THE CITY OF WINNIPEG
FLEET MANAGEMENT - SPECIAL OPERATING AGENCY

Projected Financial Statements
Four Years Ending December 31, 2028

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)

	Actual 2023	Budget 2024	Forecast 2024	Variance 2024	**2025**	2026	2027	2028
FINANCIAL ASSETS								
Cash	$ 1	$ -	$ 1	$ 1	**$ 1**	$ 1	$ 1	$ 1
Accounts receivable	372	266	379	113	**387**	395	403	403
	373	266	380	114	**388**	396	404	404
LIABILITIES								
Due to The City of Winnipeg - General Revenue Fund (Note 3)	5,794	6,717	7,380	663	**3,648**	5,984	(3,989)	(7,591)
Accounts payable and accrued liabilities	1,539	3,094	1,539	(1,555)	**1,570**	1,602	1,634	1,666
Debt (Note 4)	44,159	50,869	49,255	(1,614)	**56,077**	61,891	72,982	77,722
Other liabilities	-	-	-	-	**-**	-	-	-
Accrued employee benefits (Note 5a)	1,995	2,016	2,021	5	**2,061**	2,103	2,144	2,188
	53,487	62,696	60,195	(2,501)	**63,356**	71,580	72,771	73,985
NET FINANCIAL LIABILITIES	(53,114)	(62,430)	(59,815)	2,615	**(62,968)**	(71,184)	(72,367)	(73,581)
NON-FINANCIAL ASSETS								
Tangible capital assets *(Note 6)*	71,482	81,912	77,153	(4,759)	**80,258**	88,135	89,722	90,822
Inventories	1,816	1,912	1,853	(59)	**1,890**	1,852	1,815	1,778
Prepaid expenses	613	625	625	-	**638**	638	638	638
	73,911	84,449	79,631	(4,818)	**82,786**	90,625	92,175	93,238
ACCUMULATED SURPLUS	$ 20,797	$ 22,019	$ 19,816	$ (2,203)	**$ 19,818**	$ 19,441	$ 19,808	$ 19,657

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 2023	Budget 2024	Forecast 2024	Variance 2024	**2025**	2026	2027	2028
REVENUES								
Fleet leases	$ 24,301	$ 27,512	$ 24,913	$ (2,599)	**$ 27,820**	$ 28,070	$ 29,329	$ 51,933
Fuel sales	10,037	12,196	10,841	(1,355)	**11,211**	11,668	12,129	12,489
Services and parts revenue (Schedule 1)	9,850	10,756	10,513	(243)	**10,954**	11,160	11,372	11,714
Rental income	7,446	4,510	8,791	4,281	**4,182**	4,270	4,360	4,469
Transfer from Other Funds (Note 7)	-	-	-	-	**1,263**	660	667	698
Gain on sale of tangible capital assets	751	600	822	222	**800**	800	800	800
Total Revenues	52,385	55,574	55,880	306	**56,230**	56,628	58,657	82,103
EXPENSES								
Amortization	14,439	14,480	13,854	(626)	**14,838**	14,923	14,910	15,212
Supplies	13,555	15,375	14,181	(1,194)	**14,551**	15,221	15,501	15,920
Salaries and employee benefits (Note 5)	9,008	10,234	9,211	(1,023)	**10,918**	11,246	11,540	11,851
Services	14,637	11,787	16,049	4,262	**12,087**	12,318	12,481	34,920
Interest (Notes 3 and 4)	1,567	1,962	2,049	87	**2,408**	2,850	3,390	3,862
Other expenses	1,047	1,602	1,517	(85)	**1,426**	447	468	489
Total Expenses	54,253	55,440	56,861	1,421	**56,228**	57,005	58,290	82,254
Annual (Deficit) Surplus Before Other	(1,868)	134	(981)	(1,115)	**2**	(377)	367	(151)
OTHER								
Transfer to The City of Winnipeg - General Revenue Fund (Note 7b)	(92)	-	-	-	-	-	-	-
Annual (Deficit) Surplus	(1,960)	134	(981)	(1,115)	**2**	(377)	367	(151)
ACCUMULATED SURPLUS, BEGINNING OF YEAR	22,757	21,885	20,797	(1,088)	**19,816**	19,818	19,441	19,808
ACCUMULATED SURPLUS, END OF YEAR	$ 20,797	$ 22,019	$ 19,816	$ (2,203)	**$ 19,818**	$ 19,441	$ 19,808	$ 19,657

