Minutes – Executive Policy Committee – April 16, 2019

Report – Standing Policy Committee on Innovation – April 8, 2019

Item No. 2 Winnipeg Fleet Management Special Operating Agency – 2019 Business Plan (Selection Report)

EXECUTIVE POLICY COMMITTEE RECOMMENDATION:

The Executive Policy Committee concurred in the recommendation of the Standing Policy Committee on Innovation and submitted the following to Council:

1. That the 2019 Business Plan for the Winnipeg Fleet Management Agency Special Operating Agency including the 2019 budget be approved and the 2020 and 2021 financial projections be received as information, as outlined in Appendix A.

2. That annual long-term borrowing authority of up to $11.5 million in 2019 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.

Report – Standing Policy Committee on Innovation – April 8, 2019

DECISION MAKING HISTORY:

Moved by Councillor Orlikow,

That the recommendation of the Standing Policy Committee on Innovation be concurred in and forwarded to Council.

Carried

STANDING COMMITTEE RECOMMENDATION:

On April 8, 2019, 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.

On March 11, 2019, the Standing Policy Committee on Innovation laid over the Winnipeg Fleet Management – Special Operating Agency – 2019 Business Plan to its meeting on April 8, 2019.

ADMINISTRATIVE REPORT

Title: Winnipeg Fleet Management – Special Operating Agency – 2019 Business Plan

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

AUTHORIZATION

Author	Department Head	CFO	CAO
D. Konowich WFMA COO	D. Wardrop CTUO	M. Ruta	D. Wardrop, Acting CAO

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 2019 Business Plan for the Winnipeg Fleet Management Agency - Special Operating Agency including the 2019 budget be approved and the 2020 and 2021 financial projections be received as information, as outlined in Appendix A.

2. That annual long-term borrowing authority of up to $11.5 million in 2019 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 2019, Winnipeg Fleet Management Agency will transfer $0.242 million to The City of Winnipeg – General Revenue Fund, representing a dividend.

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.

In 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 2019

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 2019

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

- 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 of Estimate (BOE) budget for the Agency's Ross/Tecumseh head office, repair and manufacturing operations potential future relocation.
- Investigate internal and external fuel dispensing options for improved fuel services and efficiencies to accommodate department fueling needs and city expansion.
- Continue with the evaluation of two all-electric vehicles and supporting infrastructure through the Innovative Capital funded project to assist in determining future operational suitability and life cycle costs.
- Investigate options in the bidding process that allow vendors to introduce new technological options for efficiencies, innovation, productivity, and reduced environmental impacts.
- Assess implementation of recommendations identified in the agency's Operational Review that would be innovative or enhance future service delivery.
- Investigate opportunities for bar coding or RFID technologies to improve data collection, productivity and efficiency.
- Pursue and achieve the agency's Safe Work Certification standard for workplace safety and health.
- Implement regular reporting to civic departments on AVL idling trends for action on reduction measures.
- Optimize lifecycle management by improving use of both vehicle utilization data and repair and maintenance data for vehicle replacement planning and to reduce the overall cost and size of the fleet.

Agency Services Goals and Strategies New for 2019

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 oversight in order to identify efficiencies and cost savings for the City.
- In collaboration with Water & Waste, after review of a consultant's report for a Class 3 estimate, initiate construction of a fuel site at the Brady Road Landfill to better meet the needs of landfill expansion and increased fleet size.
- Investigate the root cause of vehicle downtime and develop a plan to report on and improve the percentage of time vehicles and equipment are in service.
- Increase development of parts and service bid opportunity contracts that will focus on strategic procurement to reduce costs to the Agency such as freight, restocking and minimum order quantity fees.
- Establish input and feedback mechanisms that identify customer needs and priorities for value-added service delivery.
- Enhance customer relationships through improved communications, resulting in fully transparent fleet charges, services, and decision making processes.
- Strive to provide fair and efficient delivery of services to a diverse civic customer base.

FINANCIAL IMPACT

Financial Impact Statement

Date: January 30, 2019

Project Name:

First Year of Program **2019**

Winnpeg Fleet Management - Special Operating Agency - 2019 Business Plan

	2019	2020	2021	2022	2023
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:

2019 to 2021 projected financial statements and notes are presented in Appendix A-1.

Original approved by Joseph Chammartin, CPA, CGA

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: January 30, 2019

Attachments:

Appendix A: The City of Winnipeg Fleet Management Agency – Special Operating Agency Business Plan 2019

Appendix A-1: 2019 to 2021 Projected Financial Statements and Notes

Appendix A-2: 2017 Auditors' Report and Financial Statements

APPENDIX A

THE CITY OF WINNIPEG

WINNIPEG FLEET MANAGEMENT AGENCY – SPECIAL OPERATING AGENCY

BUSINESS PLAN

2019

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 and Business Plan, 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

Be the most efficient public sector fleet service provider in Canada with a dedicated focus on innovation, safety and customer service.

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 vehicle, manufacturing and equipment management services to civic departments and other public organizations.

