operator training and accident management service, outsourced by the Agency to the Public Works Department.

External long-term lease expense is based on current long-term lease agreements.

Vendor repairs expense is reduced by $900 thousand in 2015, and by an additional $150 thousand in 2016 and thereafter, estimated for conversion of a portion of vendor repair service to in-house repair service, with additional capacity available through the recently constructed East Yards Repair Facility.

Interest

Debt interest expense is based on current term loan debt agreements for existing debt, and estimated long-term borrowing rates for projected term loan debt.

Due to The City of Winnipeg – General Revenue Fund interest expense is based on estimated short-term borrowing rates.

Other expenses

Other expenses include miscellaneous, provincial payroll tax, transfers to The City of Winnipeg, power tools, and other equipment.

Miscellaneous expense includes the following:

- $65 thousand in 2014 and thereafter, estimated for desk top support service in collaboration with the Corporate Support Services Department.
- $30 thousand in 2014 and $60 thousand in 2015 and thereafter, estimated for half-time human resource coordinator service in collaboration with the Corporate Support Services Department.
- $150 thousand in 2015 estimated for waste oil underground tank remediation at the City of Winnipeg property located at Plessis and Ravelston, to assist with property development.

Transfer to The City of Winnipeg – Municipal Accommodations Fund expense includes the following services provided by the Planning, Property and Development Department to the Agency:

- $194 thousand annually for Waverley Repair Facility lease costs, based on information provided by the Planning, Property and Development Department.
- $545 thousand annually for East Yards Repair Facility lease costs, based on information provided by the Planning, Property and Development Department.
- $5 thousand annually for call answer service.

Transfer to The City of Winnipeg – General Revenue Fund expense includes the following services provided by the Corporate Support Services Department to the Agency:

- $78 thousand annually for business technology service, based on information provided by the Corporate Support Services Department.
- $94 thousand in 2014 and 2015, $96 thousand in 2016, and $98 thousand in 2017 for human resource service, based on information provided by the Corporate Support Services Department.

Transfer to The City of Winnipeg – General Revenue Fund expense, where the Agency does not receive any goods or services from The City directly in return, includes the following:

- $14 thousand in 2014 to 2016 representing Agency employee productivity savings for server consolidation based on information provided by the Corporate Finance Department.
- $41 thousand in 2014 to 2016 representing Agency employee productivity savings for timekeeping based on information provided by the Corporate Finance Department.
- $8 thousand in 2014 to 2016 representing reduced pricing savings on information system products not acquired by the Agency, based on information provided by the Corporate Finance Department.

Consistent with the Agency's 2014 Adopted Business Plan and budget, the above and prospective transfers to The City, where the Agency does not receive goods or services from The City directly in return, will cease starting in 2017, as transactions of this nature are dividends in substance, and eligible dividends are to be distributed based on City policy in accordance with the Agency's 2007 Adopted Business Plan, Operating Charter Section 5.10 revision.

OTHER

Transfer to The City of Winnipeg – General Revenue Fund (Dividend)

Transfer to The City of Winnipeg – General Revenue Fund is $1,842 thousand for 2014, representing dividends as a return on investment, and is based on a transfer of $1,750 thousand in accordance with the Agency's 2014 Adopted Business Plan and budget, and $92 thousand consistent with The City of Winnipeg 2014 – 2016 Adopted Operating Budget. The additional Fleet dividend of $92 thousand in 2014 was established after the Agency's 2014 Business Plan was adopted, and consequently is not included in the Agency's 2014 Adopted Business Plan and budget.

Transfer to the City of Winnipeg – General Revenue Fund is $92 thousand for 2015 and thereafter based on information provided by the Corporate Finance Department, consistent with the City of Winnipeg 2014 – 2016 Adopted Operating Budget.

Effective in 2010, with the adoption of Canadian Public Sector Accounting Standards, dividend transfers are disclosed as a component of annual surplus (deficit), and reported in the Statement of Operations and Accumulated Surplus.

