THE CITY OF WINNIPEG
FLEET MANAGEMENT - SPECIAL OPERATING AGENCY

Projected Financial Statements
Four Years Ending December 31, 2027

On March 20, 1997, Council adopted a document entitled "Reshaping our Civic Government". The document identified the development of Special Operating Agencies ("SOA") as one of the five strategic initiatives needed to create a more affordable and fundamentally better civic government.

On September 24, 1997, Council adopted the strategic direction with regard to SOAs identified in the report entitled "Special Operating Agencies Initiative".

On March 25, 1998, Council adopted the Policy and Framework for Alternative Service Delivery (ASD), which recommended that certain services be studied as potential candidates for delivery outside of the departmental structure of government.

On October 18, 2000, Council approved the Alternative Service Delivery Committee's feasibility study recommendation that administration produce a Business Plan and Operating Charter to convert Equipment and Material Services (EMS) to an SOA. Further, Council approved that the Business Plan and Operating Charter be premised on the following principles:

The SOA maintain the existing dedicated customer base for a period of three years;
The SOA assume ownership of the fleet of its current customers;
The SOA have the authority to access the Equipment Replacement Reserve as a financing source for the replacement of equipment; and
The SOA have the authority to increase its customer base

The Agency commenced operations on January 1, 2003.

On May 28, 2003, Council adopted the Agency's first Selection Report (summary of business plan and operating charter).

THE CITY OF WINNIPEG
FLEET MANAGEMENT - SPECIAL OPERATING AGENCY

PROJECTED STATEMENT OF FINANCIAL POSITION

As at December 31
(in thousands of dollars)

	Updated Actual 2022	**Updated** Budget 2023	Forecast 2023	Variance 2023	**2024**	2025	2026	2027
FINANCIAL ASSETS								
Cash	$ 127	$ -	$	$ -	**$**	$	$	$
Accounts receivable	255	961	261	(700)	**266**	272	277	276
	382	961	261	(700)	**266**	272	277	276
LIABILITIES								
Due to The City of Winnipeg - General Revenue Fund (Note 3)	215	10,987	8,860	(2,127)	**6,717**	3,142	1,576	(1,392)
Accounts payable and accrued liabilities	3,034	3,182	3,034	(148)	**3,094**	3,156	3,219	3,284
Debt (Note 4)	45,278	48,459	44,148	(4,311)	**50,869**	56,768	60,681	65,316
Other liabilities	-	-	-	-	**-**	-	-	-
Accrued employee benefits (Note 5a)	1,937	2,185	1,976	(209)	**2,016**	2,056	2,097	2,138
	50,464	64,813	58,018	(6,795)	**62,696**	65,122	67,573	69,346
NET FINANCIAL LIABILITIES	(50,082)	(63,852)	(57,757)	6,095	**(62,430)**	(64,850)	(67,296)	(69,070)
NON-FINANCIAL ASSETS								
Tangible capital assets *(Note 6)*	70,400	84,315	77,155	(7,160)	**81,912**	83,899	86,205	88,577
Inventories	1,838	1,754	1,874	120	**1,912**	1,874	1,836	1,799
Prepaid expenses	601	596	613	17	**625**	624	625	625
	72,839	86,665	79,642	(7,023)	**84,449**	86,397	88,666	91,001
ACCUMULATED SURPLUS	$ 22,757	$ 22,813	$ 21,885	$ (928)	**$ 22,019**	$ 21,547	$ 21,370	$ 21,931

See accompanying notes and schedules to the financial statements

THE CITY OF WINNIPEG
FLEET MANAGEMENT - SPECIAL OPERATING AGENCY

PROJECTED STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS

For the years ended December 31
(in thousands of dollars)

