**Agenda – Executive Policy Committee – December 6, 2017**

**Report – Standing Policy Committee on Innovation – November 30, 2017**

**Item No. 2 Winnipeg Fleet Management – Special Operating Agency – 2018 Business Plan**

STANDING COMMITTEE RECOMMENDATION:

On November 30, 2017, the Standing Policy Committee on Innovation concurred in the recommendation of the Winnipeg Public Service and submitted the following to Council:

1. That the 2018 Business Plan for the Winnipeg Fleet Management Agency - Special Operating Agency including the 2018 budget be approved and the 2019 and 2020 financial projections, as outlined in Appendix A, be received as information.

2. That annual long-term borrowing authority of up to $10.4 million in 2018 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 - 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 the Proper Officers of The City be authorized to do all things necessary to implement the foregoing.

**Agenda – Executive Policy Committee – December 6, 2017**

**Report – Standing Policy Committee on Innovation – November 30, 2017**

DECISION MAKING HISTORY:

STANDING COMMITTEE RECOMMENDATION:

On November 30, 2017, the Standing Policy Committee on Innovation 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 – 2018 Business Plan

**Critical Path:** Standing Policy Committee on Innovation – Executive Policy Committee – Council

## AUTHORIZATION

| Author | Department Head | CFO | CAO |
|---|---|---|---|
| J.Chammartin<br>WFMA Manager of Finance | D. Konowich<br>WFMA COO | M. Ruta | D. McNeil |

## EXECUTIVE SUMMARY

An annual business plan for the Winnipeg Fleet Management Agency (Special Operating Agency) is submitted for Council approval to ensure the agency's strategic direction is in alignment with the general planning, budgeting and reporting requirements of The City of Winnipeg. The business plan allows the agency to fulfill its mandate and mission by providing efficient and effective fleet management services to civic departments in support of their service delivery.

## RECOMMENDATIONS

1. That the 2018 Business Plan for the Winnipeg Fleet Management Agency - Special Operating Agency including the 2018 budget be approved and the 2019 and 2020 financial projections be received as information, as outlined in Appendix A.

2. That annual long-term borrowing authority of up to $10.4 million in 2018 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 - 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 the proper officers of The City be authorized to do all things necessary to implement the foregoing.

## REASON FOR THE REPORT

Winnipeg Fleet Management Agency is required to present an annual business plan to Council, in accordance with the Winnipeg Fleet Management Agency Operating Charter

## IMPLICATIONS OF THE RECOMMENDATIONS

During 2018, Winnipeg Fleet Management Agency will transfer $0.092 million to The City of Winnipeg – General Revenue Fund, representing a dividend, consistent with The City of Winnipeg 2017 – 2019 Adopted Operating Budget.

## HISTORY/DISCUSSION

### History Overview

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.

### Highlights of the Goals and Strategies for 2018

This section is comprised of two components; goals and strategies that affect the Agency as a whole, and the goals and strategies that affect the services the Agency provides to our customers.

**Agency Goals and Strategies New for 2018**

In adhering to business-like principles, the Agency will initiate the following improvements for the Agency:

- Continue efforts on an Operational Review of the Winnipeg Fleet Management Agency and investigate recommendations for implementation with the assistance of the Audit Department, for efficiencies, cost savings and ensure current practices are in line with industry standards.
- In co-ordination with the Operational Review on the Agency, collaborate with Planning, Property & Development to secure the services of a consultant, to prepare a Basis for Estimate (BOE) budget for the Agency's Ross/Tecumseh head office, repair and manufacturing operations future relocation to a new estimated 58,000 square foot facility.
- Investigate internal and external fuel dispensing options for improved fuel services and efficiencies to accommodate department fueling needs and city expansion.
- Collaborate with Civic departments for the evaluation of two all-electric vehicles and supporting infrastructure through an Innovative Capital funding request to assist in determining future operational suitability and life cycle costs.
- Winnipeg Fleet Management Agency will place "Green Fleet" decals on all vehicles and equipment which meet the criteria for green fleet compliance. The criteria of low greenhouse gas emissions and best in class fuel efficiency promotes the City of Winnipeg's initiative to reduce emissions and fuel consumption.

**Agency Services Goals and Strategies New for 2018**

To increase fleet levels of service with a focus on opportunities for efficiencies the following improvements will be initiated:

- Initiate a consultant's review of the Agency's fleet software solution in collaboration with other City of Winnipeg departments that require fleet vehicle and equipment oversight in order to identify efficiencies and cost savings for the City.
- In collaboration with Water & Waste, secure the services of a consultant to investigate construction options and costs for a fuel site at the Brady Road Landfill to better meet the needs of landfill expansion and increased fleet size.
- Conduct a review of how the Winnipeg Fleet Management Agency recovers fleet operating costs in order to accurately reflect the repair and maintenance cost relationship with fleet asset age.
- In collaboration with other City departments, convene an Automatic Vehicle Location system user's advisory committee to assist in developing a reporting model that encourages departments to minimize fuel usage and improve service levels through best usage of AVL technology.

**FINANCIAL IMPACT**

## Financial Impact Statement

**Date:** November 10, 2017

**Project Name:**

**First Year of Program** **2018**

Winnpeg Fleet Management - Special Operating Agency - 2018 Business Plan

| | 2018 | 2019 | 2020 | 2021 | 2022 |
|---|---|---|---|---|---|
| **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:**

2018 to 2020 projected financial statements and notes are presented in Appendix A-1.

***"Original approved"***

Joseph Chammartin, CPA, CGA
Manager of Finance
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
- Legal Services (as to legal issues)

## OURWINNIPEG POLICY ALIGNMENT

In alignment with the following: "OurWinnipeg" Plan By-law No. 67/2010 and the Direction Strategies of "A Sustainable Winnipeg" and "Sustainable Transportation".