SERVICE GOALS

1. ***Develop innovative strategies and efficiencies through the introduction of new technologies and business processes that enhance fleet services across the agency.***

   Strategies:

   - Expand upon the Agency's comprehensive Fleet Management Solution system with the addition of a customer information 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.
   - 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 of Estimate (BOE) budget for the Agency's Ross/Tecumseh head office, repair and manufacturing operations potential future relocation.
   - Automate contract procurement and scheduling processes through the addition of a module within the agency's Fleet Management Solution system.
   - Enhance the fleet rental processes for increased accountability, costing and staff efficiency.
   - Investigate options in the bidding process that allow vendors to introduce new technological options for efficiencies, innovation, productivity, and reduced environmental impacts.
   - Update procedures and process mapping to identify and resolve gaps, eliminate redundancy and improve communications and productivity.
   - Implement regular reporting to civic departments on AVL idling trends for action on reduction measures.
   - Assess implementation of the agency's Operational Review identified recommendations that would innovate or enhance future service delivery.
   - Investigate opportunities for bar coding or RFID technologies to improve data collection, productivity and efficiencies.
   - Enhance asset management practices by leveraging full lifecycle cost analysis on the fleet.
   - Evaluate and establish Key Performance Indicators (KPI's) and dashboard reporting to support the agency's overall mission, performance and accountability.
   - Optimize lifecycle management by improving use of both vehicle utilization data and repair and maintenance data for vehicle replacement planning and to reduce the overall cost and size of the fleet.

2. ***To be a leader in environmental stewardship through the management of the agency's fueling infrastructure and promote fleet emission reductions.***

   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 through a hired consultant.
- Investigate for implementation alternative fuel and advanced vehicle technologies while maintaining operational integrity of all vehicles.
- 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.
- Investigate and develop strategies to upgrade fueling infrastructure with current technology for future sustainability.
- Pursue National Association of Fleet Administration sustainability certification and designation.
- In collaboration with Water & Waste, after review of the consultant's report for a Class 3 estimate, initiate construction of a fuel site at the Brady Road Landfill to better meet the needs of landfill expansion and increased fleet size.
- Upgrade and improve fuel transaction/distribution hardware and software to modernize the data collection for better fuel consumption reporting and monitoring fuel inventory levels.
- Continue with the evaluation of two all-electric vehicles and supporting infrastructure through the Innovative Capital funded project to assist in determining future operational suitability and life cycle costs.

3. The establishment of a business environment that embraces safety as a priority for the fleet and its employees.

Strategies:

- Increased staff safety training and development utilizing a new safety training matrix targeted to employees based on job requirements.
- Review Corporate Safety Advisory quarterly reporting in regard to safety performance improvements.
- Pursue and achieve the agency's Safe Work Certification standard for workplace safety and health.
- Implement Corporate Safety protocol for employee work alone through use of devices and processes for enhanced employee safety.
- Establish a safety preventative maintenance program for internal agency shop vehicles and equipment for enhanced safety oversight.
- Increase ability to document and track employee safety training through the agency's Fleet Management Solution system.

4. ***Optimize the operational and financial performance of the agency's repair and manufacturing facilities to support the delivery of essential services to a diverse civic customer base.***

Strategies:

- 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.
- Initiate a consultant's review of the Agency's fleet software solution in collaboration with other City of Winnipeg departments to create efficiencies and cost savings across the City.
- Investigate the root cause of vehicle downtime and develop a plan to report on and improve the percentage of time vehicles and equipment are in service.
- Update and improve preventative maintenance scheduling for all fleet vehicles for reduced costs and align with current industry standards.
- Investigate opportunities to create automated customer preventative maintenance and inspection due date notifications.
- Apply parts warehouse performance metrics through comprehensive use of key performance indicators that will enable the agency to better measure quantifying objectives such as inventory accuracy, inventory stock turns, slow moving inventory and customer satisfaction.
- Investigate new revenue markets for the Manufacturing and Fabrication repair facility.
- Increase development of parts and service bid opportunity contracts that will focus on strategic procurement to reduce or eliminate costs to the Agency such as freight, restocking and minimum order quantity fees.
- Develop and further enhance the agency's performance and financial dashboards that provide accurate and timely data for operational planning needs.

5. ***Improve customer service and satisfaction through effective fleet service delivery***

Strategies:

- Promote and encourage ongoing training and development of staff skills with a focus on new technologies, leadership, succession planning and efficient work processes.
- Update and further develop the Agency's fleet City websites for improved communications and promotion of the Agency's services.
- Establish input and feedback mechanisms that identify customer needs and priorities for value-added service delivery.
- Enhance customer relationships through improved communications, resulting in fully transparent fleet charges, services, and decision making processes.
- Strive to provide fair and efficient delivery of services to a diverse civic customer base.

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 2018, which indicated that 82% of customers were satisfied with 2017 fleet management services.