Prior to 2010, in accordance with Canadian Generally Accepted Accounting Principles, dividends are disclosed as a component of retained earnings, and reported in the Statement of Operations and Retained Earnings.

Debt/worth ratio is to be maintained at 4.1 or better for dividend eligibility, in accordance with the Agency's Adopted 2007 Business Plan, Operating Charter Section 5.10 Revision. Debt/worth ratio is determined as total liabilities divided by accumulated surplus, based on the Projected Statement of Financial Position contained in Appendix A – 1.

PROJECTED DEBT/WORTH	2015	2016	2017
Debt/Worth ratio	**2.8**	3.1	3.0

LIABILITIES

Due to/from The City of Winnipeg – General Revenue Fund

Due to/from The City of Winnipeg – General Revenue Fund, acts as the Agency's line of credit for short-term financing, and is used for the purpose of acquiring fleet assets between the time when cash is needed and when term financing is arranged. The balance as at December 31st is repaid annually by the Agency during the following year, upon drawdown of term loan debt.

Debt

Debt is comprised of term loan debt, and The City of Winnipeg debt.

Term loan debt represents unsecured term financing for the purpose of acquiring fleet assets, payable to external lenders. The Agency is authorized to finance its operations through external sources under The City of Winnipeg Charter with respect to Special Service Units. Monthly payments are made on the principal and interest portion of the outstanding term loans.

The City of Winnipeg debt is held by the Agency on behalf of City departments for the purpose of acquiring communication equipment, and is payable to City departments.

Debt is disclosed in the Projected Statement of Financial Position, contained in Appendix A – 1.

PROJECTED DEBT *(in thousands of dollars)*	**2014**	**2015**	**2016**	**2017**
Term loan debt opening (Note 1)	$ 36,854	**$37,117**	$38,492	$44,108
Proceeds from term loans (Note 2)	11,000	**12,400**	16,000	17,100
Repayment of term loans (Note 3)	(10,737)	**(11,025)**	(10,384)	(10,291)
Term Loan Debt	$37,117	**$38,492**	$44,108	$50,917
The City of Winnipeg debt (Note 4)	178	**178**	178	178
Debt	$37,295	**$38,670**	$44,286	$51,095

Notes:

1) Term loan debt opening in 2014 is based on actual term loan debt as at December 31, 2013, and estimated for 2015 to 2017.
2) Proceeds from term loans in 2014 are based on actual loan drawdowns, and estimated for 2015 to 2017 based on the December 31st prior year due to The City of Winnipeg – General Revenue Fund balance.
3) Repayment of term loans in 2014 is based on actual term loan amortization schedules, and estimated for 2015 to 2017.
4) The City of Winnipeg debt is based on the balance as at December 31, 2013.

Maximum debt was established at $65.3 million in the Agency's 2010 Adopted Business Plan, based on projected debt, and due to The City of Winnipeg – General Revenue Fund line of credit.

PROJECTED DEBT LIMIT *(in thousands of dollars)*	**2015**	**2016**	**2017**
Maximum debt	**$65,300**	$65,300	$65,300
Debt	**(38,670)**	(44,286)	(51,095)
Due to The City of Winnipeg – General Revenue Fund	**(16,168)**	(17,355)	(9,591)
Debt Limit	**$10,462**	$3,659	$4,614

Borrowing Authority

The Agency requests Council approval for long-term borrowing authority on an annual basis in accordance with subsection 215 (4) of The City of Winnipeg Charter with respect to Special Service Units. Annual long-term borrowing authority enables the Agency to finance a portion of its operations from external sources for the purpose of acquiring fleet assets. Due to The City of Winnipeg – General Revenue Fund, line of credit, is included in the total cumulative borrowing authorization as established in the Agency's 2007 Adopted Business Plan.

