**Agenda – Council – February 25, 2021**

**Report – Standing Policy Committee on Innovation and Economic Development – January 19, 2021**

**Item No. 2 Winnipeg Fleet Management Agency – 2021 Business Plan**

STANDING COMMITTEE RECOMMENDATION:

On February 17, 2021, the Executive Policy Committee concurred in the recommendation of the Standing Policy Committee on Innovation and Economic Development and submitted the following to Council:

1. That the 2021 Business Plan for the Winnipeg Fleet Management Agency, including the 2021-2023 budget, included as Appendix A and A-1 respectively, be approved.

2. That the 2019 audited financial statements, included as Appendix A-2, be received as information.

3. That annual long-term borrowing authority of up to $10.0 million in 2021 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 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.

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

**Report – Standing Policy Committee on Innovation and Economic Development – January 19, 2021**

DECISION MAKING HISTORY:

EXECUTIVE POLICY COMMITTEE RECOMMENDATION:

On February 17, 2021, the Executive Policy Committee concurred in the recommendation of the Standing Policy Committee on Innovation and Economic Development and submitted the matter to Council.

STANDING COMMITTEE RECOMMENDATION:

On January 19, 2021, the Standing Policy Committee on Innovation and Economic Development concurred in the recommendation of the Winnipeg Public Service and submitted the matter to the Executive Policy Committee and Council.

On December 8, 2020, the Standing Policy Committee on Innovation and Economic Development laid the matter over to its meeting on January 19, 2021.

# ADMINISTRATIVE REPORT

**Title:** Winnipeg Fleet Management Agency – 2021 Business Plan

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

## AUTHORIZATION

| Author | Department Head | CFO | CAO |
|---|---|---|---|
| D. Konowich | J. Berezowsky | P. Olafson, Interim CFO | M. Ruta, Interim CAO |

## EXECUTIVE SUMMARY

An annual business plan for the Winnipeg Fleet Management Agency (WFMA) is submitted for Council approval to ensure WFMA's strategic direction is in alignment with the general planning, budgeting and reporting requirements of The City of Winnipeg. The business plan allows WFMA 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 2021 Business Plan for the Winnipeg Fleet Management Agency, including the 2021-2023 budget, included as Appendix A and A-1 respectively, be approved.

2. That the 2019 audited financial statements, included as Appendix A-2, be received as information.

3. That annual long-term borrowing authority of up to $10.0 million in 2021 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 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.

4. That the proper officers of The City be authorized to do all things necessary to implement the foregoing.

## REASON FOR THE REPORT

WFMA is required to present an annual business plan to Council, in accordance with the WFMA Operating Charter.

## IMPLICATIONS OF THE RECOMMENDATIONS

During 2021, WFMA will transfer $0.092 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.

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, WFMA received Council approval to operate as a Special Operating Agency of The City of Winnipeg, effective January 1, 2003.

### 2021 Business Plan Highlights

Revenues and Expenses of approximately $50 million projected per annum.

Acquisition of Fleet Assets of $15.7 million projected in 2021.

Vehicle and equipment units managed of approximately 2,273.

WFMA closed the Waverley Repair Facility in 2020 and forecasts reducing the overall staff complement to 104 budgeted full-time equivalent positions (FTE’s) by 2022.

WFMA forecasts operating within its established debt limit through deferred replacement of fleet assets and reduction in the size of the fleet.

WFMA to continue on the path of exploring opportunities with the Province of Manitoba and other government agencies on ways to eliminate duplication, reduce costs and take advantage of efficiencies in the areas of fleet procurement and operations.

WFMA to develop and implement Service Level Agreements with civic departments for enhanced transparency and accountability.

**FINANCIAL IMPACT**

## Financial Impact Statement

**Date:** November 10, 2020

**Project Name:**

**First Year of Program** **2021**

Winnpeg Fleet Management Agency - 2021 Business Plan

| | 2021 | 2022 | 2023 | 2024 | 2025 |
|---|---|---|---|---|---|
| **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:**

2021 to 2023 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

This Report has been prepared in consultation with the departments listed below, and they concur with its content.

- 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.

## WINNIPEG CLIMATE ACTION PLAN ALIGNMENT

Strategic Opportunity #1 – Corporate Leadership

Key Direction: 1.3 Encourage Sustainable Transportation Options

## SUBMITTED BY

Department: Public Works
Division: Winnipeg Fleet Management Agency (WFMA)
Prepared by: D. Konowich
Date: November 10, 2020

## ATTACHMENTS

Appendix A – Winnipeg Fleet Management Agency Special Operating Agency Business Plan 2021:

Appendix A-1 – 2021 to 2023 Projected Financial Statements and Notes

Appendix A-2 – 2019 Auditors' Report and Financial Statements

**APPENDIX A**

# *THE CITY OF WINNIPEG*

# *WINNIPEG FLEET MANAGEMENT AGENCY – SPECIAL OPERATING AGENCY*

## *BUSINESS PLAN*

# 2021

# *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 WFMA to operate in a business-like and transparent manner, through managerial flexibilities including special delegations, exemptions and authorities.

