THE CITY OF WINNIPEG
FLEET MANAGEMENT - SPECIAL OPERATING AGENCY

PROJECTED STATEMENT OF FINANCIAL POSITION

As at December 31
(in thousands of dollars)

	Actual 2016	Budget 2017	Forecast 2017	Variance 2017	**2018**	2019	2020
FINANCIAL ASSETS							
Cash	$ 37	$ -	$ -	$ -	**$ -**	$ -	$ -
Accounts receivable	125	99	128	29	**131**	133	136
	162	99	128	29	131	133	136
LIABILITIES							
Due to The City of Winnipeg - General Revenue Fund (Note 3)	9,922	15,517	17,017	1,500	**17,103**	19,206	18,721
Accounts payable and accrued liabilities	1,029	1,819	1,050	(769)	**1,071**	1,092	1,114
Debt (Note 4)	30,012	33,478	30,936	(2,542)	**38,907**	53,675	67,539
Other liabilities (Note 5)	410	-	410	410	**410**	410	410
Accrued employee benefits (Note 6a)	1,853	1,823	1,890	67	**1,928**	1,967	2,006
	43,226	52,637	51,303	(1,334)	**59,419**	76,350	89,790
NET FINANCIAL LIABILITIES	(43,064)	(52,538)	(51,175)	1,363	**(59,288)**	(76,217)	(89,654)
NON-FINANCIAL ASSETS							
Tangible capital assets *(Note 7)*	62,353	70,810	69,481	(1,329)	**77,515**	94,564	108,297
Inventories	1,659	1,815	1,692	(123)	**1,726**	1,761	1,796
Prepaid expenses	603	557	615	58	**628**	628	628
	64,615	73,182	71,788	(1,394)	**79,869**	96,953	110,721
ACCUMULATED SURPLUS	$ 21,551	$ 20,644	$ 20,613	$ (31)	**$ 20,581**	$ 20,736	$ 21,067

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 2016	Budget 2017	Forecast 2017	Variance 2017	**2018**	2019	2020
REVENUES							
Fleet leases	$ 25,285	$ 28,068	$ 25,391	$ (2,677)	**$ 27,752**	$ 29,543	$ 31,781
Fuel sales	6,355	7,236	7,350	114	**7,497**	7,647	7,799
Services and parts revenue (Schedule 1)	8,916	7,655	9,043	1,388	**8,931**	9,106	9,285
Rental income	3,884	3,651	3,961	310	**4,040**	4,121	4,204
Gain on sale of tangible capital assets	1,721	400	800	400	**800**	800	800
Transfer from The City of Winnipeg - Innovative Capital Fund	371	-		-			
Total Revenues	46,532	47,010	46,545	(465)	**49,020**	51,217	53,869
EXPENSES							
Amortization	14,028	14,743	14,252	(491)	**15,006**	16,092	17,170
Supplies	9,558	10,076	10,632	556	**10,845**	11,085	11,296
Salaries and employee benefits	10,004	11,461	10,361	(1,100)	**11,165**	11,467	11,711
Services	9,910	8,275	9,779	1,504	**9,183**	9,178	9,362
Interest (Notes 3 and 4)	1,040	1,154	970	(184)	**1,186**	1,713	2,462
Other expenses	1,489	1,575	1,396	(179)	**1,424**	1,435	1,445
Total Expenses	46,029	47,284	47,390	106	**48,809**	50,970	53,446
Annual Surplus Before Other	503	(274)	(845)	(571)	**211**	247	423
OTHER							
Transfer to The City of Winnipeg - General Revenue Fund (Note 8b)	(1,492)	(92)	(92)	-	**(243)**	(92)	(92)
Annual (Deficit) Surplus	(989)	(366)	(937)	(571)	**(32)**	155	331
ACCUMULATED SURPLUS, BEGINNING OF YEAR	22,540	21,010	21,550	540	**20,613**	20,581	20,736
ACCUMULATED SURPLUS, END OF YEAR	$ 21,551	$ 20,644	$ 20,613	$ (31)	**$ 20,581**	$ 20,736	$ 21,067
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 2016	Budget 2017	Forecast 2017	Variance 2017	**2018**	2019	2020
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:							
OPERATING							
Annual (Deficit) Surplus	$ (989)	$ (366)	$ (937)	$ (571)	**$ (32)**	$ 155	$ 331
Non-cash charges to operations							
Amortization	14,028	14,743	14,252	(491)	**15,006**	16,092	17,170
Gain on sale of tangible capital assets	(1,721)	(400)	(800)	(400)	**(800)**	(800)	(800)
Retirement allowance and compensated absences	-	22	23	1	**24**	25	24
	11,318	13,999	12,538	(1,461)	**14,198**	15,472	16,725
Net change in non-cash working capital related to operations	(209)	(1)	23	24	**(15)**	(2)	(1)
Cash provided by operating activities	11,109	13,998	12,561	(1,437)	**14,183**	15,470	16,724
CAPITAL							
Acquisition of tangible capital assets	(14,769)	(20,253)	(21,380)	(1,127)	**(23,040)**	(33,141)	(30,903)
Proceeds on disposal of tangible capital assets	2,229	400	800	400	**800**	800	800
Cash used in capital activities	(12,540)	(19,853)	(20,580)	(727)	**(22,240)**	(32,341)	(30,103)
FINANCING							
Change in due to/from The City of Winnipeg - General Revenue Fund	1,945	2,389	7,095	4,706	**86**	2,103	(485)
Proceeds from term loans	9,700	13,100	10,900	(2,200)	**18,000**	25,000	25,000
Repayment of term loans	(10,177)	(9,634)	(9,976)	(342)	**(10,029)**	(10,232)	(11,136)
Cash provided by (used in) financing activities	1,468	5,855	8,019	2,164	**8,057**	16,871	13,379
Increase in cash	37	-	-	-	-	-	-
CASH, BEGINNING OF YEAR	-	-	-	-	-	-	-
CASH, END OF YEAR	$ 37	$ -	$ -	$ -	**$ -**	$ -	$ -