Cumulative borrowing authorization is determined based on accumulated long-term borrowing authority approved by Council in the Agency's Adopted Business Plans, and The City of Winnipeg Adopted Operating Budgets, net of accumulated proceeds from term loans.

PROJECTED BORROWING AUTHORITY *(in thousands of dollars)*	**2015**	**2016**	**2017**
Proceeds from term loans	**$12,400**	$16,000	$17,100
Due to The City of Winnipeg – General Revenue Fund	**16,168**	17,355	9,591
Debt limit	**10,462**	3,659	4,614
Cumulative borrowing authorization opening (Note 1)	**(27,700)**	(26,630)	(21,014)
Annual Long-term Borrowing Authority	**$11,330**	$10,384	$10,291
Cumulative borrowing authorization opening (Note 1)	**27,700**	26,630	21,014
Proceeds from term loans	**(12,400)**	(16,000)	(17,100)
Cumulative Borrowing Authorization	**$26,630**	$21,014	$14,205

Note:

1) Cumulative borrowing authorization opening in 2015 is based on actual borrowing authority net of actual term loan draws cumulative to 2014, and is estimated for 2016 and 2017.

NON-FINANCIAL ASSETS

Tangible Capital Assets

Tangible capital assets include fleet assets, land, buildings, and equipment. Tangible capital asset acquisitions are contained in the Projected Statement of Cash Flows in Appendix A – 1.

PROJECTED ACQUISITION OF TANGIBLE CAPITAL ASSETS *(in thousands of dollars)*	**2015**	**2016**	**2017**
Fleet assets	**$ 17,537**	22,806	16,918
Land, buildings and equipment	**4,115**	1,913	858
Acquisition of Tangible Capital Assets	**$21,652**	$24,719	$17,776

Fleet asset acquisitions are based on the Agency's April 14, 2014 fleet replacement plan, and are subject to future revision due to Agency and City department decisions, and vendor availability. Fleet acquisitions in 2015 are estimated by fleet category as follows (in thousands of dollars):

- Agricultural equipment $406
- Attachments $457
- Cargo vans $469
- Heavy duty trucks $226
- Industrial equipment $2,596
- Light duty trucks $1,421
- Medium duty trucks $2,092
- Passenger vans $109
- Sedans $2,047
- Specialty and fire equipment $7,017
- Sport utility vehicles $697

Land, buildings and equipment acquisitions are estimated based on operational requirements, and include leasehold improvements, shop equipment, office equipment, computer, power tools, and fuel equipment.

Consistent with the Agency's 2014 Adopted Business Plan, an Automatic Vehicle Location System (AVL) will be acquired, estimated at $1,600 thousand, based on information determined in conjunction with the Public Works Department, Corporate Support Services Department, Water and Waste Department, and Winnipeg Fire Paramedic Service Department, representing AVL boxes including installation for 1,800 light and heavy vehicles and specialty equipment. The AVL system will address the implications referred to in The City of Winnipeg Operational Review of Public Works Report (June 2013, pages 82, 111 and 157), by providing City departments with the opportunity to monitor engine idle time and utilization to control their fuel and annual fleet costs, and will enable the Agency to monitor fleet life cycle costs and determine better lease rates. See Appendix A – 2 for information on the AVL System.

ACCUMULATED SURPLUS

Accumulated surplus is comprised of contributed surplus, and surplus.

Contributed surplus is $11,425 thousand, representing a transfer from long-term debt due to The City of Winnipeg, excluding funds specified for City department communication equipment, as at January 1, 2008.

Surplus consists of the following:

- Accumulated annual surplus (deficit), with the adoption of Canadian Public Sector Accounting Standards effective in 2010.
- Retained earnings, comprised of accumulated net income reduced by accumulated dividend transfers, in accordance with Canadian generally accepted accounting principles (GAAP) prior to 2010.