WFMA'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 WFMA.***

   Strategies:
   - Continue with implementing the 2019 Operational Review identified recommendations through strategies that would innovate or enhance future service delivery.
   - Investigate potential efficiencies for bar coding or RFID technologies to improve data collection, productivity and efficiencies.
   - Review current Key Performance Indicators (KPI's) and dashboard reporting to ensure they support WFMA's overall mission, performance and accountability.

- Optimize fleet size in collaboration with departments through use of both vehicle utilization data and repair and maintenance data in vehicle replacement planning and to reduce the overall cost and size of the fleet.
- Continue on the path of exploring opportunities with the Province of Manitoba and other government agencies on ways to eliminate duplication, reduce costs and take advantage of efficiencies in the areas of fleet procurement and operations.
- Enhance upon WFMA's comprehensive Fleet Management Solution (FMS) system with the addition of a customer information portal for increased transparency and efficiencies, in collaboration with the Corporate Support Services department.
- Collaborate with Planning, Property & Development to secure the services of a consultant, to prepare a Basis of Estimate (BOE) budget for WFMA's Ross/Tecumseh head office, repair and manufacturing operations potential future relocation.

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

Strategies:

- Investigate fuel dispensing options and cost savings in collaboration with the Province of Manitoba for improved fuel services and efficiencies to accommodate department fueling needs due to city expansion.
- Upgrade and improve fuel transaction/distribution hardware and software to modernize the data collection for better fuel consumption reporting and monitoring fuel inventory levels.
- Ongoing evaluation of two all-electric vehicles and supporting infrastructure through the Innovative Capital funded project to assist in determining future operational suitability and reporting recommendations and findings to the Standing Policy Committee on Innovation and Economic Development in 2022.
- Continue regular reporting to civic departments on AVL idling trends to aid in oversight required for reduction measures which will be reported on through the Standing Policy Committee of Innovation and Economic Development.

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

Strategies:

- Continue with the replacement of WFMA's fleet asset management software solution through an RFP with potential collaboration with other City of Winnipeg departments and provincial government agencies to create efficiencies and cost savings.
- Investigate the root cause of vehicle downtime and develop a plan to 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 notifications via an email or an app.
- Apply parts warehouse performance metrics in collaboration with other provincial government agencies through comprehensive use of key performance indicators that will enable WFMA to better measure quantifying objectives, such as inventory accuracy, inventory stock turns, slow moving inventory and customer satisfaction.
- Investigate further development of parts and service contracts in collaboration with other provincial government agencies that will focus on strategic procurement to reduce or eliminate costs to WFMA such as freight, restocking and minimum order quantity fees.
- Further enhance WFMA's performance and financial dashboards that provide accurate and timely data for operational planning needs.
- Explore opportunities to implement an ad-hoc reporting tool that can access existing application data and users can self-create reports as required.

- Investigate potential opportunities to optimize existing city facilities and business responsibilities in collaboration with other provincial government agencies and civic departments.

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

*Strategies:*

- Continue to update and further develop WFMA's City websites for improved communications and promotion of WFMA'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 align estimated fleet charges with true costing for efficient delivery of services to a diverse civic customer base.
- Develop and implement Service Level Agreements with civic departments for enhanced transparency and accountability.

**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. WFMA has its own Operating Charter approved by Council.

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

**SERVICES**

WFMA 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 fleet asset 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. WFMA 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 WFMA's fleet supply with maintenance lease service.

WFMA's seven 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.

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

## *PERFORMANCE MEASUREMENTS*

### CUSTOMER SATISFACTION

WFMA conducted a customer survey during 2020, which indicated that 80% of customers were satisfied with 2019 fleet management services.

| CUSTOMER SATISFACTION | 2017 | 2018 | 2019 |
|---|---|---|---|
| Satisfaction rate | 82% | 68% | 80% |

### 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 WFMA selling price.
- Repairs performed in-house by WFMA are determined based on labor hours at WFMA shop labor rates, and parts at WFMA shop with markup.
- Vendor repairs are based on WFMA shop with markup.
- In 2019 Fleet experts contributing to the Municipal Bench Marking Canada Network have adopted a new ratio for vehicles recording usage in runtime hours. This ratio is now 1 hour of run time = 40 kilometers of travel for classifications. Previously hours were 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).
- This above explains the significant drop of operating costs per kilometer for the Heavy and Specialty equipment category in the chart below. For this new ratio, 2017 and 2018 have not been restated but remain at the previous ratio.

| **CITY OF WINNIPEG OPERATING COSTS BY FLEET CATEGORY** *(in dollars per kilometer)* | 2017 | 2018 | 2019 |
|---|---|---|---|
| Light vehicles | 0.37 | 0.41 | 0.39 |
| Medium vehicles | 0.70 | 0.80 | 0.79 |
| Heavy vehicles and specialty equipment | 1.22 | 1.42 | 0.63 |