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 2016	Budget 2017	Forecast 2017	Variance 2017	**2018**	2019	2020
ANNNUAL (DEFICIT) SURPLUS	$ (989)	$ (366)	$ (937)	$ (571)	**$ (32)**	$ 155	$ 331
Amortization of tangible capital assets	14,028	14,743	14,252	(491)	**15,006**	16,092	17,170
Proceeds on disposal of tangible capital assets	2,229	400	800	400	**800**	800	800
Gain on sale of tangible capital assets	(1,721)	(400)	(800)	(400)	**(800)**	(800)	(800)
Change in inventories and prepaid expenses	11	(47)	(46)	1	**(47)**	(35)	(35)
Acquisition of tangible capital assets	(14,769)	(20,253)	(21,380)	(1,127)	**(23,040)**	(33,141)	(30,903)
(INCREASE) DECREASE IN NET FINANCIAL LIABILITIES	(1,211)	(5,923)	(8,111)	(2,188)	**(8,113)**	(16,929)	(13,437)
NET FINANCIAL LIABILITIES, BEGINNING OF YEAR	(41,853)	(46,615)	(43,064)	3,551	**(51,175)**	(59,288)	(76,217)
NET FINANCIAL LIABILITIES, END OF YEAR	$ (43,064)	$ (52,538)	$ (51,175)	$ 1,363	**$ (59,288)**	$ (76,217)	$ (89,654)

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, 2020
(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 annual deficit (surplus), 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.

ii) Inventories

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

2. Significant Accounting Policies (continued)

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 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 $20 million 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 2017	**2018**	2019	2020
Term loans	$ 30,758	**$ 38,729**	$ 53,497	$ 67,361
The City of Winnipeg, non-interest bearing, no repayment schedule	178	**178**	178	178
	$ 30,936	**$ 38,907**	$ 53,675	$ 67,539

5. *Other Liability*

	Forecast 2017	**2018**	2019	2020
Environmental laibility	$ 410	**$ 410**	$ 410	$ 410

The agency has estimated an environmental liability for its former fuel site that has been decomissioned containing soil contamination with petrol hydro carbon products. There was an environmental assessment that stated contamination levels above the Canadian Council of Ministers of the Environment (CCME) criteria.

6. *Accrued Employee Benefits*

a) Accrued employee benefits

	Forecast 2017	**2018**	2019	2020
Retirement allowance and compensated absences	$ 1,190	**$ 1,214**	$ 1,239	$ 1,263
Vacation	700	**714**	728	743
	$ 1,890	**$ 1,928**	**$** 1,967	$ 2,006

Under the retirement allowance program, 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 13.2 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. The City of Winnipeg allocates its pension costs to various departments.

7. *Tangible Capital Assets*

	Net Book Value			
	Forecast 2017	**2018**	2019	2020
Land	$ 390	**$ 390**	$ 390	$ 390
Buildings	2,440	**2,415**	2,267	2,880
Fleet assets	62,381	**69,608**	86,607	99,962
Equipment	4,270	**5,102**	5,300	5,065
	$ 69,481	**$ 77,515**	$ 94,564	$ 108,297

8. 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 2017	**2018**	2019	2020
a) Sales of goods and services to The City of Winnipeg	$ 44,802	**$ 47,462**	$ 49,648	$ 52,288
b) Dividend transfer to The City of Winnipeg	$ 92	**243**	$ 92	$ 92
c) Municipal Accomodations Fund:				
Repair facility lease	$ 741	**$ 759**	$ 759	$ 759
d) Corporate Support Services Deparment:				
Business technology services	$ 143	**$ 143**	$ 143	$ 143
Human resource services	$ 154	**$ 158**	$ 161	$ 164

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 2016	Budget 2017	Forecast 2017	Variance 2017	**2018**	2019	2020
Consumables and corrective maintenance	$ 5,200	$ 3,906	$ 5,304	$ 1,398	**$ 5,210**	$ 5,314	$ 5,420
Insurance revenue	1,937	1,907	1,976	69	**2,015**	2,056	2,097
Power tools	803	795	795	-	**723**	738	753
Manufacturing sales	590	750	602	(148)	**614**	626	638
Autopac rebate	-	-	-	-	**-**	-	-
Other	222	130	194	64	**197**	200	205
Provincial support grant	164	167	172	5	**172**	172	172
	$ 8,916	$ 7,655	$ 9,043	$ 1,388	**$ 8,931**	$ 9,106	$ 9,285