"OurWinnipeg" Section 01-3 Prosperity (Pg. 48-52) – the Direction 1: Provide efficient and focused civic administration and governance. Enabling Strategies:

- Demonstrate exemplary customer service standards.
- Continuously pursue innovative, streamlined service delivery and decision-making processes.
- Demonstrate accountability through service performance measurement and reporting.
- Endeavor to apply environmentally sustainable practices in all aspects of civic operations.

"OurWinnipeg" Section 02-2 Environment (Pg. 68) – Directions:

- Reduce the environmental impact of our activities, through strategies such as planning for sustainable energy use and greenhouse gas reduction.

"A Sustainable Winnipeg" Section 05: The Foundation: Leading by Example (Pg. 16-17) – Direction 2: Incorporate sustainable practices into internal civic operations, programs and services. Enabling Strategies:

- In partnership with the community, create and maintain a Climate Change Action Plan to reduce The City of Winnipeg's corporate greenhouse gas emissions by a further 20% below 1998 levels.
- Establish corporate greenhouse gas reduction targets for 2020 and 2035.
- Green the City's fleet operations through a plan that includes direction on anti-idling, efficient vehicles, use of alternate fuels and the right-sizing of the fleet.

"A Sustainable Winnipeg" Section 07. Integrate Sustainability into Internal Decision-Making (Pg. 27) – Direction 1: Strengthen existing integrated decision-making and planning mechanisms, and build new mechanisms where required. Enabling Strategies:

- Implement pilot and demonstration projects to drive efficient and focused service provision, based on the sustainability indicators.

**SUBMITTED BY**

Department: Winnipeg Fleet Management Agency (WFMA)
Division:
Prepared by: J. Chammartin
Date:

**APPENDIX A**

# *THE CITY OF WINNIPEG*

# *WINNIPEG FLEET MANAGEMENT AGENCY – SPECIAL OPERATING AGENCY*

## *BUSINESS PLAN*

# 2018

## *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 fleet management services, vehicles and equipment to City departments while meeting the Agency's overall operational performance, and safety requirements.***

   Strategies:

   - Continue work on the development of a comprehensive fleet replacement budget and scheduling system, in collaboration with the Corporate Support Services Department.
   - Expand upon the Agency's comprehensive service billing information system with the addition of a customer billing portal for increased transparency and efficiencies, in collaboration with the Corporate Support Services Department.
   - Provide fleet life cycle analysis and recommendations to assist City departments in managing their fleet operations for improved efficiencies, through increased communications and meetings.
   - Continue efforts on an Operational Review of the Winnipeg Fleet Management Agency and investigate recommendations for implementation with the assistance of the Audit Department, for efficiencies, cost savings and ensure current practices are in line with industry standards.
   - In co-ordination with the Operational Review on the Agency, collaborate with Planning, Property & Development to secure the services of a consultant, to prepare a Basis for Estimate (BOE) budget for the Agency's Ross/Tecumseh head office, repair and manufacturing operations future relocation to a new estimated 58,000 square foot facility.
   - Continue to take advantage of cost saving opportunities in recycling/re-life of existing vehicles and equipment before purchasing new.
   - Continue ongoing assessment of staffing levels and positions within the Agency that support service level requirements, in consultation with the Corporate Support Services Department.
   - Initiate work on aligning the Agency with The City of Winnipeg Asset Management Administrative Standard FM-004 to mirror and achieve the City's Asset Management Policy objectives.
   - Conduct a review of how the Winnipeg Fleet Management Agency recovers fleet operating costs in order to accurately reflect the repair and maintenance cost relationship with fleet asset age.

2. ***Maintain Fleet Repair and Manufacturing facilities to support The City's geographically dispersed and diverse fleet complement while, providing superior customer service, reliability and safety.***

   Strategies:

   - Continue engaging in opportunities with The City of Winnipeg Aboriginal Youth Strategy, Oshki Annishinabe Nigaaniwak, for internal hiring of apprentice and Journey Person trades.
   - Continue to explore ways in which to enhance repair service for customers through the implementation of improved shift schedules for increased shop productivity and enhanced maintenance services.

- Investigate cost saving opportunities with Corporate Finance for parts and service standing order contracts taking advantage of large volume discount pricing.
- Initiate a consultant's review of the Agency's fleet software solution in collaboration with other City of Winnipeg departments that require fleet vehicle and equipment oversight in order to identify efficiencies and cost savings across the City.
- Pursue implementation of recommendations from the Agency's Safety Program Assessment conducted in 2017.
- Pursue implementation of recommendations from the Agency's repair facility Machine Guarding Assessment conducted in 2017 to better meet with current safety standards and for an increased focus on employee safety.

***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 and new safety regulation requirements for fuel site operations.
- Consult with the Corporate Finance Department to secure contracts for fuel supply during states of emergency.
- Investigate fuel dispensing options for improved fuel services and efficiencies to accommodate department fueling needs and city expansion.
- In collaboration with Water & Waste, secure the services of a consultant to investigate construction options and costs for a fuel site at the Brady Road Landfill to better meet the needs of landfill expansion and increased fleet size.

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

Strategies:

- Investigate for implementation alternative fuel and advanced vehicle technologies while maintaining operational integrity of all vehicles.
- Collaborate with Civic departments for the evaluation of two all-electric vehicles and supporting infrastructure through an Innovative Capital funding request to assist in determining future operational suitability and life cycle costs.
- Continue efforts with a city-wide Green Fleet Plan and Agency Green Fleet Advisory Committee with a goal of reducing city-wide fuel use and lowering GHG emissions.
- Utilize the Automatic Vehicle Location System to implement, through a joint effort with City departments, an idle reduction policy that limits the amount of time a City vehicle or piece of equipment can idle, with an aim to reduce fleet idling by 50% over the next 5 years, and achieve estimated annual fuel savings of 3% or approximately $187,000 and reduce fleet greenhouse gas emissions by 550 tonnes annually.
- Continue to explore opportunities for vehicle and equipment comparisons of hybrid, electric and alternative fuel technologies.