### FUEL EFFICIENCY BY CATEGORY

WFMA 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** *(in liters per 100 kilometers)* | **2017** | **2018** | **2019** |
|---|---|---|---|
| Assessment and Taxation Department | 9.8 | 9.8 | 8.5 |
| Corporate Support Services Department | 20.4 | 20.8 | 15.7 |
| Winnipeg Fire Paramedic Service Department | 19.8 | 20.9 | 20.8 |
| Fleet Management – Special Operating Agency | 19.7 | 21.7 | 22.0 |
| Planning, Property and Development Department | 20.0 | 20.2 | 21.3 |
| Parking Authority – Special Operating Agency | 13.3 | 14.5 | 12.9 |
| Public Works Department – Engineering | 15.1 | 15.7 | 15.2 |
| Public Works Department – Parks & Open Space | 25.1 | 25.1 | 25.2 |
| Public Works Department – Streets Maintenance | 23.6 | 22.6 | 23.0 |
| Public Works Department – Traffic Signals | 37.0 | 32.4 | 25.4 |
| Public Works Department – Transportation Systems | 22.6 | 20.7 | 20.5 |
| Winnipeg Police Service | 19.8 | 19.5 | 20.0 |
| Water and Waste Department – Engineering | 17.5 | 17.1 | 17.1 |
| Water and Waste Department – Environmental Standards | 14.4 | 10.5 | 9.8 |
| Water and Waste Department – Solid Waste | 23.1 | 24.1 | 24.6 |
| Water and Waste Department – Wastewater | 22.0 | 22.2 | 21.8 |
| Water and Waste Department – Water Services | 24.4 | 24.3 | 23.6 |

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

Fuel efficiency is reported for the City, excluding Winnipeg Transit and Winnipeg Police Service. In 2017, WFMA aligned data gathering with MBNC and CAMFM vehicle definitions. This creates more insight with respect to the different sizes of vehicles. The Medium category includes vehicles that previously would have been in either the Light or Heavy category using previous categorization. The Medium category is defined by gross vehicular weight in the range of 4,500kg to 9,000kg for on-road vehicles, and value of $30,000 to $100,000 for off-road vehicles. Light and heavy categories are below and above these ranges.

| **CITY OF WINNIPEG FUEL EFFICIENCY BY FLEET CATEGORY** | **2018** | **2019** |
|---|---|---|
| *Municipal On-Road Vehicles* | | |
| Light vehicles (in litres per 100 km) | 20.4 | 20.1 |
| Medium vehicles (in litres per 100 km) | 29.1 | 30.6 |
| Heavy vehicles and specialty equipment (in litres per hour) | 8.0 | 7.3 |
| *Emergency Vehicles* | | |
| Medium vehicles (in liters per 100 km) | 42.1 | 40.7 |
| Heavy vehicles and specialty equipment (in litres per hour) | 9.8 | 9.4 |
| *Off-Road (Construction and Agricultural equipment)* | | |
| Light vehicles (in litres per hour) | 3.2 | 4.0 |
| Medium (in litres per hour) | 6.2 | 7.4 |
| Heavy (in litres per hour) | 7.8 | 7.3 |

# *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 WFMA'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 WFMA's planned course of action for the three years ending December 31, 2023.

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 2019 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 2021 to 2023 Projected Financial Statements and Notes are presented in Appendix A-1.

The 2019 Auditors' Report and Financial Statements are presented in Appendix A-2.

## REVENUES

### *Fleet Leases*

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

Fleet leases revenue is derived from WFMA's 2020 to 2023 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 optimization program initiated in 2020 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 an 8% 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 a reduction to 104 budgeted full-time equivalent (FTE) positions by 2022 (reduced from 131 in 2019). In 2021 Pension, group insurance, dental, vision, and employment insurance benefits are projected at 17% of salaries.

WFMA plans to operate 3 fleet service centers (reduction from 4 to 3), and one satellite repair facility, located across the City to provide repair and maintenance, and manufacturing and fabrication services, with a reduction to 78 budgeted FTE positions by 2022 as follows (reduced from 103 in 2019):

- 70 CUPE permanent FTE positions
- 8 WAPSO permanent FTE positions

Fleet lease, specification, inspection and contract administration, seasonal and short-term rentals, disposals, insurance, licensing and registration, and fuel services are provided with 11 budgeted FTE positions by 2022 as follows (reduced from 13 in 2019):

- 8 CUPE permanent FTE positions
- 3 WAPSO permanent FTE positions

Professional and Support teams, include 15 budgeted FTE positions by 2022 as follows (reduced from 16 in 2019):

1. Office of the Fleet General Manager;
    - 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
    - 2 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 WFMA:

- $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 WFMA:

- $78 thousand annually for business technology service based on information provided by the Corporate Support Services Department.
- $106 thousand to $112 thousand annually in 2021-2023 for Human Resource service, based on information provided by the Corporate Support Services Department.
- $61 thousand to $65 thousand annually in 2021-2023 for a 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 $92 thousand for 2021 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 WFMA'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 | 2021 | 2022 | 2023 |
|---|---|---|---|
| Debt/Worth ratio | **2.3** | 2.3 | 2.3 |