CUSTOMER SATISFACTION	2015	2016	2017
Satisfaction rate	79%	72%	82%

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 (MBNC) 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)*	2015	2016	2017
Light vehicles	0.23	0.34	0.37
Medium vehicles	0.47	0.63	0.70
Heavy vehicles and specialty equipment	0.93	1.10	1.22

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 DEPARTMENT AND DIVISION	2015	2016	2017
Assessment and Taxation Department	9.9	9.9	9.8
Corporate Support Services Department	20.7	20.8	20.4
Winnipeg Fire Paramedic Service Department	20.0	19.0	19.8
Fleet Management – Special Operating Agency	15.7	18.3	19.7
Planning, Property and Development Department	16.6	19.8	20.0
Parking Authority – Special Operating Agency	12.3	13.3	13.3
Public Works Department – Engineering	15.3	13.8	15.1
Public Works Department – Parks & Open Space	23.7	24.5	25.1
Public Works Department – Streets Maintenance	22.0	23.1	23.6
Public Works Department – Traffic Signals	32.4	30.7	37.0
Public Works Department – Transportation Systems	23.8	22.5	22.6
Winnipeg Police Service	19.8	19.5	19.8
Water and Waste Department – Engineering	16.0	17.6	17.5
Water and Waste Department – Environmental Standards	11.3	13.0	14.4
Water and Waste Department – Solid Waste	25.2	24.8	23.1
Water and Waste Department – Wastewater	21.9	22.0	22.0
Water and Waster Department – Water Services	24.4	24.3	24.4

City of Winnipeg Fuel Efficiency by Fleet Category

Fuel efficiency is reported for The City, excluding the Winnipeg Transit Department and Winnipeg Police Service, 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	2015	2016	2017
Light vehicles (in liters per 100 kilometers)	20.0	20.5	20.9
Heavy vehicles and specialty equipment (in liters per hour)	7.4	7.5	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, 2021.

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 2017 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 2019 to 2021 Projected Financial Statements and Notes are presented in Appendix A-1.

The 2017 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 2018 to 2021 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.
- Overall Fleet leases have been decreased by 5% to reflect estimated savings from a fleet reduction program which will begin in 2019 with a goal of reducing overall fleet costs and increasing vehicle and equipment utilization.

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 131 budgeted full-time equivalent (FTE) positions. In 2019 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 103 budgeted FTE positions in 2018 as follows:

- 84 CUPE permanent FTE positions
- 9 CUPE temporary FTE positions
- 10 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:

- 8 CUPE permanent FTE positions
- 4 WAPSO permanent FTE positions

Professional and Support teams, include 16 budgeted FTE positions in 2018 as follows:

1. Chief Operating Officer Office;
    - 1 WAPSO exempt permanent FTE position
    - 1 CUPE exempt permanent FTE position
    - 1 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
    - 3 CUPE permanent FTE positions

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

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.

- $102 thousand in 2019, $104 thousand in 2020 and $106 thousand in 2021 for human resource service, based on information provided by the Corporate Support Services Department.
- $59 thousand in 2019, $60 thousand in 2020, $61 thousand in 2021 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 $242 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	2019	2020	2021
Debt/Worth ratio	**3.2**	3.1	3.1

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)*	**2018**	**2019**	**2020**	**2021**
Term loan debt opening (Note 1)	$30,817	**$36,898**	$44,029	$45,486
Proceeds from term loans (Note 2)	17,100	**17,700**	12,600	13,000
Repayment of term loans (Note 3)	(11,019)	**(10,569)**	(11,143)	(13,086)
Rounding				
Term Loan Debt	$36,898	**$44,029**	$45,486	$45,400
The City of Winnipeg debt (Note 4)	178	**178**	178	178
Rounding				
Debt	$37,076	**$44,207**	$45,664	$45,578

Notes:

1) Term loan debt opening in 2018 is based on actual term loan debt as at December 31, 2017, and estimated for 2019 to 2021.
2) Proceeds from term loans in 2018 are based on actual loan drawdowns, and estimated for 2019 to 2021 based on the December 31st prior year due to The City of Winnipeg – General Revenue Fund balance.
3) Repayment of term loans in 2018 is based on actual term loan amortization schedules, and estimated for 2019 to 2021.
4) The City of Winnipeg debt is based on the balance as at December 31, 2017.

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. The agency forecasts that it will operate within this established debt limit through deferred replacement of fleet assets and reduction in the size of the fleet.

PROJECTED DEBT LIMIT *(in thousands of dollars)*	**2019**	**2020**	**2021**
Maximum debt	**$65,300**	$65,300	$65,300
Debt	**(44,207)**	(45,664)	(45,578)
Due to The City of Winnipeg – General Revenue Fund	**(18,347)**	(17,590)	(18,946)
Debt Limit	**$2,746**	$2,046	$776

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)*	**2019**	**2020**	**2021**
Proceeds from term loans	**$17,700**	$12,600	$13,000
Due to The City of Winnipeg – General Revenue Fund	**18,347**	17,590	18,946
Debt limit	**2,746**	2,046	776
Cumulative borrowing authorization opening (Note 1)	**(27,310)**	(21,093)	(19,636)
Annual Long-term Borrowing Authority	**$11,483**	$11,143	$13,086
Cumulative borrowing authorization opening (Note 1)	**27,310**	21,093	19,636
Proceeds from term loans	**(17,700)**	(12,600)	(13,000)
Cumulative Borrowing Authorization	**$21,093**	$19,636	$19,722

Note:

1) Cumulative borrowing authorization opening in 2019 is based on actual borrowing authority net of actual term loan draws cumulative to 2019, and is estimated for 2020 and 2021.