- Continue to explore opportunities for involvement in environmental sustainability boards and committee's external to The City of Winnipeg.
- In collaboration with other City departments, convene an Automatic Vehicle Location system user's advisory committee to assist in developing a reporting model that encourages departments to minimize fuel usage and improve service levels through best usage of AVL technology.
- Winnipeg Fleet Management Agency will place "Green Fleet" decals on all vehicles and equipment which meet the criteria for green fleet compliance. The criteria of low greenhouse gas emissions and best in class fuel efficiency promotes the City of Winnipeg's initiative to reduce emissions and fuel consumption.

## 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 procurement
2. Insurance, licensing and registration
3. Manufacturing and fabrication
4. Vehicle and equipment leases, seasonal and short term rentals
5. Surplus sales and disposal
6. Fuel
7. Repair and maintenance

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 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 eight 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 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 2017, which indicated that 72% of customers were satisfied with 2016 fleet management services.

| CUSTOMER SATISFACTION | 2014 | 2015 | 2016 |
|---|---|---|---|
| Satisfaction rate | 73% | 79% | 72% |

### 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 the Municipal Benchmarking Network Canada Initiative on a per kilometer basis, with the following components:

- Fuel is determined based on liters consumed by City departments at Agency selling price.
- Repairs performed in-house by the Agency are determined based on labor hours at Agency shop labor rates, and parts at Agency cost with markup.
- Vendor repairs are based on Agency cost with markup.
- Odometer hours are converted to kilometers according to fleet classification, with a range from 18 kilometers per hour (for Heavy) to 30 kilometers per hour (for Light and Medium).

| CITY OF WINNIPEG OPERATING COSTS BY FLEET CATEGORY *(in dollars per kilometer)* | 2014 | 2015 | 2016 |
|---|---|---|---|
| Light vehicles | 0.30 | 0.23 | 0.34 |
| Medium vehicles | 0.32 | 0.47 | 0.63 |
| Heavy vehicles and specialty equipment | 0.68 | 0.93 | 1.10 |

## FUEL EFFICIENCY BY CATEGORY

The Agency collects and provides monthly fuel management information to City departments, including liters of fuel supplied, and kilometer 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 liters per 100 kilometers.

| CITY OF WINNIPEG LIGHT VEHICLE FUEL EFFICIENCY BY CITY | 2014 | 2015 | 2016 |
|---|---|---|---|
| Assessment and Taxation Department | 9.1 | 9.9 | 9.9 |
| Corporate Support Services Department | 18.2 | 20.7 | 20.8 |
| Winnipeg Fire Paramedic Service Department | 19.3 | 20.0 | 19.0 |
| Fleet Management – Special Operating Agency | 19.6 | 15.7 | 18.3 |
| Planning, Property and Development Department | 18.1 | 16.6 | 19.8 |
| Parking Authority – Special Operating Agency | 13.0 | 12.3 | 13.3 |
| Public Works Department – Engineering | 19.0 | 15.3 | 13.8 |
| Public Works Department – Parks & Open Space | 24.3 | 23.7 | 24.5 |
| Public Works Department – Streets Maintenance | 27.6 | 22.0 | 23.1 |
| Public Works Department – Traffic Signals | 27.7 | 32.4 | 30.7 |
| Public Works Department – Transportation Systems | 23.8 | 23.8 | 22.5 |
| Winnipeg Police Service | 18.6 | 19.8 | 19.5 |
| Water and Waste Department – Engineering | 15.9 | 16.0 | 17.6 |
| Water and Waste Department – Environmental Standards | 10.3 | 11.3 | 13.0 |
| Water and Waste Department – Solid Waste | 19.8 | 25.2 | 24.8 |
| Water and Waste Department – Wastewater | 18.9 | 21.9 | 22.0 |
| Water and Waste Department – Water Services | 19.8 | 24.4 | 24.3 |

***City of Winnipeg Fuel Efficiency by Fleet Category***

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

| CITY OF WINNIPEG FUEL EFFICIENCY BY FLEET CATEGORY | 2014 | 2015 | 2016 |
|---|---|---|---|
| Light vehicles (in liters per 100 kilometers) | 19.8 | 20.0 | 20.3 |
| Heavy vehicles and specialty equipment (in liters per hour) | 7.7 | 7.4 | 7.5 |

## *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, 2020.

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 2016 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 2018 to 2020 Projected Financial Statements and Notes are presented in Appendix A-1.

The 2016 Auditors' Report and Financial Statements are presented in Appendix A-2.

## 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 2017 to 2020 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

Amortization is based on planned fleet acquisitions, with amortization rates and methods described in the Notes to Financial Statements, as listed in Appendix A-1.

### *Supplies*

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

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 133 budgeted full-time equivalent (FTE) positions. In 2018 Pension, group insurance, dental, vision, and employment insurance benefits are projected at 17% of salaries.
The Agency operates four fleet service centers, and one satellite repair facility, located across the City to provide repair and maintenance, and manufacturing and fabrication services, with 104 budgeted FTE positions in 2018 as follows:

- 84 CUPE permanent FTE positions
- 9 CUPE temporary FTE positions
- 11 WAPSO permanent FTE positions

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 12 budgeted FTE positions in 2018 as follows:

- 7 CUPE permanent FTE positions
- 1 CUPE temporary FTE position
- 4 WAPSO permanent FTE positions

Professional and Support teams, include 17 budgeted FTE positions in 2018 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;
    - 1 WAPSO exempt permanent FTE position
    - 3 WAPSO permanent FTE positions
    - 1 CUPE permanent FTE position
3. Finance;
    - 1 WAPSO exempt permanent FTE position
    - 1 WAPSO permanent FTE positions
    - 2 CUPE permanent FTE positions

4. Safety, Project Management, Asset Management and Customer Service;
    - 3 WAPSO permanent FTE positions
    - 1 WAPSO temporary FTE position

***Services***

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

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

***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.

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:

- $213 thousand annually for Waverley Repair Facility lease costs, based on information provided by the Planning, Property and Development Department.
- $546 thousand annually for East Yards Repair Facility lease costs, based on information provided by the Planning, Property and Development Department.