**LIABILITIES**

***Due to/from the City of Winnipeg – General Revenue Fund***

Due to/from The City of Winnipeg – General Revenue Fund, acts as WFMA'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 WFMA 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. WFMA 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 WFMA 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)* | **2020** | **2021** | **2022** | **2023** |
|---|---|---|---|---|
| Term loan debt opening (Note 1) | $46,779 | **$46,897** | $46,272 | $47,288 |
| Proceeds from term loans (Note 2) | 10,000 | **10,000** | $12,000 | 14,000 |
| Repayment of term loans (Note 3) | (9,883) | **(10,625)** | (10,983) | (10,835) |
| Rounding | 1 | | (1) | |
| **Term Loan Debt** | $46,897 | **$46,272** | $47,288 | $50,453 |
| The City of Winnipeg debt (Note 4) | 178 | **178** | 178 | 178 |
| | | | | |
| **Debt** | $47,075 | **$46,450** | $47,466 | $50,631 |

Notes:

1) Term loan debt opening in 2020 is based on actual term loan debt as at December 31, 2019, and estimated for 2021 to 2023.
2) Proceeds from term loans in 2020 are based on actual loan drawdowns, and estimated for 2021 to 2023 based on the December 31st prior year due to The City of Winnipeg – General Revenue Fund balance.
3) Repayment of term loans in 2020 is based on actual term loan amortization schedules, and estimated for 2021 to 2023.
4) The City of Winnipeg debt is based on the balance as at December 31, 2019.

Maximum debt was established at $65.3 million in WFMA's 2010 Adopted Business Plan, based on projected debt, and due to The City of Winnipeg – General Revenue Fund line of credit. WFMA 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)* | **2021** | **2022** | **2023** |
|---|---|---|---|
| Maximum debt | **$65,300** | $65,300 | $65,300 |
| Debt | **(46,450)** | (47,466) | (50,631) |
| Due to The City of Winnipeg – General Revenue Fund | **(4,617)** | (4,715) | (2,630) |
| **Debt Limit** | **$14,233** | $13,119 | $12,039 |

### *Borrowing Authority*

WFMA 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 WFMA 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 WFMA's 2007 Adopted Business Plan.

Cumulative borrowing authorization is determined based on accumulated long-term borrowing authority approved by Council in WFMA'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)* | **2021** | **2022** | **2023** |
|---|---|---|---|
| Proceeds from term loans | **$10,000** | $12,000 | $14,000 |
| Due to The City of Winnipeg – General Revenue Fund | **4,617** | 4,715 | 2,630 |
| Debt limit | **14,233** | 13,119 | 12,039 |
| Cumulative borrowing authorization opening (Note 1) | **(18,810)** | (18,850) | (17,834) |
| **Annual Long-term Borrowing Authority** | **$10,040** | 10,984 | $10,835 |
| Cumulative borrowing authorization opening (Note 1) | **18,810** | 18,850 | 17,834 |
| Proceeds from term loans | **(10,000)** | (12,000) | (14,000) |
| **Cumulative Borrowing Authorization** | **$18,850** | $17,834 | $14,669 |

Note:

1) Cumulative borrowing authorization opening in 2021 is based on actual borrowing authority net of actual term loan draws cumulative to 2021, and is estimated for 2022 to 2023.

## 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)* | **2021** | **2022** | **2023** |
|---|---|---|---|
| Fleet assets | **$15,670** | $15,670 | $15,670 |
| Land, buildings and equipment | **2,664** | 1,155 | 914 |
| **Acquisition of Tangible Capital Assets** | **$18,334** | $16,825 | $16,584 |

Fleet asset acquisitions are based on WFMA's 2020 to 2023 fleet replacement plan, and are subject to future revision due to WFMA and City department decisions, and vendor availability. Fleet acquisitions in 2021 are estimated by fleet category as follows (in thousands of dollars):

- Agricultural equipment $ 107
- Attachments $ 203
- Industrial equipment $ 3,589
- Medium duty trucks $ 1,198
- Specialty and fire equipment $ 9,074
- Sport utility vehicles $ 1,500

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 | 2017 | 2018 | 2019 |
|---|---|---|---|
| Return on total revenues (Note 1) | (0.01%) | 0.54% | 2.14% |
| Return on average non-financial assets (Note 2) | (0.01%) | 0.36% | 1.41% |
| Return on average accumulated surplus ratio (Note 3) | (0.03%) | 1.22% | 4.84% |
| Parts inventory turnover ratio (Note 4) | 2.28 | 2.37 | 2.37 |
| Fuel inventory turnover ratio (Note 4) | 17.81 | 25.39 | 22.98 |
| Non-financial assets to net debt ratio (Note 5) | (1.43) | (1.40) | (1.43) |
| Net debt to accumulated surplus ratio (Note 6) | 2.32 | 2.53 | 2.32 |
| Days sales in receivables ratio (Note 7) | 1.63 | 3.32 | 2.05 |

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 WFMA activities reported by service level category.