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)*	**2019**	**2020**	**2021**
Fleet assets	**$22,336**	$15,178	$15,670
Land, buildings and equipment	**1,141**	1,329	1,235
Acquisition of Tangible Capital Assets	**$23,477**	$16,507	$16,905

Fleet asset acquisitions are based on the Agency's 2018 to 2021 fleet replacement plan, and are subject to future revision due to Agency and City department decisions, and vendor availability. Fleet acquisitions in 2019 are estimated by fleet category as follows (in thousands of dollars):

- Agricultural equipment $ 135
- Attachments $1,433
- Cargo vans $ 377
- Industrial equipment $4,534
- Light duty trucks $3,617
- Medium duty trucks $3,113
- Passenger vans $ 187

- Sedans $1,699
- Specialty and fire equipment $6,488
- Sport utility vehicles $ 753

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	2015	2016	2017
Return on total revenues (Note 1)	1.62%	(2.12%)	(0.01%)
Return on average non-financial assets (Note 2)	1.13%	(1.53%)	(0.01%)
Return on average accumulated surplus ratio (Note 3)	3.30%	(4.48%)	(0.03%)
Parts inventory turnover ratio (Note 4)	2.04	2.53	2.28
Fuel inventory turnover ratio (Note 4)	19.63	17.40	17.81
Non-financial assets to net debt ratio (Note 5)	(1.54)	(1.50)	(1.43)
Net debt to accumulated surplus ratio (Note 6)	1.86	2.00	2.32
Days sales in receivables ratio (Note 7)	0.80	1.31	1.63

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	2015	2016	2017
Bid opportunities	62	67	64
Fleet unit acquisitions (Note 1)	180	182	265
Insurance, license and registrations	1,889	1,900	1,835
Repair transactions	36,409	35,536	33,779
Parts transactions	39,991	41,528	35,631
Repair labour hours	72,897	71,361	65,735
Fuel transactions	119,988	116,618	115,955
Total fuel liters provided	7,981,212	7,880,797	7,770,068
Seasonal and short term rental days	88,850	103,518	108,489
Fleet unit dispositions	228	188	234
Fleet units managed (Note 2)	2,269	2,224	2,199

Notes:

1) Units acquired in 2017 are assigned and leased to City departments as follows:

Public Works	155
Winnipeg Police Service	46
Water and Waste	43
Planning Property & Development	9
Fire and Paramedics	5
Winnipeg Fleet Management Agency	2
Community Services	1
Winnipeg Parking Authority	1

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)*	**2015**	**2016**	**2017**
Light vehicles	6	7	7
Heavy vehicles and specialty equipment	7	7	6