INDICATORS AND STATISTICS

FINANCIAL INDICATORS

FINANCIAL RATIOS	2011	2012	2013
Return on total revenues (Note 1)	7.72%	6.72%	(2.92%)
Return on average non-financial assets (Note 2)	4.32%	3.94%	(1.88%)
Return on average accumulated surplus ratio (Note 3)	17.71%	13.49%	(5.90%)
Parts inventory turnover ratio (Note 4)	1.57	2.19	2.17
Fuel inventory turnover ratio (Note 4)	18.10	20.05	18.10
Non-financial assets to net debt ratio (Note 5)	(1.35)	(1.49)	(1.45)
Net debt to accumulated surplus ratio (Note 6)	2.84	2.06	2.22
Days sales in receivables ratio (Note 7)	1.05	1.01	.67

Notes:

1) Annual surplus (deficit) divided by total revenues
2) Annual surplus (deficit) divided by average non-financial assets
3) Annual surplus (deficit) divided by average accumulated surplus
4) Cost of goods sold divided by average inventory
5) Non-financial assets divided by net financial liabilities
6) Net financial liabilities divided by accumulated surplus
7) Accounts receivable divided by days sales

OPERATIONAL STATISTICS

Service Level Statistics

Service level statistics include Agency activities reported by service level category.

SERVICE STATISTICS	2011	2012	2013
Bid opportunities	106	75	55
Fleet unit acquisitions (Note 1)	262	182	236
Insurance, license and registrations	1,739	1,768	1,805
Repair transactions	40,789	36,248	29,298
Parts transactions	49,305	40,846	34,511
Repair labour hours	61,579	64,685	66,035
Fuel transactions	114,320	112,144	116,205
Fuel litres provided to The City	7,350,212	7,396,241	7,417,507
Fuel litres provided to other public organizations	687,613	700,713	716,354
Total fuel litres provided	8,037,825	8,096,954	8,133,861
Seasonal and short term rental days	67,678	74,472	89,703
Fleet unit dispositions	108	115	26
Fleet units managed (Note 2)	1,947	2,014	2,224

Notes:

1) Fleet acquisitions in 2013 include 77 units transferred-in from the Water and Waste Department, resulting from the consolidation of the remaining fleet maintenance operations performed at the Water and Waste Department's Plinguet location. Units acquired in 2103 are assigned and leased to City departments as follows:
    - Assessment and Taxation Department 2
    - Community Services Department 6
    - Planning Property and Development Department 11
    - Public Works Department 49
    - Water and Waste Department 90
    - Winnipeg Fire Paramedic Service Department 31
    - Winnipeg Fleet Management Agency 1
    - Winnipeg Police Service Department 46
2) The increase in fleet units managed reflects expansion of the Winnipeg Police Service Department fleet, consolidation of the remaining Water and Waste Department's Plinguet units, conversion of a portion of external rentals to internal rentals and external long-term rentals to fleet leases, and fleet units held for disposition.

Fleet Average Age by Category

Fleet average age is presented for light vehicles, and combined for heavy vehicles and specialty equipment.

FLEET AVERAGE AGE *(in years)*	2011	2012	2013
Light vehicles	3	4	4
Heavy vehicles and specialty equipment	7	7	7