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 and $65 thousand annually for desktop support, based on information provided by the Corporate Support Services Department.
- $98 thousand in 2017, $100 thousand in 2018, $102 thousand in 2019 and $104 thousand in 2020 for human resource service, based on information provided by the Corporate Support Services Department.
- $57 thousand in 2017, $58 thousand in 2018, $59 thousand in 2019 and $60 thousand in 2020 for shared HR consultant, based on information provided by the Corporate Support Services Department.

## OTHER

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

Transfer to The City of Winnipeg – General Revenue Fund is $243 thousand for 2018 and $92 thousand for 2019 and thereafter based on information provided by the Corporate Finance Department.

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 | 2018 | 2019 | 2020 |
|---|---|---|---|
| Debt/Worth ratio | **2.9** | 3.7 | 4.3 |

## 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**<br><br>*(in thousands of dollars)* | **2017** | **2018** | **2019** | **2020** |
|---|---|---|---|---|
| Term loan debt opening (Note 1) | $29,834 | **$30,758** | $38,729 | $53,497 |
| Proceeds from term loans (Note 2) | 10,900 | **18,000** | 25,000 | 25,000 |
| Repayment of term loans (Note 3) | (9,976) | **(10,029)** | (10,231) | (11,136) |
| Rounding | | | (1) | |
| **Term Loan Debt** | $30,758 | **$38,729** | $53,497 | $67,361 |
| The City of Winnipeg debt (Note 4) | 178 | **178** | 178 | 178 |
| Rounding | | | | |
| **Debt** | $30,936 | **$38,907** | $53,675 | $67,539 |

Notes:

1) Term loan debt opening in 2017 is based on actual term loan debt as at December 31, 2016, and estimated for 2018 to 2020.
2) Proceeds from term loans in 2017 are based on actual loan drawdowns, and estimated for 2018 to 2020 based on the December 31st prior year due to The City of Winnipeg – General Revenue Fund balance.
3) Repayment of term loans in 2017 is based on actual term loan amortization schedules, and estimated for 2018 to 2020.
4) The City of Winnipeg debt is based on the balance as at December 31, 2016.

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**<br>*(in thousands of dollars)* | **2018** | **2019** | **2020** |
|---|---|---|---|
| Maximum debt | **$65,300** | $65,300 | $65,300 |
| Debt | **(38,907)** | (53,675) | (67,539) |
| Due to The City of Winnipeg – General Revenue Fund | **(17,103)** | (19,206) | (19,536) |
| **Debt Limit** | **$9,290** | ($7,581) | ($20,960) |

***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)* | **2018** | **2019** | **2020** |
|---|---|---|---|
| Proceeds from term loans | **$18,000** | $25,000 | $25,000 |
| Due to The City of Winnipeg – General Revenue Fund | **17,103** | 19,206 | 18,721 |
| Debt limit | **9,290** | (7,581) | (20,960) |
| Cumulative borrowing authorization opening (Note 1) | **(34,010)** | (26,393) | (11,625) |
| **Annual Long-term Borrowing Authority** | **$10,383** | $10,232 | $11,136 |
| Cumulative borrowing authorization opening (Note 1) | **34,010** | 26,393 | 11,715 |
| Proceeds from term loans | **(18,000)** | (25,000) | (25,000) |
| **Cumulative Borrowing Authorization** | **$26,393** | $11,625 | ($2,149) |

Note:

1) Cumulative borrowing authorization opening in 2018 is based on actual borrowing authority net of actual term loan draws cumulative to 2017, and is estimated for 2019 and 2020.

## 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)* | **2018** | **2019** | **202-** |
|---|---|---|---|
| Fleet assets | **$21,224** | $32,000 | $29,575 |
| Land, buildings and equipment | **1,817** | 1,141 | 1,329 |
| **Acquisition of Tangible Capital Assets** | **$23,041** | $33,141 | $30,903 |

Fleet asset acquisitions are based on the Agency's 2017 to 2020 fleet replacement plan, and are subject to future revision due to Agency and City department decisions, and vendor availability. Fleet acquisitions in 2018 are estimated by fleet category as follows (in thousands of dollars):

- Agricultural equipment $2,159
- Attachments $485
- Cargo vans $622
- Industrial equipment $1,260
- Light duty trucks $3,689
- Medium duty trucks $3,399
- Passenger vans $331
- Sedans $1,484
- Specialty and fire equipment $6,835
- Sport utility vehicles $960

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.

## 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 | 2014 | 2015 | 2016 |
|---|---|---|---|
| Return on total revenues (Note 1) | (1.06%) | 1.62% | (2.12%) |
| Return on average non-financial assets (Note 2) | (0.76%) | 1.13% | (1.53%) |
| Return on average accumulated surplus ratio (Note 3) | (2.36%) | 3.30% | (4.48%) |
| Parts inventory turnover ratio (Note 4) | 2.08 | 2.04 | 2.53 |
| Fuel inventory turnover ratio (Note 4) | 25.05 | 19.63 | 17.40 |
| Non-financial assets to net debt ratio (Note 5) | (1.51) | (1.54) | (1.50) |
| Net debt to accumulated surplus ratio (Note 6) | 1.96 | 1.86 | 2.00 |
| Days sales in receivables ratio (Note 7) | 0.75 | 0.80 | 1.31 |

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 | 2014 | 2015 | 2016 |
|---|---|---|---|
| Bid opportunities | 46 | 62 | 67 |
| Fleet unit acquisitions (Note 1) | 175 | 180 | 182 |
| Insurance, license and registrations | 1,893 | 1,889 | 1,900 |
| Repair transactions | 34,687 | 36,409 | 35,536 |
| Parts transactions | 39,661 | 39,991 | 41,528 |
| Repair labour hours | 57,336 | 72,897 | 71,361 |
| Fuel transactions | 118,899 | 119,988 | 116,618 |
| Total fuel liters provided | 8,293,750 | 7,981,212 | 7,868,727 |
| Seasonal and short term rental days | 84,619 | 88,850 | 103,518 |
| Fleet unit dispositions | 81 | 228 | 188 |
| Fleet units managed (Note 2) | 2,317 | 2,269 | 2,224 |

Notes:

1) Units acquired in 2016 are assigned and leased to City departments as follows:

- CAO's Office – Film and Special Events 1
- Planning Property and Development Department 4
- Public Works Department 123
- Water and Waste Department 26
- Winnipeg Fire Paramedic Service 6
- Winnipeg Parking Authority 3
- Winnipeg Police Service 19

2) "Fleet units managed" is the count of units at the start of the report year. This figure includes vehicles (light fleet, heavy fleet, and specialty equipment) plus fleet-managed trailers plus attachments not attached to a chassis (spare attachments awaiting a chassis to be installed upon).