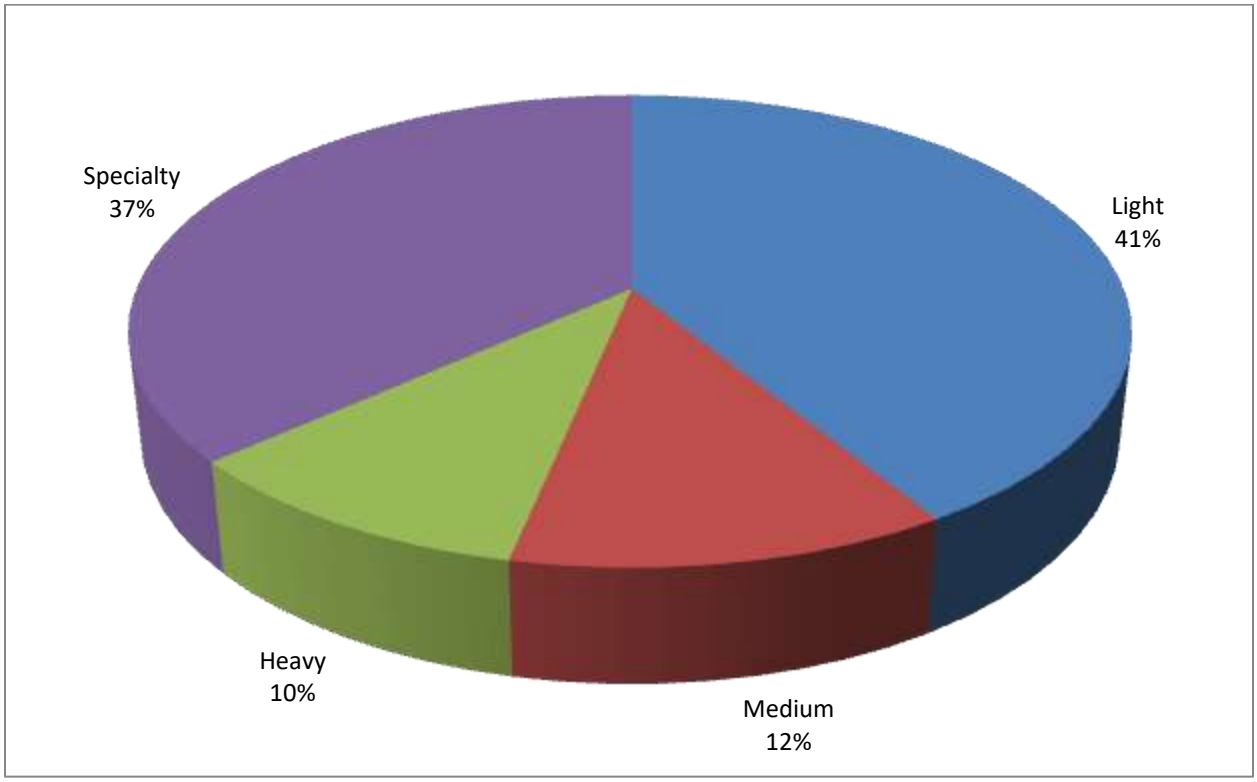
Service Request

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	**2015**	**2016**	**2017**
Service request rate	85%	85%	84%

2017 FLEET FACTS

Fleet Units by Category (excludes trailers and attachments)



Note:

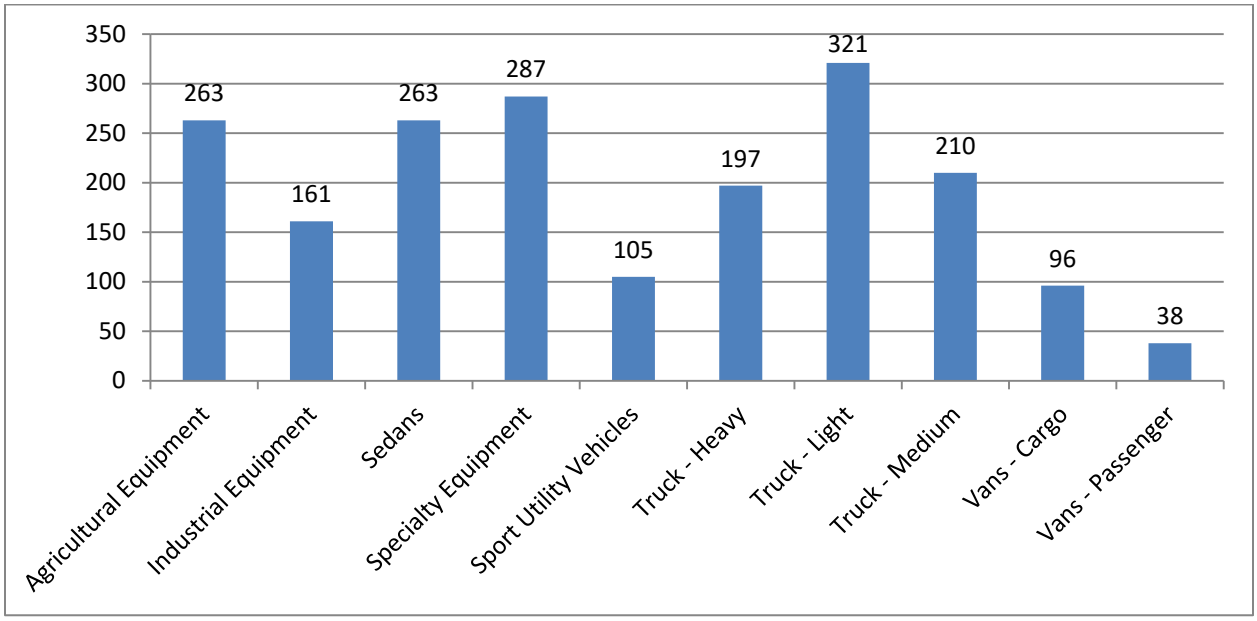
Light includes: Light Duty Trucks, Vans (Cargo and Passenger), Sedans and SUVs

