Agenda – Executive Policy Committee – February 13, 2024

Report – Standing Policy Committee on Public Works – January 30, 2024

Item No. 1 Capital Budget First Charge – 2024 Fleet Asset Acquisition Capital Budget

STANDING COMMITTEE RECOMMENDATION:

On January 30, 2024, the Standing Policy Committee on Public Works concurred in the recommendation of the Winnipeg Public Service and submitted the following to Council:

1. That expenditures of up to $4,700,000 be authorized prior to the adoption of the 2024 Capital Budget, as a first charge against the 2024 Fleet Asset Acquisition capital budget in accordance with Sub-section 288(2) of the City of Winnipeg Charter, to allow award of contracts to initiate critical replacements of fleet vehicles and equipment in the first quarter of 2024.

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

Agenda – Executive Policy Committee – February 13, 2024

Report – Standing Policy Committee on Public Works – January 30, 2024

DECISION MAKING HISTORY:

STANDING COMMITTEE RECOMMENDATION:

On January 30, 2024, the Standing Policy Committee on Public Works concurred in the recommendation of the Winnipeg Public Service and submitted the matter to the Executive Policy Committee and Council.

ADMINISTRATIVE REPORT

Title: Capital Budget First Charge – 2024 Fleet Asset Acquisition Capital Budget

Critical Path: Standing Policy Committee on Public Works – Executive Policy Committee – Council

AUTHORIZATION

Author	Department Head	CFO	CAO
D. Konowich	J. Berezowsky	C. Kloepfer	M. Jack

EXECUTIVE SUMMARY

Council approval is required before the adoption of the 2024 Capital Budget in order to procure fleet assets in a timely manner in the first quarter of 2024.

This report recommends a first charge on the 2024 Fleet Asset Acquisition Capital Budget in the amount of $4,700,000 to initiate and order critical replacements of fleet vehicles and equipment (17 units in total).

Upon approval of a first charge against the 2024 Capital Budget, the Winnipeg Fleet Management Agency (WFMA) will proceed with standard procurement process as per the Materials Management Policy.

RECOMMENDATIONS

1. That expenditures of up to $4,700,000 be authorized prior to the adoption of the 2024 Capital Budget, as a first charge against the 2024 Fleet Asset Acquisition capital budget in accordance with Sub-section 288(2) of the City of Winnipeg Charter, to allow award of contracts to initiate critical replacements of fleet vehicles and equipment in the first quarter of 2024.

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

REASON FOR THE REPORT

Council approval is required for a first charge for expenditures of Capital funds prior to the adoption of the 2024 Capital Budget, not exceeding in total 30 percent of the expenditures estimated in the City's operating and capital budgets for the previous fiscal year.

IMPLICATIONS OF THE RECOMMENDATIONS

Approval of the first charge will allow for awards of contract for critical replacements in the first quarter of 2024 and reduce the risk of further delays of delivery of vehicles and equipment. Funds in the amount of $15,670,000 are included in the 2024 forecast of the 2023 Capital Budget submission for Fleet Asset Acquisitions. Up to $4,700,000 is requested as a First Charge.

HISTORY/DISCUSSION

Due to delays in the market supply chain, some vehicles and equipment within the Winnipeg Fleet Management Agency's (WFMA) Annual Replacement Program are currently projected to have manufacturing build times of 12-36 months. In order to acquire these units in a timely manner, WFMA must award contracts in the first quarter of 2024 to meet departmental operational requirements.

Risks that can arise by not purchasing the equipment in a timely manner include:

- **Price escalation** – Over the past 24 months, WFMA has experienced price increases of 20-30 percent.

- **Ordering backlog/Order Window** – There is currently an ordering backlog with most equipment manufacturers leading to extended delivery times of 12-36 months. It should also be noted that some manufacturers have only one order window of 4-6 weeks per year for certain types of equipment.

- **Seasonal Requirements** – In order to receive seasonal equipment on schedule, timely orders need to be placed in advance so the department receives the equipment for the start of their seasonal operations.