**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)* | **2014** | **2015** | **2016** |
|---|---|---|---|
| Light vehicles | 6 | 6 | 7 |
| Heavy vehicles and specialty equipment | 7 | 7 | 7 |

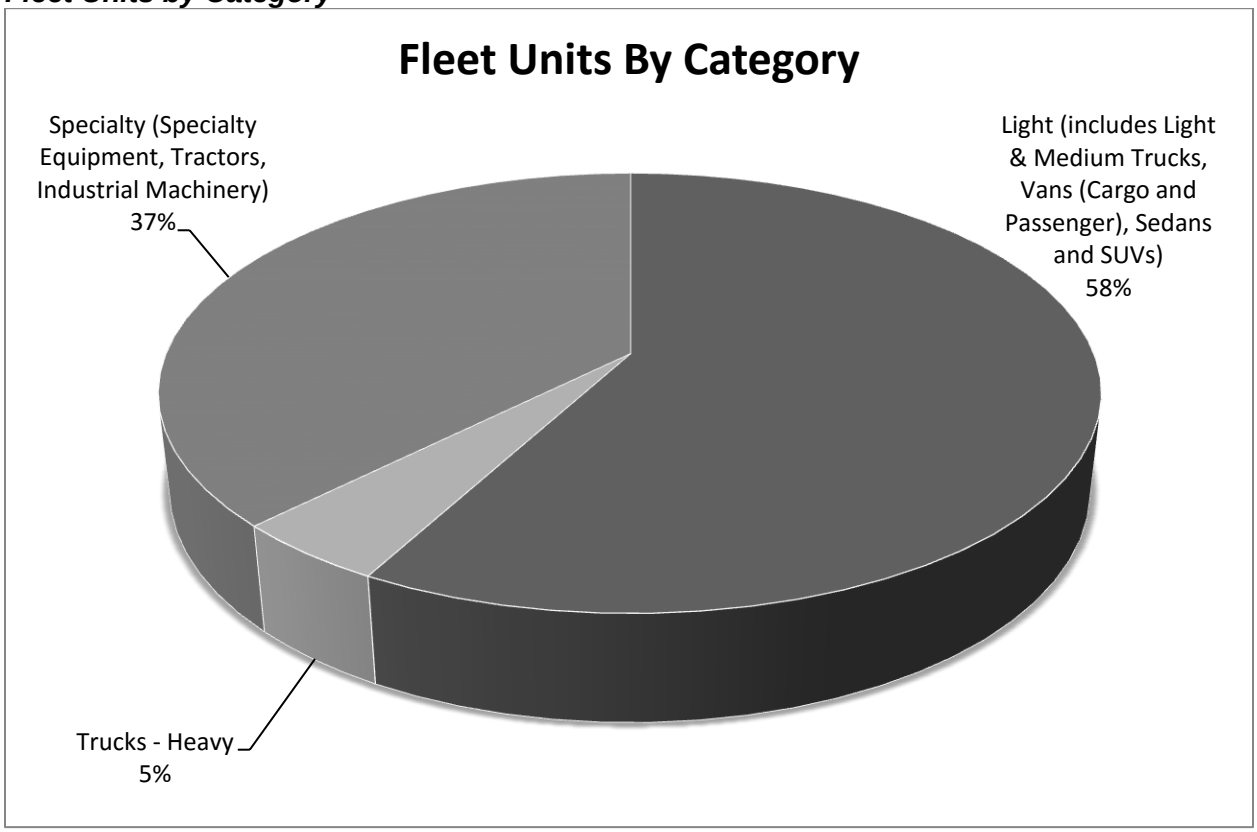
**Service Request**

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

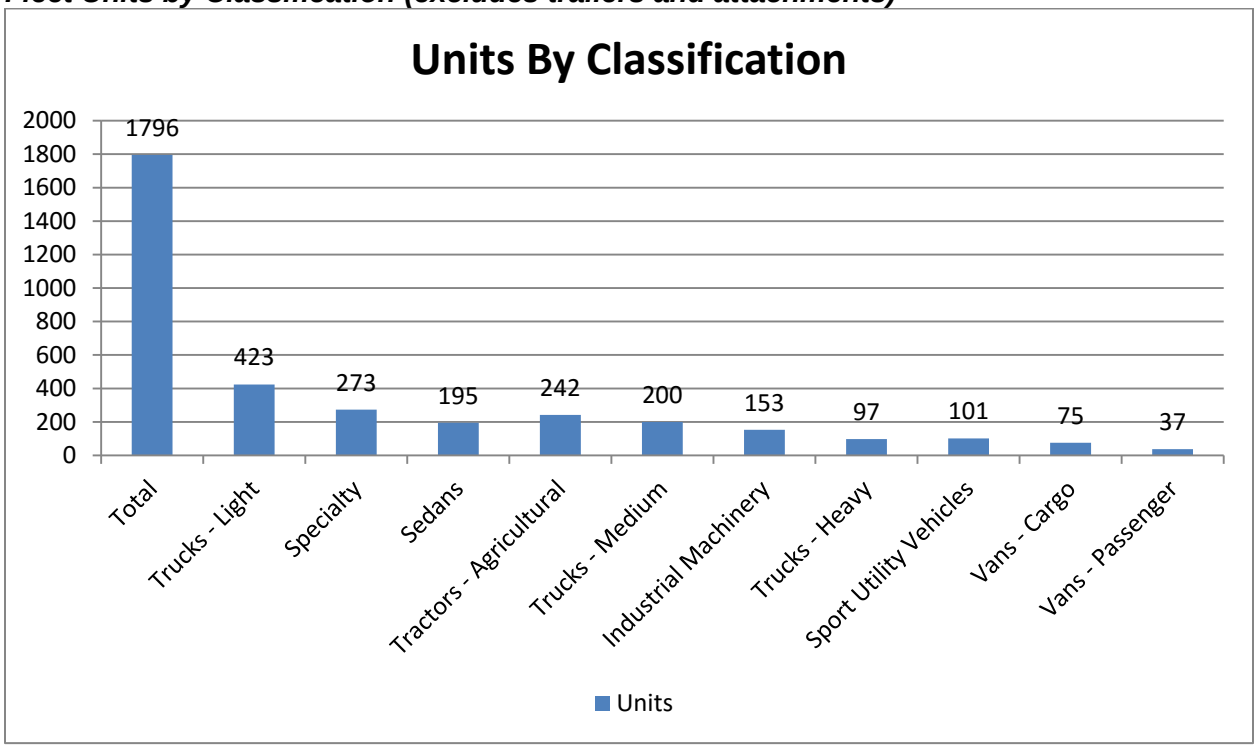
| **SERVICE REQUEST** | **2014** | **2015** | **2016** |
|---|---|---|---|
| Service request rate | 85% | 85% | 85% |