Medium includes: Medium Duty Trucks

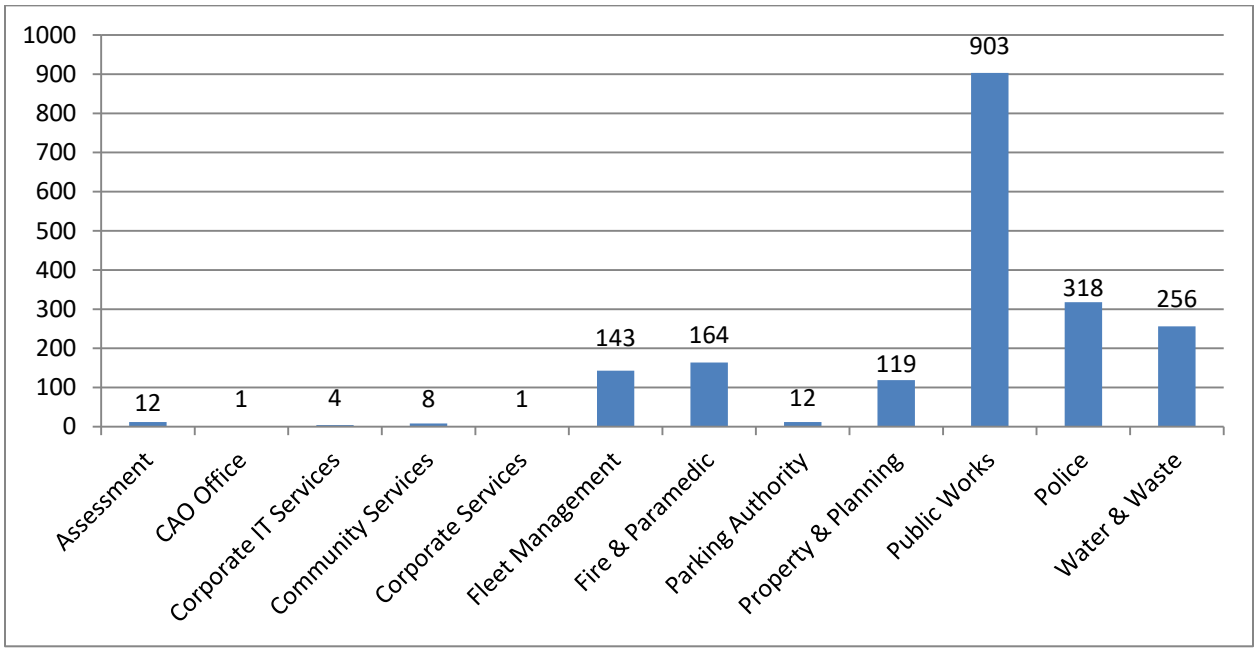
Heavy includes: Heavy Duty Trucks

Specialty includes: Specialty Equipment, Agricultural Tractors, and Industrial Machinery

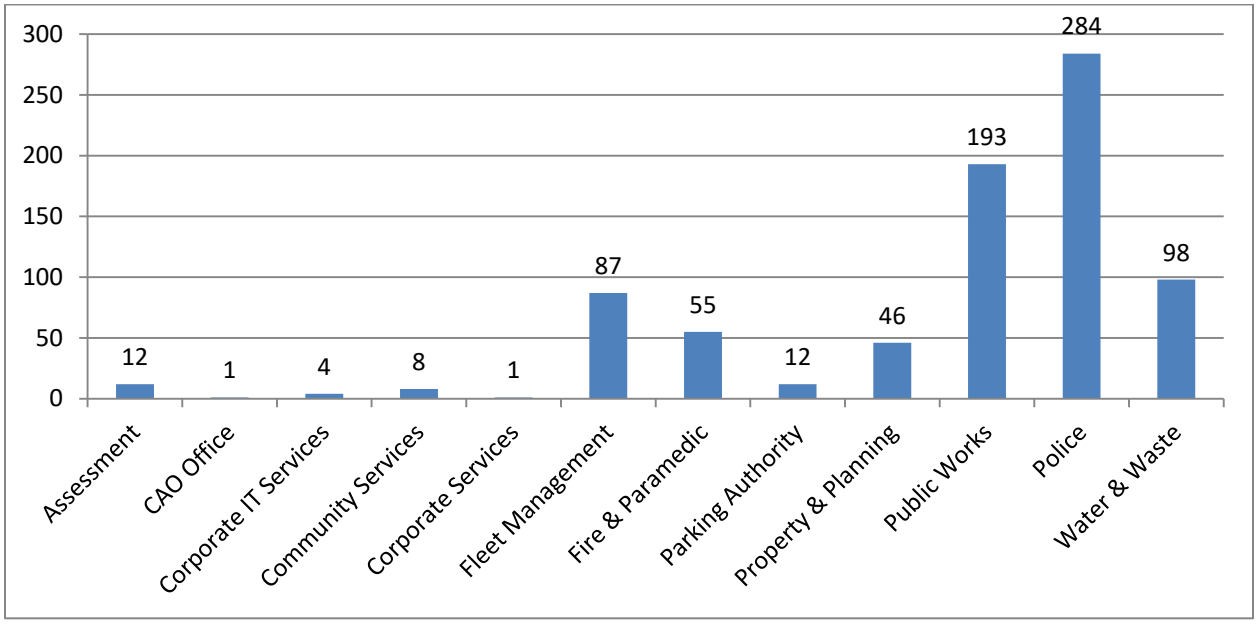
Fleet Units by Classification (excludes trailers and attachments) (Total: 1941)