	Actual 2022	Budget 2023	Forecast 2023	Variance 2023	**2024**	2025	2026	2027
REVENUES								
Fleet leases	$ 25,293	$ 26,320	$ 25,271	$ (1,049)	**$ 27,512**	$ 27,820	$ 27,414	$ 28,674
Fuel sales	11,937	12,333	11,067	(1,266)	**12,196**	13,629	14,544	15,386
Services and parts revenue (Schedule 1)	9,233	10,384	10,031	(353)	**10,756**	11,151	11,358	11,570
Rental income	6,652	4,004	7,013	3,009	**4,510**	4,182	4,270	4,360
Gain on sale of tangible capital assets	703	800	603	(197)	**600**	600	600	600
Total Revenues	53,818	53,841	53,985	144	**55,574**	57,382	58,186	60,590
EXPENSES								
Amortization	15,247	15,007	15,405	398	**14,480**	14,952	14,524	14,457
Supplies	14,965	15,357	14,192	(1,165)	**15,375**	16,861	17,788	18,650
Salaries and employee benefits (Note 5)	8,717	10,372	9,197	(1,175)	**10,234**	10,538	10,853	11,144
Services	12,873	10,828	13,531	2,703	**11,787**	11,962	12,261	12,494
Interest (Notes 3 and 4)	1,257	1,539	1,386	(153)	**1,962**	2,414	2,790	3,116
Other expenses	1,053	1,121	1,053	(68)	**1,602**	1,127	147	168
Total Expenses	54,112	54,224	54,764	540	**55,440**	57,854	58,363	60,029
Annual Surplus Before Other	(294)	(383)	(779)	(396)	**134**	(472)	(177)	561
OTHER								
Transfer to The City of Winnipeg - General Revenue Fund (Note 7b)	(92)	(92)	(92)	-	-	-	-	-
Annual (Deficit) Surplus	(386)	(475)	(871)	(396)	**134**	(472)	(177)	561
ACCUMULATED SURPLUS, BEGINNING OF YEAR	23,143	23,288	22,756	(532)	**21,885**	22,019	21,547	21,370
ACCUMULATED SURPLUS, END OF YEAR	$ 22,757	$ 22,813	$ 21,885	$ (928)	**$ 22,019**	$ 21,547	$ 21,370	$ 21,931

See accompanying notes and schedules to the financial statements

THE CITY OF WINNIPEG
FLEET MANAGEMENT - SPECIAL OPERATING AGENCY

PROJECTED STATEMENT OF CASH FLOWS

For the years ended December 31
(in thousands of dollars)

	Actual 2022	Budget 2023	Forecast 2023	Variance 2023	**2024**	2025	2026	2027
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:								
OPERATING								
Annual (Deficit) Surplus	$ (386)	$ (475)	$ (871)	$ (396)	**$ 134**	$ (472)	$ (177)	$ 561
Non-cash charges to operations								
Amortization	15,247	15,007	15,405	398	**14,480**	14,952	14,524	14,458
Gain on sale of tangible capital assets	(703)	(800)	(603)	197	**(600)**	(600)	(600)	(600)
Retirement allowance and compensated absences	-	28	25	(3)	**26**	26	28	26
	14,158	13,760	13,956	196	**14,040**	13,906	13,775	14,445
Net change in non-cash working capital related to operations	239	11	86	75	**19**	109	108	116
Cash provided by operating activities	14,397	13,771	14,042	271	**14,059**	14,015	13,883	14,561
CAPITAL								
Acquisition of tangible capital assets	(9,625)	(19,671)	(22,160)	(2,489)	**(19,237)**	(16,939)	(16,830)	(16,828)
Proceeds on disposal of tangible capital assets	833	800	603	(197)	**600**	600	600	600
Cash used in capital activities	(8,792)	(18,871)	(21,557)	(2,686)	**(18,637)**	(16,339)	(16,230)	(16,228)
FINANCING								
Change in due to/from The City of Winnipeg - General Revenue Fund	(8,464)	1,918	8,645	6,727	**(2,143)**	(3,575)	(1,566)	(2,968)
Proceeds from term loans	14,000	14,000	9,598	(4,402)	**17,000**	16,298	14,350	14,350
Repayment of term loans	(11,015)	(10,818)	(10,728)	90	**(10,279)**	(10,399)	(10,437)	(9,715)
Cash provided by (used in) financing activities	(5,479)	5,100	7,515	2,415	**4,578**	2,324	2,347	1,667
Increase in cash	126	-	-	-	-	-	-	-
CASH, BEGINNING OF YEAR	1	-	-	-	-	-	-	-
CASH, END OF YEAR	$ 127	$ -	$ -	$ -	**$ -**	$ -	$ -	-

See accompanying notes and schedules to the financial statements

THE CITY OF WINNIPEG
FLEET MANAGEMENT - SPECIAL OPERATING AGENCY

PROJECTED STATEMENT OF CHANGE IN NET FINANCIAL LIABILITIES

For the years ended December 31
(in thousands of dollars)