See accompanying notes and schedules to the financial statements

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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 2023	Budget 2024	Forecast 2024	Variance 2024	**2025**	2026	2027	2028
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:								
OPERATING								
Annual (Deficit) Surplus	$ (1,960)	$ 134	$ (981)	$ (1,115)	**$ 2**	$ (377)	$ 367	$ (151)
Non-cash charges to operations								
Amortization	14,439	14,480	13,854	(626)	**14,838**	14,923	14,910	15,212
Gain on sale of tangible capital assets	(751)	(600)	(822)	(222)	**(800)**	(800)	(800)	(800)
Retirement allowance and compensated absences	-	26	26	-	**27**	28	28	28
	11,728	14,040	12,077	(1,963)	**14,067**	13,774	14,505	14,289
Net change in non-cash working capital related to operations	(1,544)	19	(56)	(75)	**(13)**	75	75	84
Cash provided by operating activities	10,184	14,059	12,021	(2,038)	**14,054**	13,849	14,580	14,373
CAPITAL								
Acquisition of tangible capital assets	(15,786)	(19,237)	(19,525)	(288)	**(17,943)**	(22,800)	(16,497)	(16,311)
Proceeds on disposal of tangible capital assets	1,016	600	822	222	**800**	800	800	800
Cash used in capital activities	(14,770)	(18,637)	(18,703)	(66)	**(17,143)**	(22,000)	(15,697)	(15,511)
FINANCING								
Change in due to/from The City of Winnipeg - General Revenue Fund	5,579	(2,143)	1,586	3,729	**(3,732)**	2,336	(9,973)	(3,602)
Proceeds from term loans	9,600	17,000	15,704	(1,296)	**17,400**	16,600	21,600	16,000
Repayment of term loans	(10,719)	(10,279)	(10,608)	(329)	**(10,579)**	(10,785)	(10,510)	(11,260)
Cash provided by (used in) financing activities	4,460	4,578	6,682	2,104	**3,089**	8,151	1,117	1,138
Increase in cash	(126)	-	-	-	-	-	-	-
CASH, BEGINNING OF YEAR	127	-	-	-	-	-	-	-
CASH, END OF YEAR	$ 1	$ -	$ -	$ -	**$ -**	$ -	$ -	-

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 2023	Budget 2024	Forecast 2024	Variance 2024	**2025**	2026	2027	2028
ANNNUAL (DEFICIT) SURPLUS	$ (1,960)	$ 134	$ (981)	$ (1,115)	**$ 2**	$ (377)	$ 367	(151)
Amortization of tangible capital assets	14,439	14,480	13,854	(626)	**14,838**	14,923	14,910	15,212
Proceeds on disposal of tangible capital assets	1,016	600	822	222	**800**	800	800	800
Gain on sale of tangible capital assets	(751)	(600)	(822)	(222)	**(800)**	(800)	(800)	(800)
Change in inventories and prepaid expenses	10	(50)	(49)	1	**(50)**	38	37	36
Acquisition of tangible capital assets	(15,786)	(19,237)	(19,525)	(288)	**(17,943)**	(22,800)	(16,497)	(16,311)
(INCREASE) DECREASE IN NET FINANCIAL LIABILITIES	(3,032)	(4,673)	(6,701)	(2,028)	**(3,153)**	(8,216)	(1,183)	(1,214)
NET FINANCIAL LIABILITIES, BEGINNING OF YEAR	(50,082)	(57,757)	(53,114)	4,643	**(59,815)**	(62,968)	(71,184)	(72,367)
NET FINANCIAL LIABILITIES, END OF YEAR	$ (53,114)	$ (62,430)	$ (59,815)	$ 2,615	**$ (62,968)**	$ (71,184)	$ (72,367)	(73,581)

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, 2028
(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.

Public health orders for the COVID-19 pandemic were lifted in the early part of 2023. Management assessed the financial impact as at December 31, 2023 and has determined that no significant accounting estimate adjustments are required to reflect the Agency's ongoing economic recovery from this event. Management believes it has sufficient liquidity to sustain operations.

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) 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.

g) Budget

The budget included on the statement of operations and accumulated surplus and changes in net financial liabilities is the City Council-approved Operating Budget.

h) Change in accounting policy

i) Financial instruments

On January 1, 2023, the Agency has prospectively adopted PS 3450 Financial Instruments, which requires the simultaneous adoption of PS 1201 Financial Statement Presentation, PS 2601 Foreign Currency Translation, and PS 3041 Portfolio Investments. These new standards provide comprehensive requirements for the recognition, measurement, presentation, and disclosure of financial instruments and foreign currency transactions. Under PS 3450, all financial instruments, including derivatives, are included on the Statement of Financial Position and are measured either at fair value, cost or amortized cost based on the characteristics of the instrument and the Agency's accounting policy choices.