## 2016 FLEET FACTS

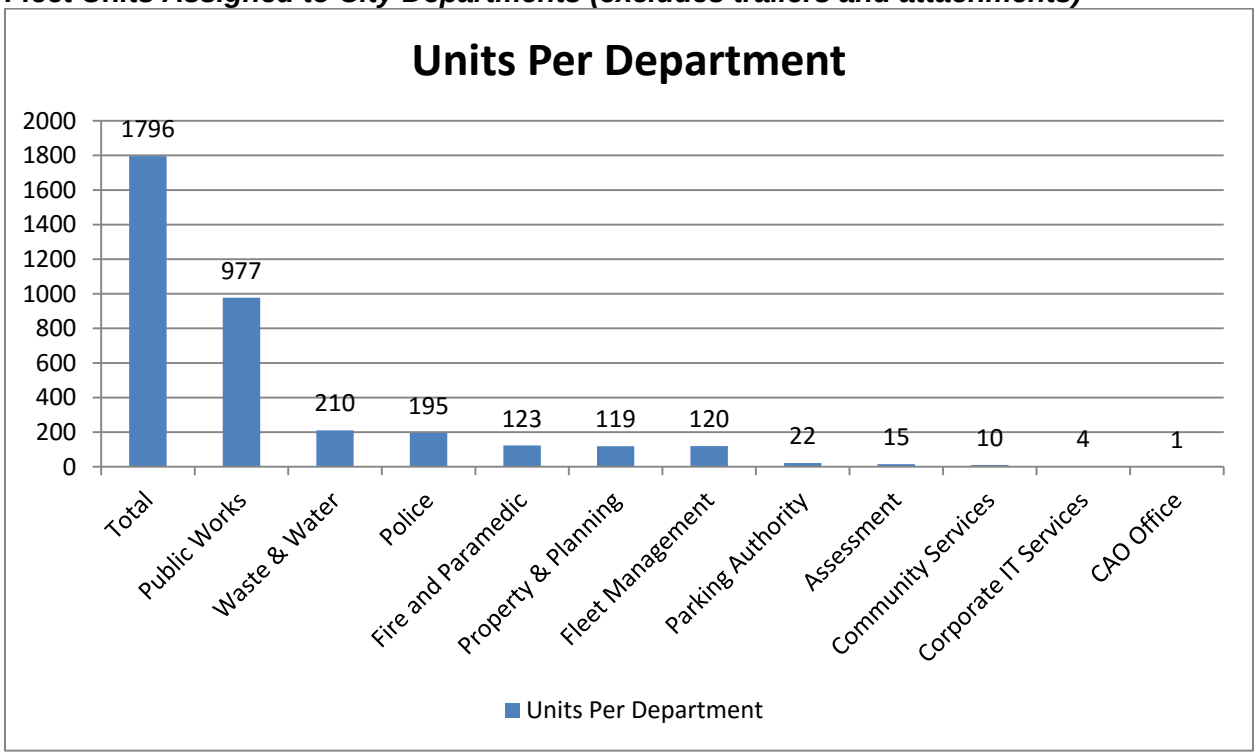
***Fleet Units by Category***



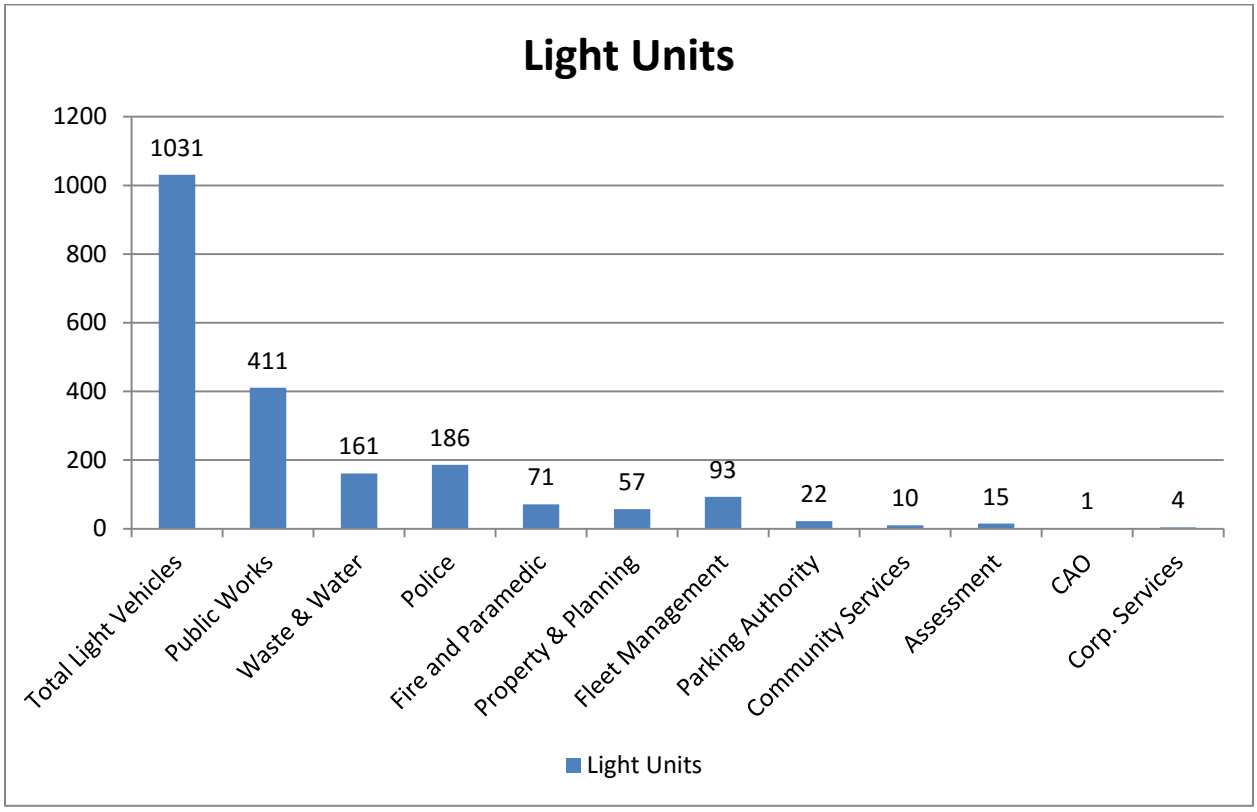
***Fleet Units by Classification (excludes trailers and attachments)***