	Actual 2022	Budget 2023	Forecast 2023	Variance 2023	**2024**	2025	2026	2027
ANNNUAL (DEFICIT) SURPLUS	$ (386)	$ (475)	$ (871)	$ (396)	**$ 134**	$ (472)	$ (177)	561
Amortization of tangible capital assets	15,247	15,007	15,405	398	**14,480**	14,952	14,524	14,457
Proceeds on disposal of tangible capital assets	833	800	603	(197)	**600**	600	600	600
Gain on sale of tangible capital assets	(703)	(800)	(603)	197	**(600)**	(600)	(600)	(600)
Change in inventories and prepaid expenses	(181)	(47)	(49)	(2)	**(50)**	39	37	36
Acquisition of tangible capital assets	(9,625)	(19,671)	(22,160)	(2,489)	**(19,237)**	(16,939)	(16,830)	(16,828)
(INCREASE) DECREASE IN NET FINANCIAL LIABILITIES	5,185	(5,186)	(7,675)	(2,489)	**(4,673)**	(2,420)	(2,446)	(1,774)
NET FINANCIAL LIABILITIES, BEGINNING OF YEAR	(55,267)	(58,666)	(50,082)	8,584	**(57,757)**	(62,430)	(64,850)	(67,296)
NET FINANCIAL LIABILITIES, END OF YEAR	$ (50,082)	$ (63,852)	$ (57,757)	$ 6,095	**$ (62,430)**	$ (64,850)	$ (67,296)	(69,070)

See accompanying notes and schedules to the financial statements

THE CITY OF WINNIPEG
FLEET MANAGEMENT - SPECIAL OPERATING AGENCY

NOTES TO THE PROJECTED FINANCIAL STATEMENTS

For the four years ending December 31, 2027
(all tabular amounts are in thousands of dollars, unless otherwise noted)

1. Status of the Winnipeg Fleet Management Agency

On May 28, 2003, City Council adopted the Fleet Management Agency Selection Report, that recommended the Equipment and Material Services operation of the Public Works Department commence operations as a Special Operating Agency effective January 1, 2003.

The Agency provides economical, state-of-the-art, safe and eco-friendly fleet vehicle, equipment and other asset management services to The City of Winnipeg and other public organizations in support of their service delivery.

2. Significant Accounting Policies

The financial statements have been prepared by management in accordance with Canadian public sector accounting standards. The significant accounting policies are summarized as follows:

a) Basis of accounting

The financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting records revenue as it is earned and measurable. Expenses are recognized as they are incurred and measurable based upon receipt of goods or services and/or the creation of a legal obligation to pay.

b) Non-financial assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations. The change in non-financial assets during the year, together with the annual deficit (surplus), provides the change in net financial liabilities for the year.

i) Tangible capital assets

Tangible capital assets, other than land and buildings, transferred from The City of Winnipeg on January 1, 2003 are recorded at their estimated fair value on that date. Subsequent acquisitions are recorded at cost which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. Land and buildings are stated at fair value as of January 1, 2003, which was determined by The City of Winnipeg Assessment and Taxation Department.

Tangible capital assets are amortized on the basis of their cost less approximate residual value over their estimated useful lives using the following rates and methods:

Buildings	4% to 8%	Straight-line
Fleet assets		
Acquired at start-up	30%	Declining balance
Purchased	1 to 15 years	Straight-line
Equipment	3% to 30%	Straight-line

Amortization begins once an asset is placed into service.

ii) Inventories

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

2. Significant Accounting Policies (continued)

c) Revenue recognition

The Agency enters into operating lease agreements to supply and maintain vehicles and equipment to lessees for specified lease periods. The Agency recognizes the monthly lease payments from the lessees as income each month. Services and parts revenue, including insurance and fuel sales, are recognized upon the completion of the work or transfer of the goods or service. Revenue from short-term rentals of vehicles or equipment is recognized as income evenly over the rental period.

d) Government transfers

Government transfers are the transfer of assets from the senior levels of government that are not the result of an exchange transaction, are not expected to be repaid in the future or are the result of a direct financial return.

Government transfers are recognized in the financial statements as revenue in the financial period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met including performance and return requirements, and reasonable estimates of the amounts can be determined.

e) Employee benefit plan

The Winnipeg Civic Employees' Benefits Program is a multi-employer contributory defined benefit program and accordingly contributions are expensed as incurred. The costs of other retirement benefits have been accounted for based on actuarially determined amounts using the projected benefits method prorated on services and management's best estimate of retirement ages of employees, salary escalation and plan investment performance. Actuarial gains and losses are amortized on a straight-line basis over the average remaining service period. The liabilities are discounted using current interest rates on long-term bonds.

f) Use of estimates

The preparation of financial statements in conformity with Canadian public sector accounting principles requires management to make estimates and assumptions. These estimates and assumptions are based on the Agency's best information and judgment and may differ significantly from actual results.