| SERVICE STATISTICS | 2017 | 2018 | 2019 |
|---|---|---|---|
| Bid opportunities | 64 | 58 | 57 |
| Fleet unit acquisitions (Note 1) | 265 | 325 | 200 |
| Insurance, license and registrations | 1,835 | 1,935 | 1,997 |
| Repair transactions | 33,779 | 35,373 | 37,078 |
| Parts transactions | 35,631 | 41,543 | 38,607 |
| Repair labour hours | 65,735 | 65,125 | 64,801 |
| Fuel transactions | 115,955 | 115,275 | 116,544 |
| Total fuel liters provided (internal customers) | 7,020,728 | 6,944,279 | 6,950,546 |
| Total fuel liters provided (external customers) | 749,340 | 774,752 | 910,112 |
| Seasonal and short-term rental days | 108,489 | 109,069 | 108,275 |
| Fleet unit dispositions | 234 | 322 | 317 |
| Fleet units managed (Note 2) | 2,199 | 2,233 | 2,273 |

Notes:

1) Units acquired in 2019 are assigned and leased (or pre-leased) to City departments as follows:

| | |
|---|---|
| Public Works | 109 |
| Winnipeg Police Service | 50 |
| Water & Waste | 26 |
| Planning, Property & Development | 9 |
| Winnipeg Fire Paramedic Service | 5 |
| Winnipeg Fleet Management Agency | 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, medium and heavy municipal vehicle and equipment measured using MBNC/CAMFM categorizations:

| **FLEET AVERAGE AGE** *(in years)* | **2017** | **2018** | **2019** |
|---|---|---|---|
| Light municipal vehicles and equipment | 6.4 | 6.7 | 6.0 |
| Medium municipal vehicles and equipment | 7.3 | 8.2 | 8.2 |
| Heavy municipal vehicles and equipment | 6.3 | 7.4 | 6.7 |

**Service Request**

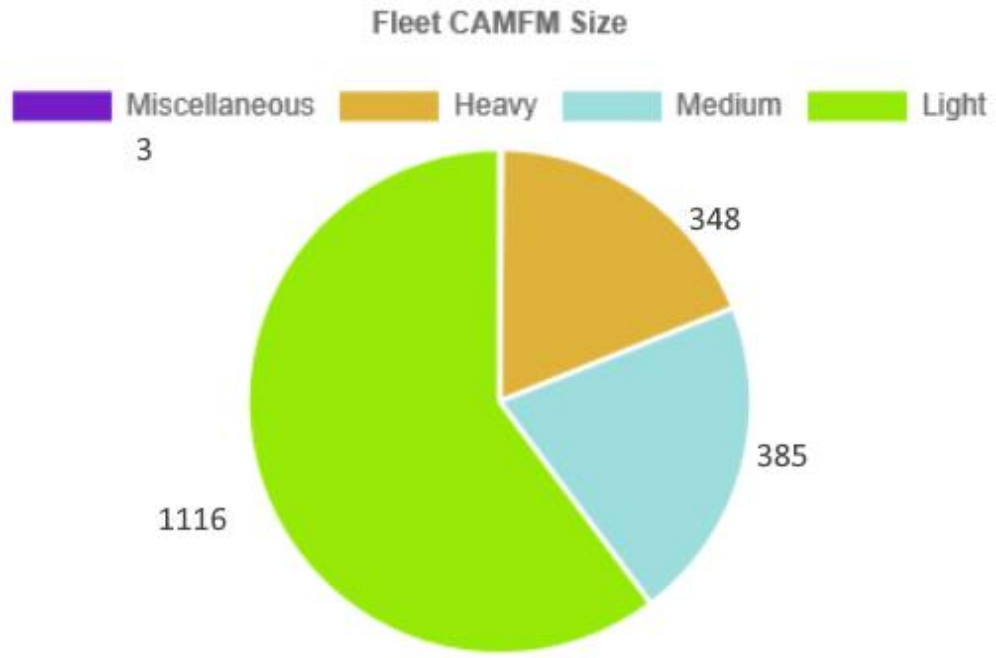
Service request rate is determined by unscheduled work order hours, divided by total work order hours including unscheduled hours and preventative maintenance hours.

| **SERVICE REQUEST** | **2017** | **2018** | **2019** |
|---|---|---|---|
| Service request rate | 84% | 83% | 85% |

**CURRENT FLEET FACTS**

Fleet facts are now shown using Canadian Association of Municipal Fleet Managers (CAMFM) classifications.

***Fleet Units by Category (chassis only) Total: 1,852***




Notes:

Light includes:

Municipal and Emergency vehicles (Light Duty Trucks, Vans (Cargo and Passenger). Sedans and SUVs) with GVW < 4,500 kg.
Construction Equipment with Original purchase cost less than $30,000.

Medium includes:

Municipal and Emergency vehicles (Medium Duty Trucks, Vans and SUVs) with GVW between 4,500 kg and 9,000 kg).
Construction Equipment with Original purchase cost between $30,000 and $100,000.