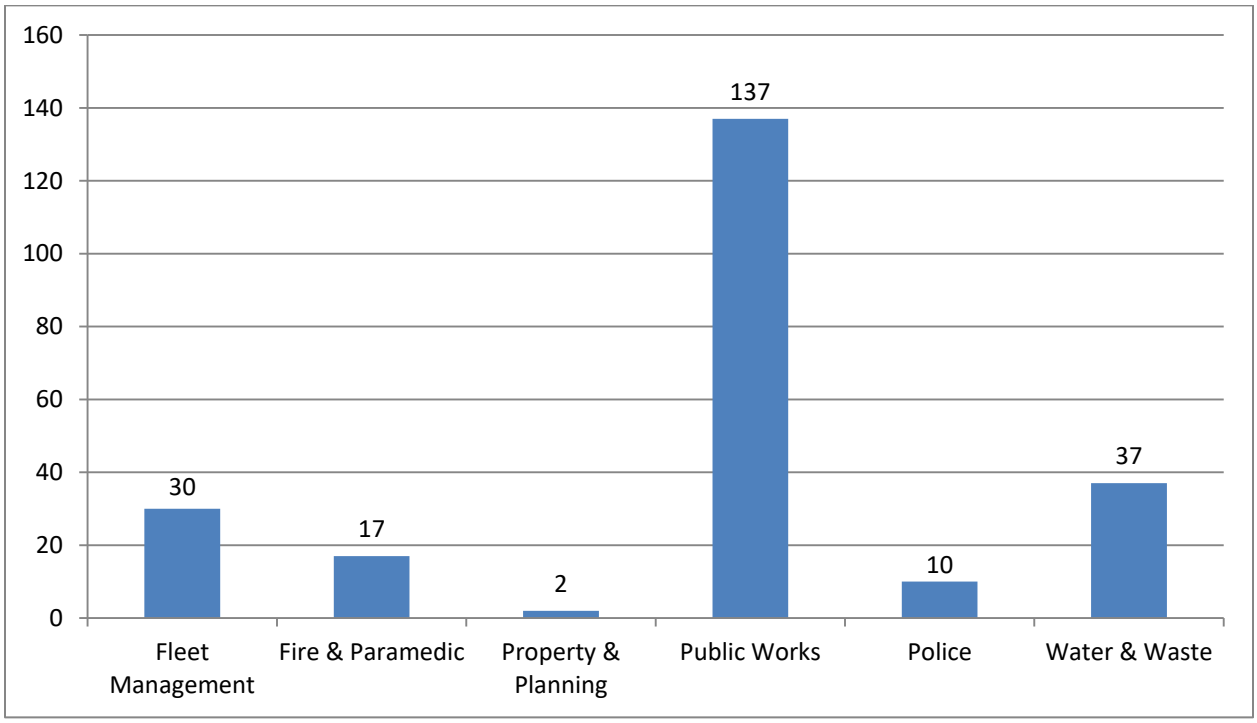
Fleet Units Assigned to City Departments (exc. trailers and attachments) (Total: 1941)



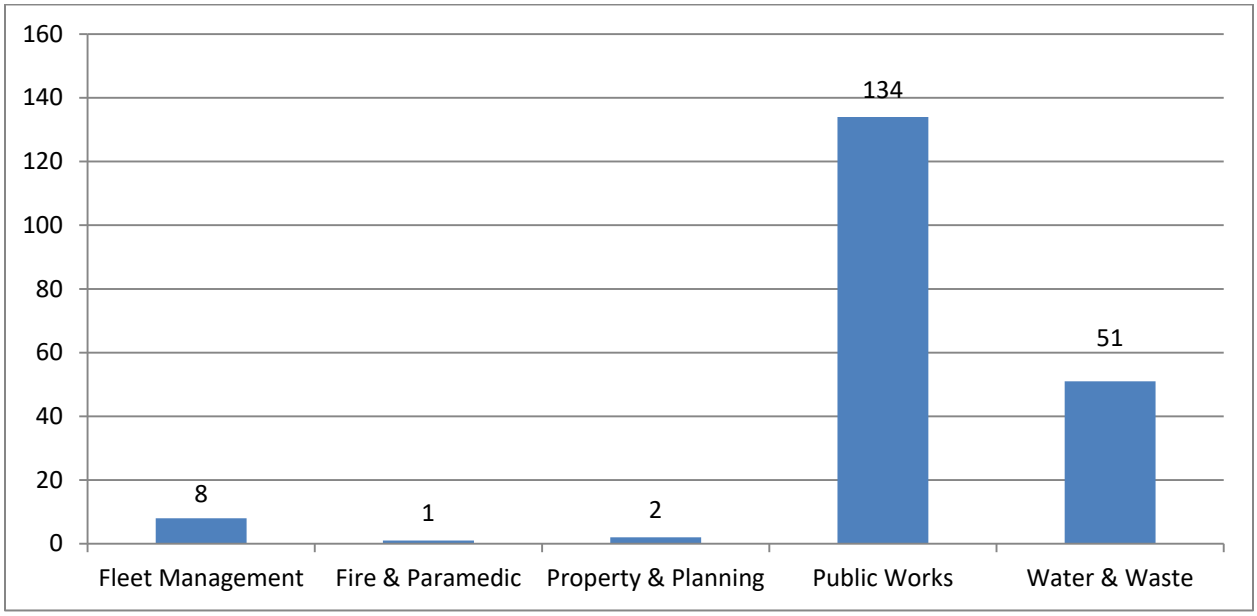
Light Vehicle Units Assigned to City Departments (Total: 801)