3. Due to The City of Winnipeg - General Revenue Fund

The City of Winnipeg operates a centralized treasury function with a single operating bank account in the General Revenue Fund. Consequently, the Agency does not have a bank account. Bank transactions are credited or charged to the "Due to/from" account when they are processed through the bank. Interest is credited or charged based on The City of Winnipeg's average short-term cost of funds, which is a function of the Bank of Canada rate. As well, the Agency has negotiated an operating line of credit up to $20 million and a line of credit for short-term financing from The City of Winnipeg.

Funds were advanced during the year as short-term bridge financing between the time when cash is needed and term financing is arranged for capital acquisition.

4. Debt

	Forecast 2023	**2024**	2025	2026	2027
Term loans	$ 43,970	**$ 50,691**	$ 56,590	$ 60,503	65,138
The City of Winnipeg, non-interest bearing, no repayment schedule	178	**178**	178	178	178
	$ 44,148	**$ 50,869**	$ 56,768	$ 60,681	65,316

5. Accrued Employee Benefits

a) Accrued employee benefits

	Forecast 2023	**2024**	2025	2026	2027
Retirement allowance and compensated absences	$ 1,305	**$ 1,331**	$ 1,357	$ 1,385	1,412
Vacation	671	**685**	699	712	726
	$ 1,976	**$ 2,016**	$ 2,056	$ 2,097	2,138

Under the retirement allowance program, qualifying employees become entitled to a cash payment upon retirement, death or termination of service under certain conditions (not resignation). In addition, adjustment arising from plan amendment, changes in assumptions, and experience gains and losses are amortized on a straight-line basis over 11.3 years, which represents the expected average remaining service life of the employee group. Amortization is calculated beginning in the year following the year of occurrence of the actuarial gains or losses.

The Agency measures its accrued retirement allowance obligation as at December 31 of each year.

Compensated absences represent benefits expected to be paid during future employee absences in respect of sick leave days earned in previous years.

Demographic assumptions such as utilization of sick leave credits, salary increases as a result of increments and promotion, continuation of employment and the probability of retirement or death in future years are based on employment experience.

b) Pension

The Agency's employees are eligible for pensions under the Winnipeg Civic Employees' Benefits Program. The Plan is a defined benefit plan. The City of Winnipeg allocates its pension costs to various departments.

6. Tangible Capital Assets

Net Book Value

	Forecast 2023	**2024**	2025	2026	2027
Land	$ 390	**$ 390**	$ 390	$ 390	$ 390
Buildings	3,169	**3,266**	3,508	3,454	3,394
Fleet assets	69,169	**73,590**	75,576	77,991	80,497
Equipment	4,427	**4,666**	4,425	4,370	4,296
	$ 77,155	**$ 81,912**	$ 83,899	$ 86,205	$ 88,577

7. Related Party Transactions

The Agency is wholly owned by The City of Winnipeg. Transactions between the Agency and The City of Winnipeg are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

In addition to those disclosed elsewhere in the financial statements, the related party transactions that occurred are as follows:

	Forecast 2023	**2024**	2025	2026	2027
a) Sales of goods and services to The City of Winnipeg	$ 51,877	**$ 53,377**	$ 55,112	$ 55,819	$ 58,133
b) Dividend transfer to The City of Winnipeg	$ 92	**-**	$ -	$ -	$ -
c) Municipal Accomodations Fund:					
Repair facility lease	$ 546	**$ 546**	$ 546	$ 546	$ 546
d) Corporate Support Services Deparment:					
Business technology services	$ 78	**$ -**	$ -	$ -	$ -
Innovation & Technology	$ 23	**$ -**	$ -	$ -	$ -
Innovation & Technology Service Cost		**582**	597	609	620
e) Public Works Department:					
HR resource services	$ 164	**$ 168**	$ 171	$ 175	$ 178

THE CITY OF WINNIPEG
FLEET MANAGEMENT - SPECIAL OPERATING AGENCY

SCHEDULE 1 - PROJECTED SCHEDULE OF SERVICES AND PARTS REVENUE

For the years ended December 31
(in thousands of dollars)

	Actual 2022	Budget 2023	Forecast 2023	Variance 2023	**2024**	2025	2026	2027
Consumables and corrective maintenance	$ 4,908	$ 5,740	$ 5,455	$ (285)	**$ 5,946**	$ 6,077	$ 6,197	$ 6,319
Insurance revenue	2,271	2,256	2,486	230	**2,420**	2,648	2,699	2,752
Power tools	717	630	646	16	**643**	656	669	682
Manufacturing sales	613	871	771	(100)	**870**	888	906	923
Other	579	713	526	(187)	**730**	735	741	746
Provincial support grant	145	174	147	(27)	**147**	147	147	147
	$ 9,233	$ 10,384	$ 10,031	$ (353)	**$ 10,756**	$ 11,151	$ 11,359	$ 11,569