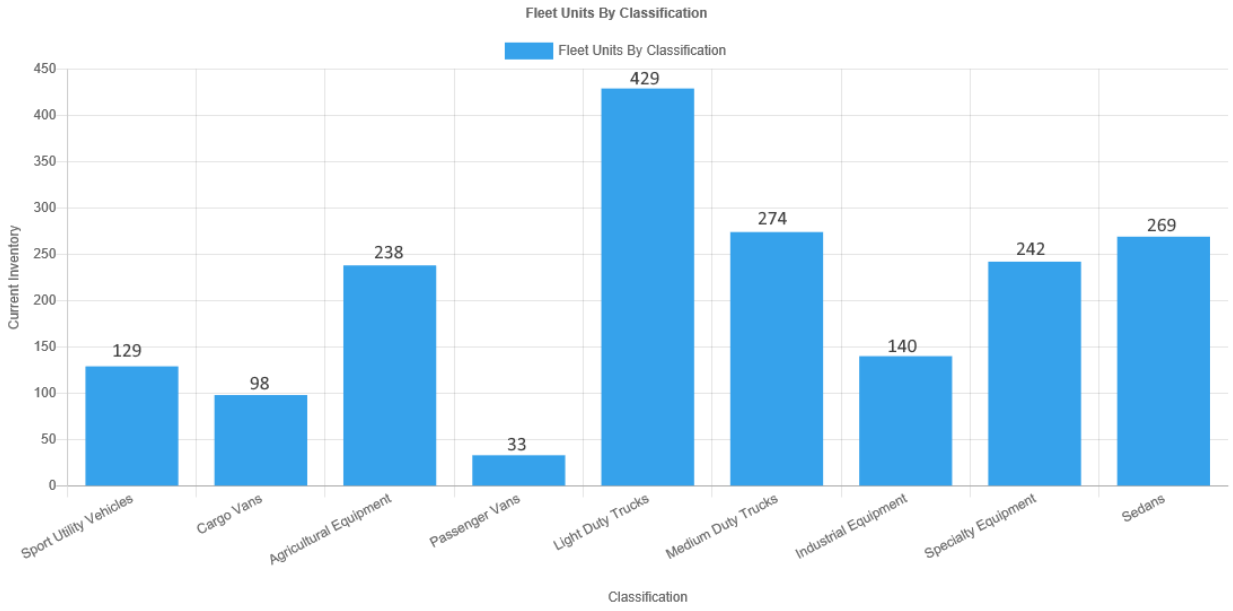
Heavy includes:

Heavy Duty Trucks with GVW greater than 9,000 kg.
Construction Equipment with Original purchase cost greater than $100,000.

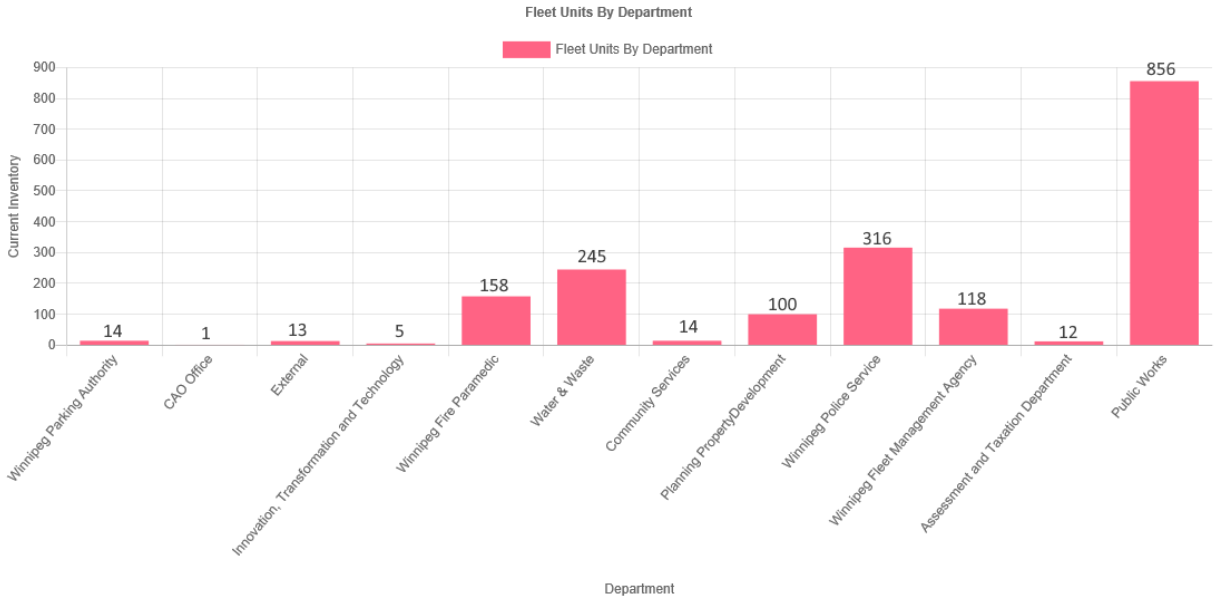
Miscellaneous includes:

All other equipment.