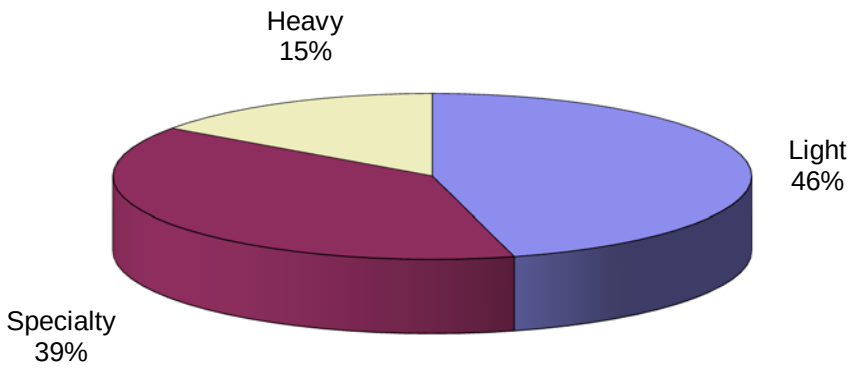
Service Request

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

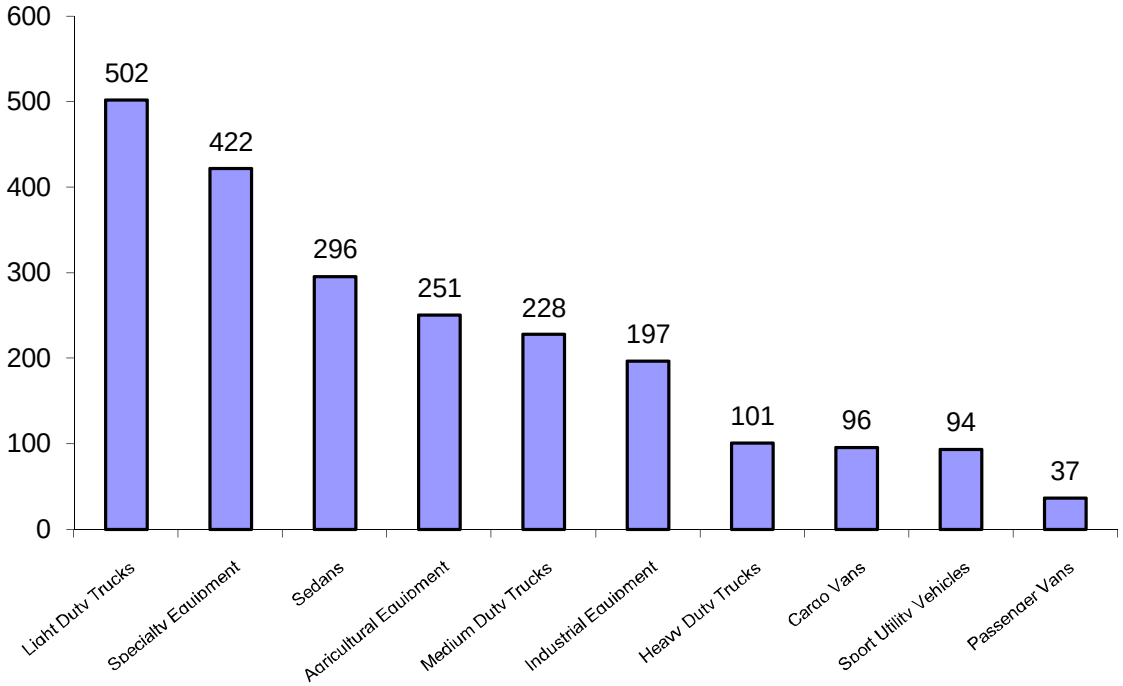
SERVICE REQUEST	2011	2012	2013
Service request rate	81%	84%	85%