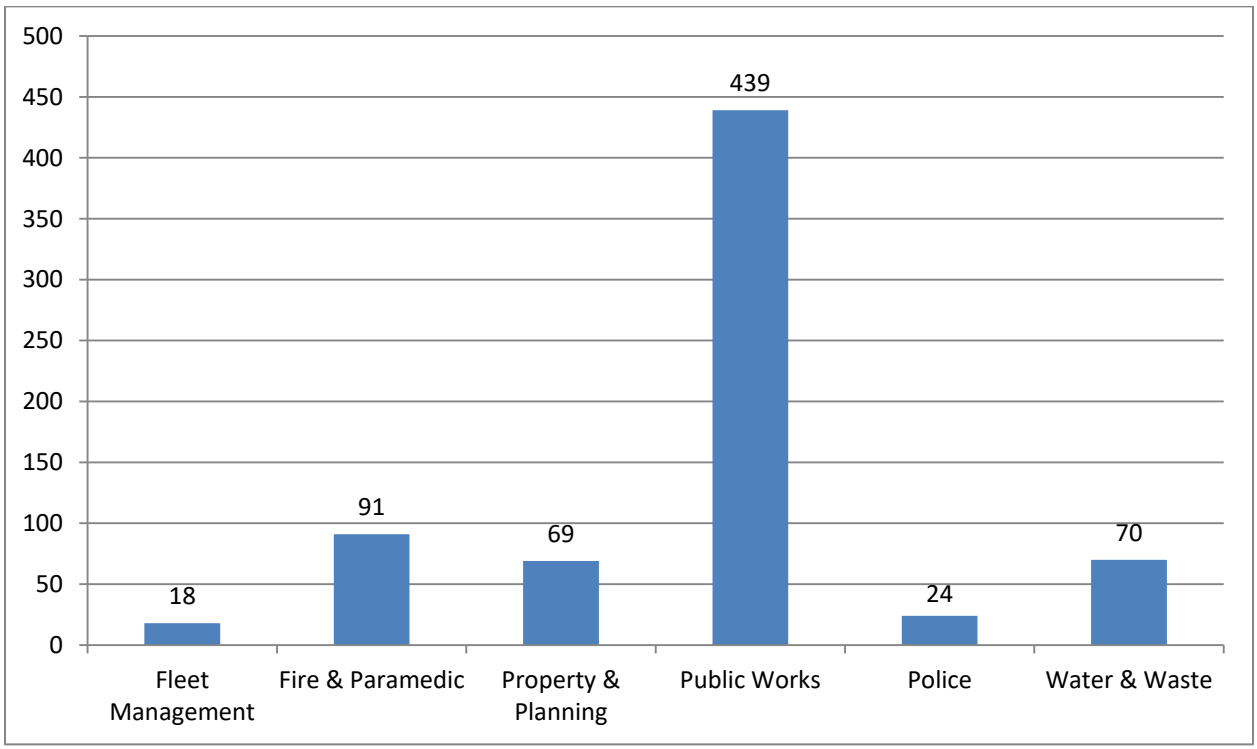
Medium Vehicle Units Assigned to City Departments (Total: 233)



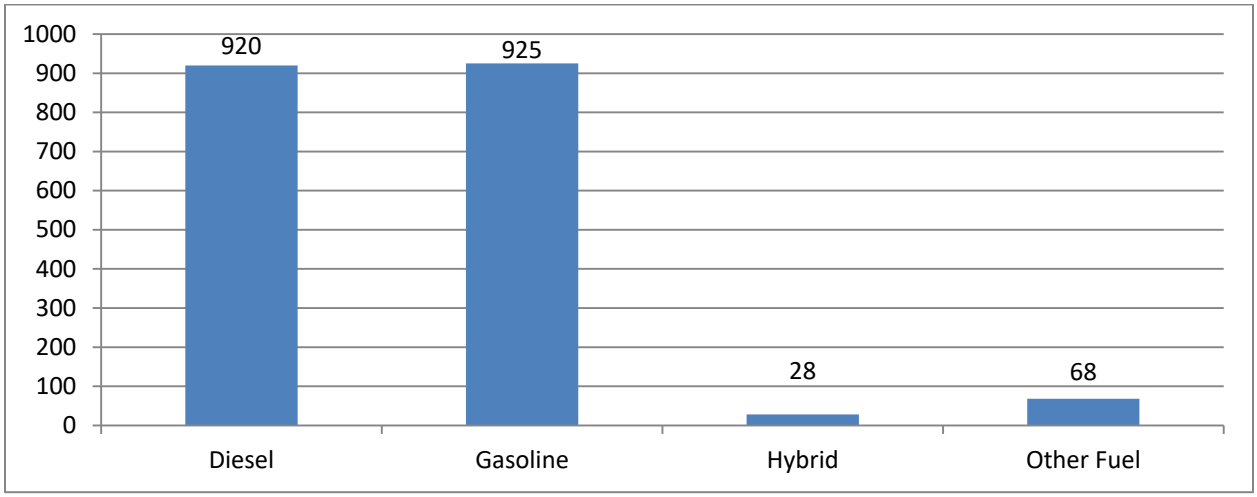
Heavy Vehicle Units Assigned to City Departments (Total: 196)



Specialty Equipment Units Assigned to City Departments (Total: 711)



Fleet Units by Engine Type (Total: 1941)



Note:

Other Fuel includes Electric, Propane, and None.

APPENDIX A-1

2019 to 2021 Projected Financial Statements and Notes

APPENDIX A-2

2017 Auditors' Report and Financial Statements