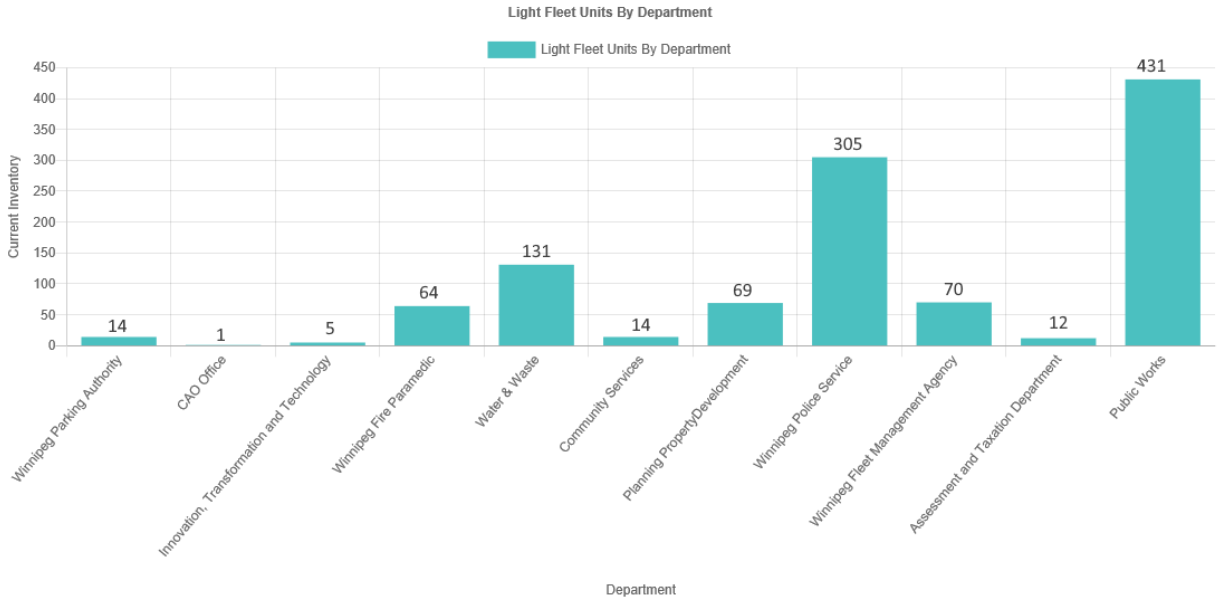
***Fleet Units by Classification (chassis only) (Total: 1,852)***