2013 FLEET FACTS

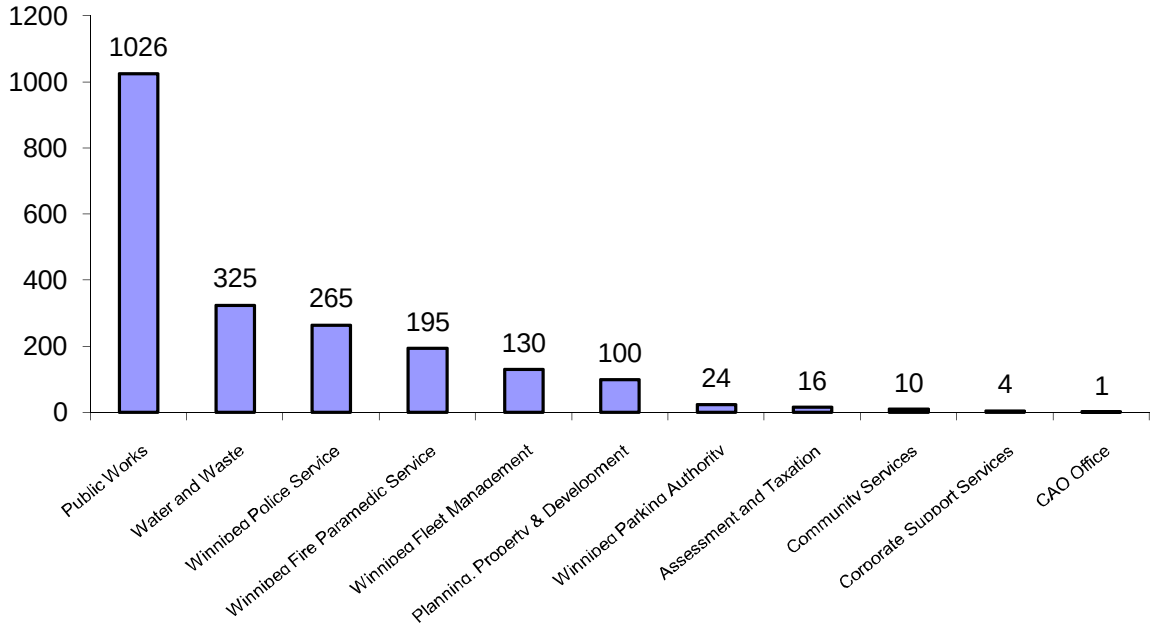
Fleet Units by Category



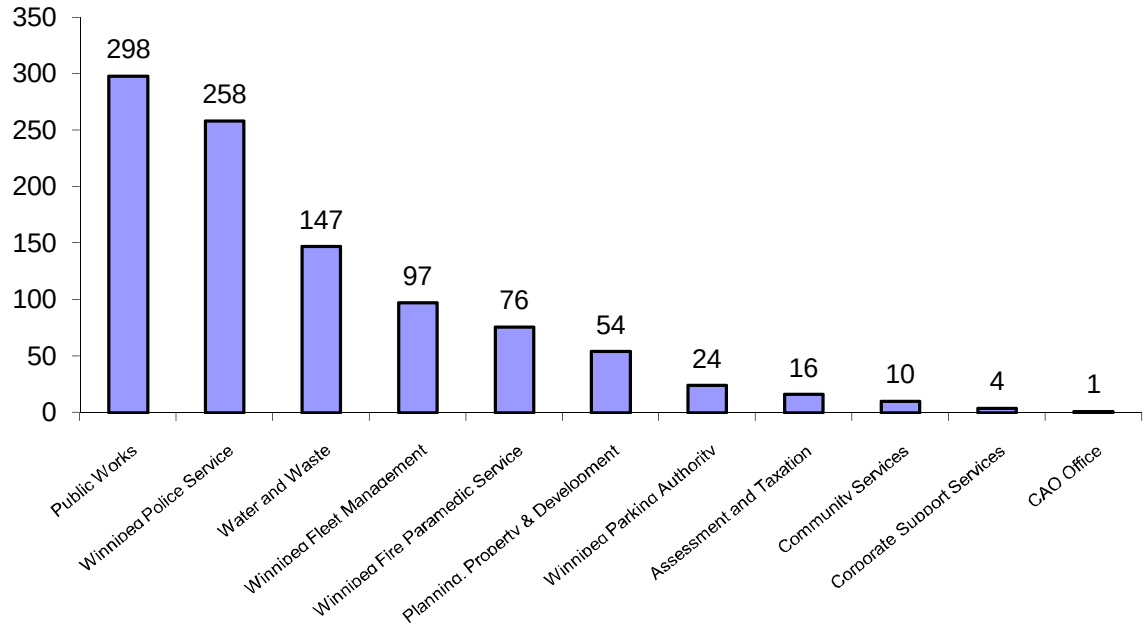
Fleet Units by Classification