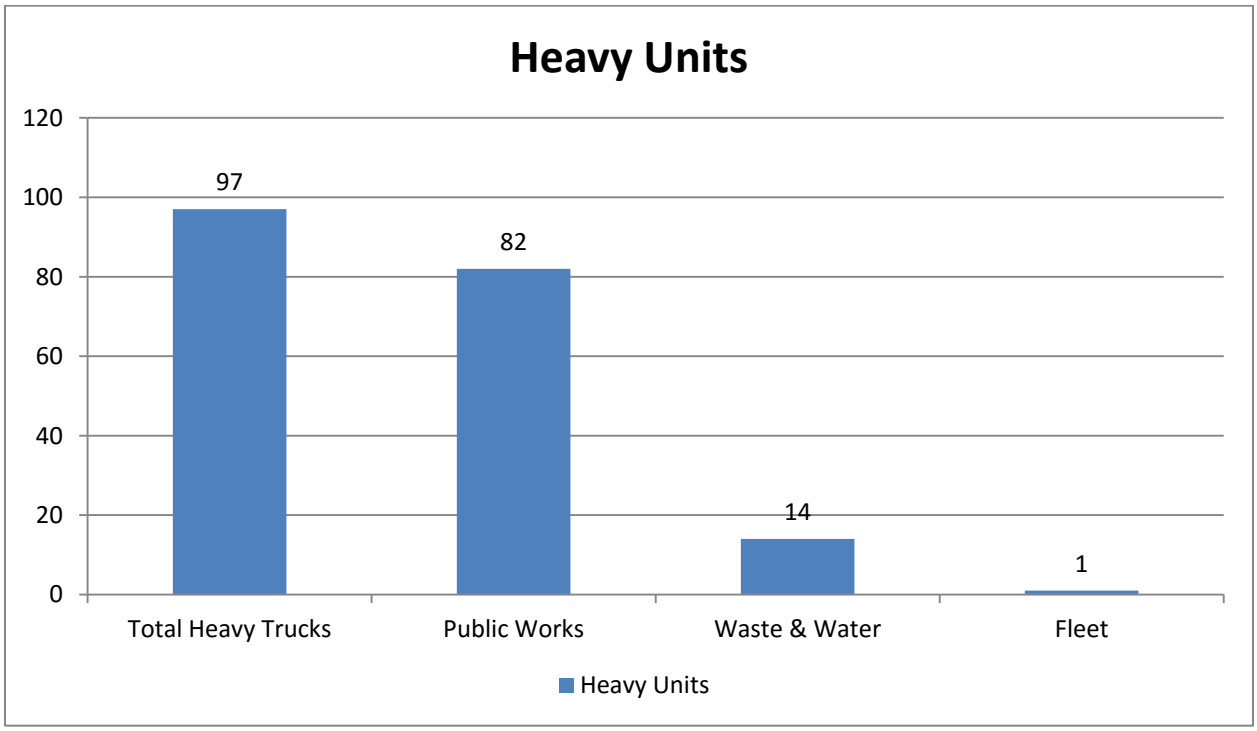

***Fleet Units Assigned to City Departments (excludes trailers and attachments)***



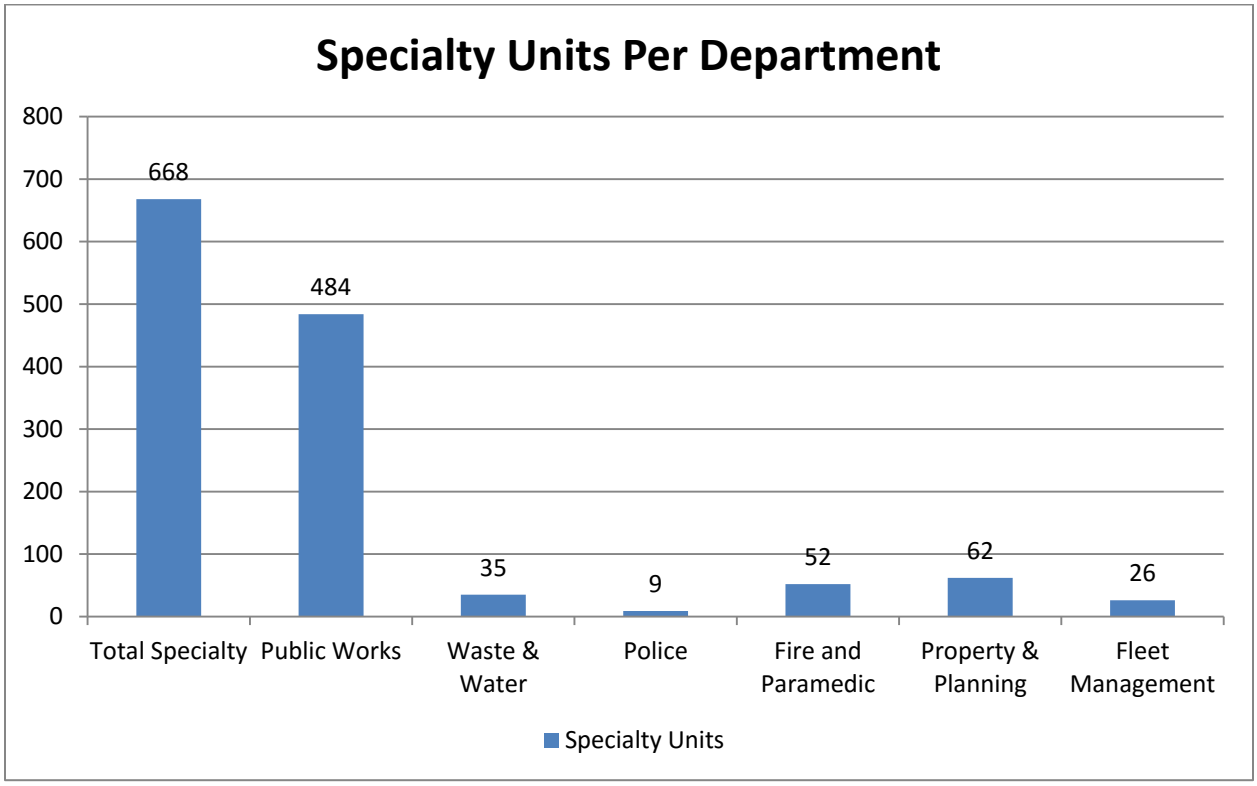
***Light Vehicle Units Assigned to City Departments***



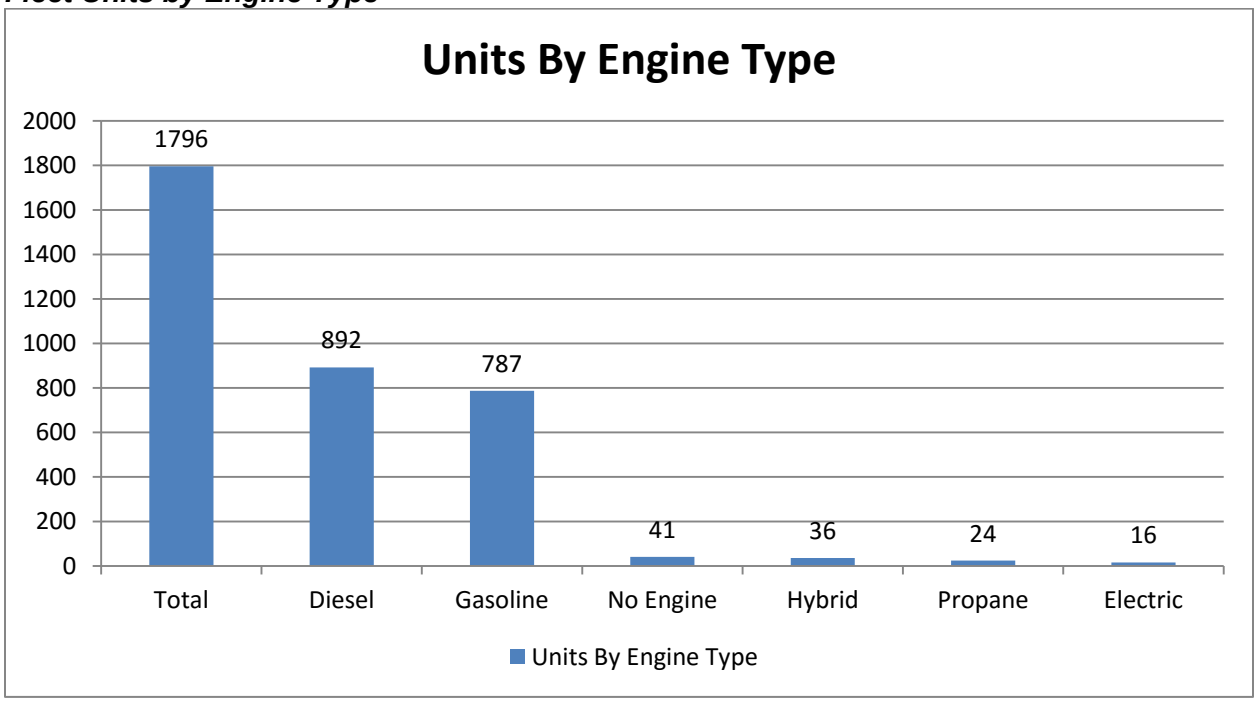

***Heavy Vehicle Units Assigned to City Departments***



***Specialty Equipment Units Assigned to City Departments***




***Fleet Units by Engine Type***



# *APPENDIX A-1*

**2018 to 2020 Projected Financial Statements and Notes**

# *APPENDIX A-2*

## 2016 Auditors' Report and Financial Statements