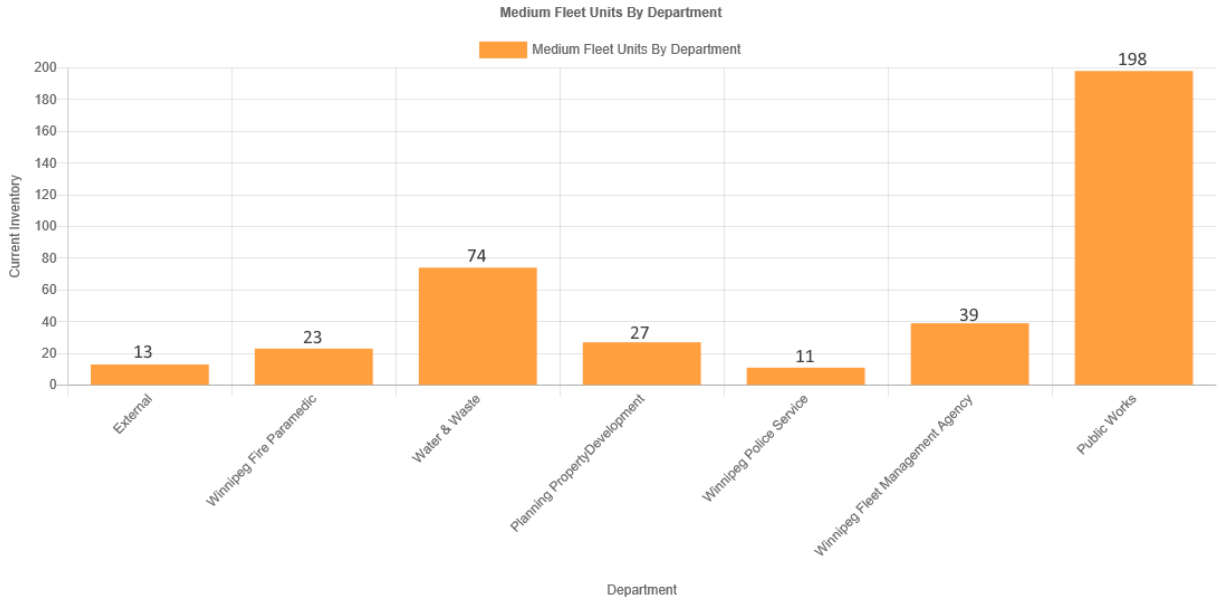

***Fleet Units Assigned to City Departments (chassis only) (Total: 1,852)***



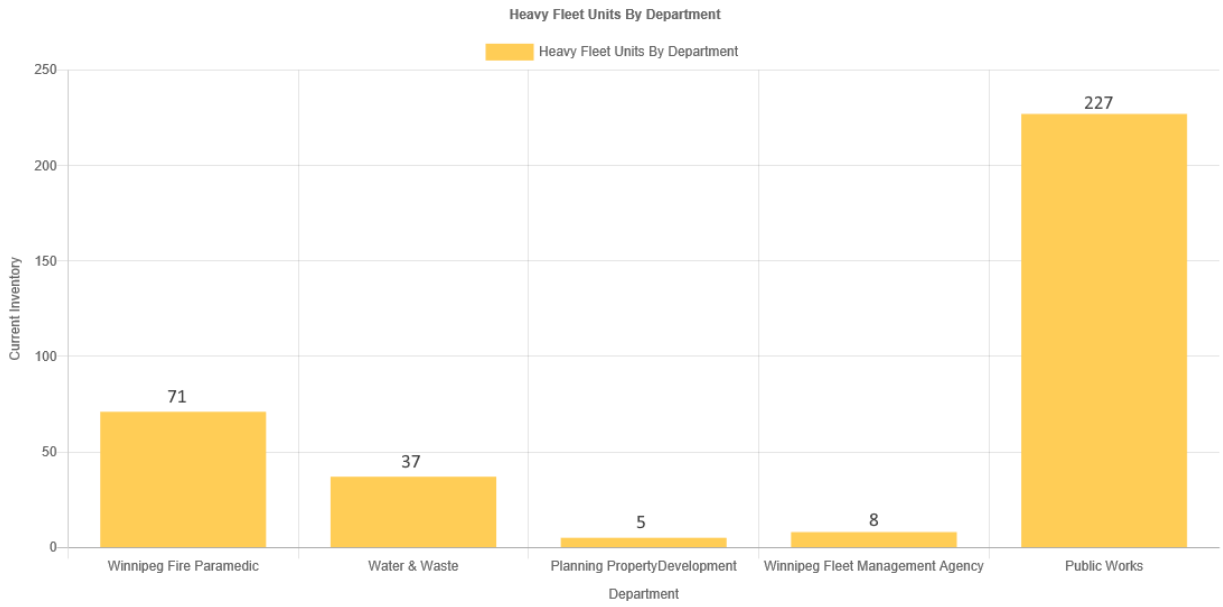
***Light Vehicle Units Assigned to City Departments (Total: 1,116)***



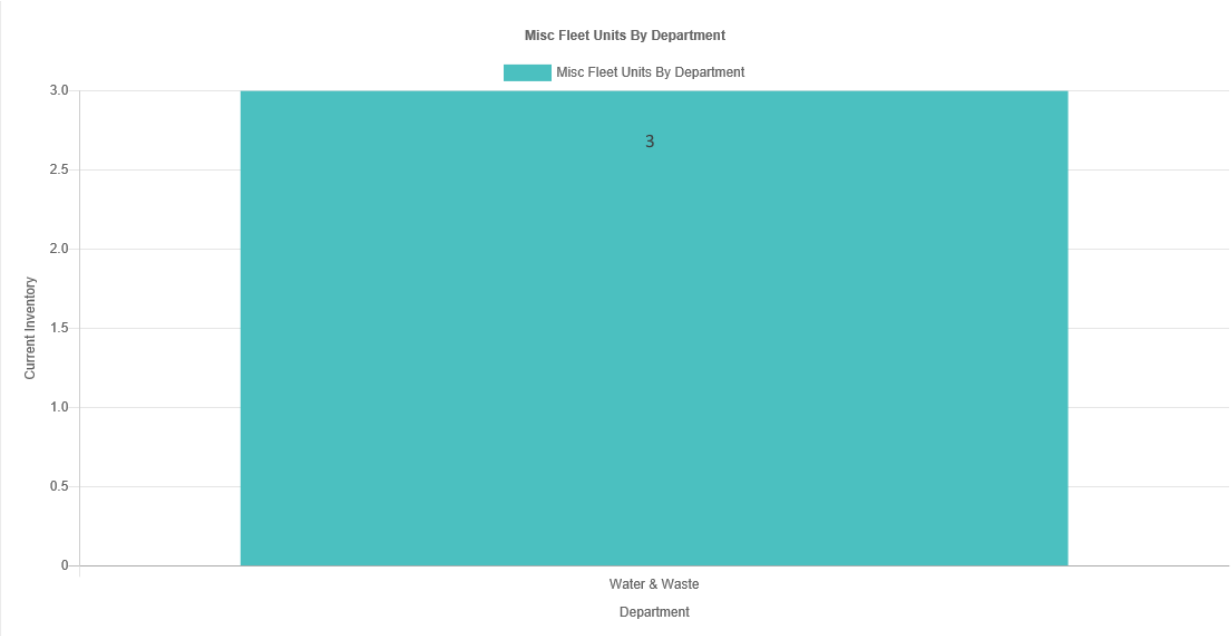

***Medium Vehicle Units Assigned to City Departments (Total: 385)***



***Heavy Vehicle Units Assigned to City Departments (Total: 348)***




***Miscellaneous Equipment Units Assigned to City Departments (Total: 3)***



***Fleet Units by Engine Type (Total: 1,312 vehicles + 540 non-vehicles = 1,852 units)***