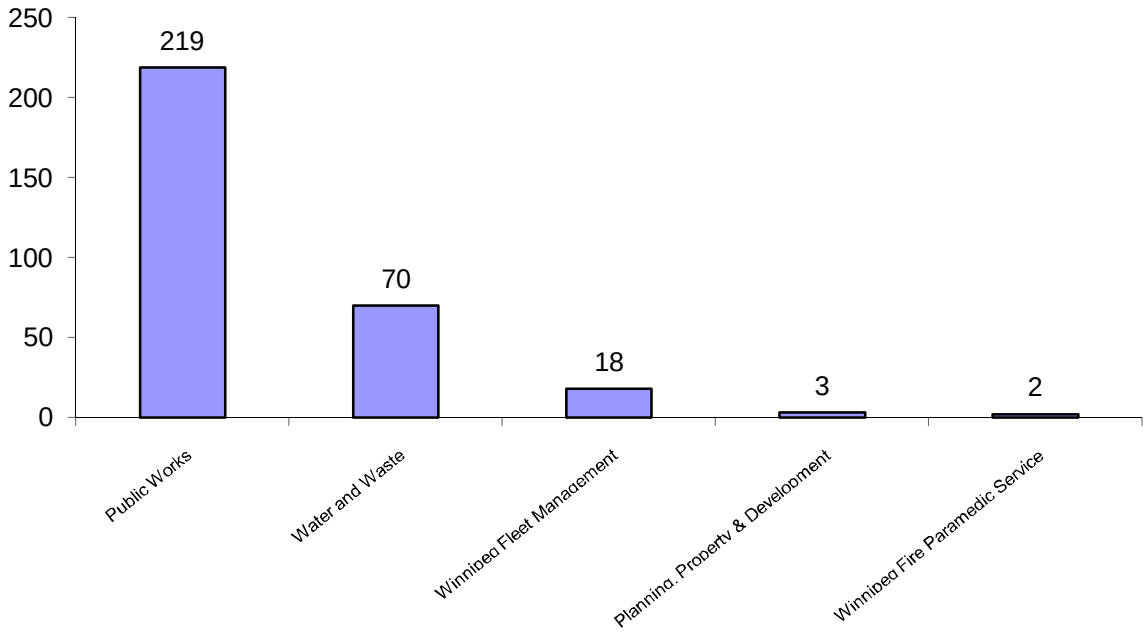
Fleet Units Assigned to City Departments



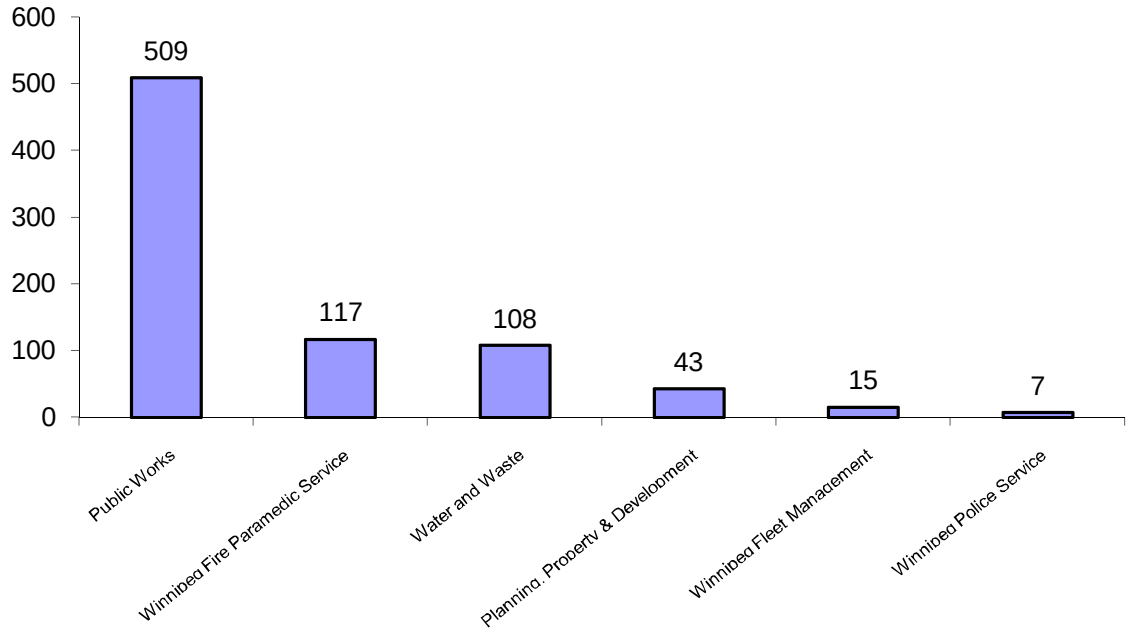
Light Vehicle Units Assigned to City Departments