- **Emergency Services** – WFMA is required to provide the Emergency Services Departments (Winnipeg Police Service and Winnipeg Fire Paramedic Service) their equipment on a timely basis in order for them to meet their essential service delivery needs.

- **Rail Services** – Essential equipment is required in order to maintain the Shoal Lake Aqueduct (SLA), Shoal Lake Intake and supporting rail line.

- **Catastrophic failures** – If WFMA is unable to provide timely equipment replacements, there is a higher risk of vehicle/equipment catastrophic failures which would leave the department without a vehicle. There is also a risk that short-term rentals would not be available, especially for specialized out-fitted vehicles.

- **Repair costs** – If WFMA cannot replace vehicles/equipment, there is an increased cost to maintain and repair aged units. It is not economically feasible to spend money on repair costs that exceed the value of the equipment.

- **Rental Cost** – If WFMA cannot replace vehicles/equipment, in many occasions the departments must rent vehicles and equipment from external rental vendors. There is a much larger premium to rent external specifically specialized equipment. Also, there is no guarantee that external rentals are available to the Department when need as many external rentals are not equipped with the departments specialized equipment out-fitting.

Estimated quantities and replacement values by vehicle type are included in the table below. A contingency for potential write-offs, catastrophic failures and vehicles and equipment scheduled to be replaced in 2024 where order windows may open in 1st quarter of 2024 has also been included.

Vehicle/Equipment List

			Risks				
Description	**Qty**	**Estimated $**	**1**	**2**	**3**	**4**	**5**
Rail Service Equipment:							
Rail Excavator	1	$560,000	X	X	X		X
Rail Crane	1	$560,000	X	X			X
Rail Tamper	1	$1,000,000	X	X			X
Rail Wheel Loader	1	$450,000	X	X			X
Miscellaneous Equipment:							
Pick-Up Trucks	3	$175,000	X	X	X		X
Vans	9	$750,000	X	X		X	X
Traffic Services Truck	1	$400,000	X	X			X
Contingency		$1,555,000					
Total	17	$4,700,000					

Risks

1 = Price- Current inflation situation has continued to trend upwards on a monthly basis

2 = Order period- Limited to only a few months out of the year or delivery time exceeds 12 months

3 = Seasonal- Required for a specific season

4 = Emergency Services for WPS and WFPS

5 = Essential Services - Essential to maintain Departmental Services

FINANCIAL IMPACT

Financial Impact Statement

Date: December 6, 2023

Project Name:

Capital Budget First Charge – 2024 Fleet Asset Acquisition Capital Budget

COMMENTS:

The Agency is requesting a First Charge on the 2024 capital budget totaling $4,700,000 in order to initiate critical replacements of fleet vehicles and equipment. Award reports to the appropriate award authority will follow subject to Council approval of the First Charge. The recommendations, if approved, will allow a first charge on the 2024 Capital Budget prior to the adoption of the 2024 Capital Budget.

Joseph Chammartin, CPA, CGA

Joseph Chammartin, CPA, CGA
Manager of Finance
Winnipeg Fleet Management Agency

CONSULTATION

This Report has been prepared in consultation with:

- Legal Services

OUR WINNIPEG 2045 ALIGNMENT

Aligns with Our Winnipeg 2045: Environmental Resilience, Objective 2: Prioritize sustainable transportation as the mobility options of choice.

WINNIPEG CLIMATE ACTION PLAN ALIGNMENT

Aligns with Winnipeg's Climate Action Plan, Strategic Opportunity #1, Key Directive 1.4 – Encourage Sustainable Transportation Options

WINNIPEG POVERTY REDUCTION STRATEGY ALIGNMENT

Consideration was given as to whether this report connects to the Winnipeg Poverty Reduction Strategy (PRS) and its Goals and Objectives, and it was determined that the PRS is not applicable to this specific report.

SUBMITTED BY

Department: Public Works
Division: Winnipeg Fleet Management Agency
Prepared by: Kevin Moniz, Joseph Chammartin
Date: December 19, 2023
File No. Capital Budget First Charge – 2024 Fleet Asset Acquisition Capital Budget