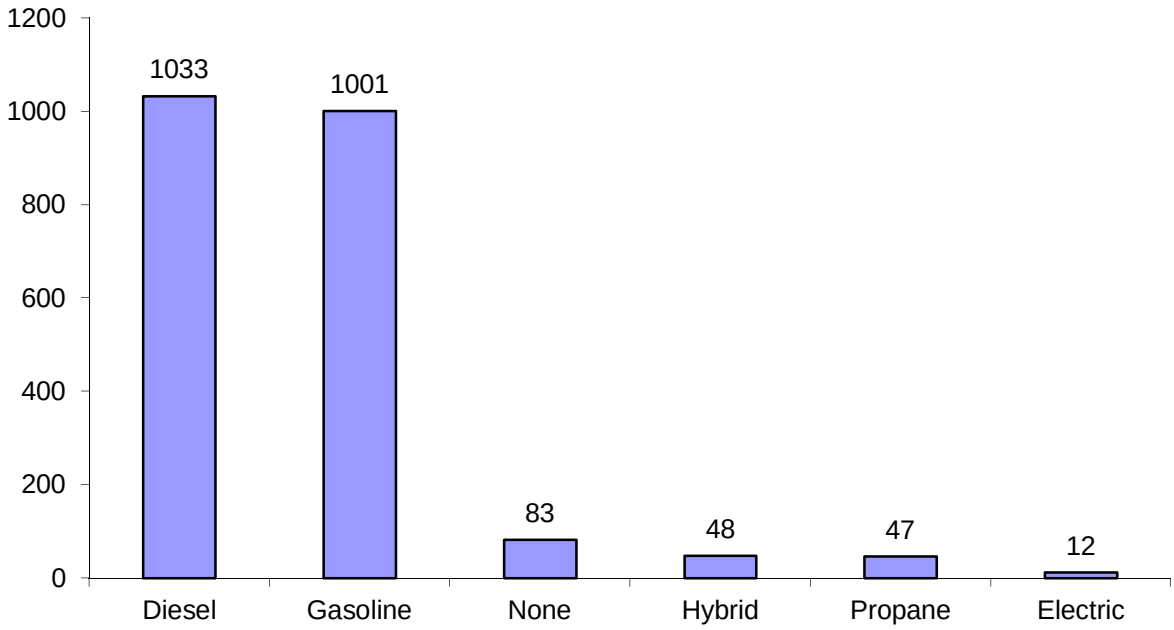
Heavy Vehicle Units Assigned to City Departments



Specialty Equipment Units Assigned to City Departments



Fleet Units by Engine Type



APPENDIX A – 1

2015 to 2017 Projected Financial Statements and Notes



2015 Projected
Statements

APPENDIX A – 2

Automatic Vehicle Location System Report



Automatic Vehicle
Location System

APPENDIX A – 3

2013 Auditors' Report and Financial Statements



2013 Auditors' Report