As part of PS 2601 Foreign Currency Translation, the Agency has elected to recognize any related unrealized foreign exchange gain or loss directly to the Statement of Operations and Accumulated Surplus.

Recognition, derecognition and measurement policies of prior periods to the effective date have not been reversed and therefore, prior periods and comparative information have not been restated.

ii) Asset retirement obligation

Effective January 1, 2022 the Agency adopted PSAB's new standard for the recognition, measurement and disclosure of a liability for asset retirement obligations under PS 3280 *Asset Retirement Obligations*. An asset retirement obligation is recognized when, as at the financial statement date, all the following criteria are met:

- There is a legal obligation to incur retirement costs in relation to a tangible capital asset;
- The past transaction or event giving rise to the liability has occurred;
- It is expected that future economic benefits will be given up; and
- A reasonable estimate of the amount can be made.

As the legal obligation associated to the Agency's tangible capital assets lies with the City of Winnipeg, this obligation is recorded at the corporate level with no liability included in these statements. Therefore the adoption of this standard did not have a material impact on the Agency's financial statements.

i) Financial instruments

Financial instruments are any contracts that give rise to financial assets of one entity and financial liabilities or equities of another. The Agency's financial instruments are measured at cost or amortized cost. Transaction costs are added to the carrying amount of the asset or liability upon recognition. Transaction costs are defined as incremental costs directly attributable to the acquisition or issue of a financial asset or liability.

At each financial statement date the Agency will assess their financial instruments to determine if they are impaired. Any impairment losses would be reported in the Statement of Operations and Accumulated Surplus. As all financial instruments are measured at cost or amortized cost, there have been no remeasurement gains or losses and the Statement of Remeasurement Gains (Losses) has been excluded.

Financial risk management

The Agency has exposure to credit risk, liquidity risk and market risk. Credit risk is the risk of financial loss because a counter party to a financial instrument fails to discharge its contractual obligation. Liquidity risk is the risk the Agency will encounter difficulty in meeting obligations associated with financial liabilities. Market risk is the risk that future cash flow of a financial instrument will fluctuate because of changes in market price. The Agency is exposed to interest rate risk in this category.

The Agency is exposed to credit risk through its receivables. When the agency determines the other party cannot meet its obligation they recognize an allowance. The risk of liquidity for the Agency is low as it is able to access funding from the City of Wnnipeg as required. Market risk is related to the interest rates and is low for the Agency as all their debt is for fixed terms.

Market risk includes the risk that the future cash flows of a financial instrument will fluctuate because of changes in market prices due to interest rates or other price risks. Interest rate risk is low as the Agency does not hold variable rate debt. Price risk is mostly related to the Agency's purchase of fuel where pricing fluctuates based on the commodity market.

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 2024	**2025**	**2026**	**2027**	**2028**
Term loans	$ 49,077	**$ 55,899**	$ 61,713	$ 72,804	77,544
The City of Winnipeg, non-interest bearing, no repayment schedule	178	**178**	178	178	178
	$ 49,255	**$ 56,077**	$ 61,891	$ 72,982	77,722

5. Accrued Employee Benefits

a) Accrued employee benefits

	Forecast 2024	**2025**	2026	2027	2028
Retirement allowance and compensated absences	$ 1,341	**$ 1,368**	$ 1,396	$ 1,423	1,452
Vacation	680	**693**	707	721	736
	$ 2,021	**$ 2,061**	$ 2,103	$ 2,144	2,188

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 10.8 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 2024	**2025**	2026	2027	2028
Land	$ 390	**$ 390**	$ 390	$ 390	$ 390
Buildings	2,871	**2,799**	2,800	2,610	2,512
Fleet assets	69,180	**71,872**	79,606	81,738	83,176
Equipment	4,712	**5,197**	5,339	4,984	4,744
	$ 77,153	**$ 80,258**	$ 88,135	$ 89,722	$ 90,822

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 2024	**2025**	2026	2027	2028
a) Sales of goods and services to The City of Winnipeg	$ 53,396	**$ 54,924**	$ 55,632	$ 57,946	$ 81,851
b) Dividend transfer to The City of Winnipeg	$ -	**-**	$ -	$ -	$ -
c) Municipal Accomodations Fund:					
Facility leases	$ 546	**$ 855**	$ 855	$ 855	$ 852
d) Corporate Support Services Deparment:					
Innovation & Technology	$ 582	**$ 597**	$ 609	$ 620	$ 632
e) Public Works Department:					
HR Resource Services	$ 168	**$ 172**	$ 175	$ 179	$ 182
f) Transfer from Other Funds:					
Tsf from Public Works for Central Stores	$ -	**$ 652**	$ 660	$ 667	$ 698
Tsf from Animal Services	-	**272**	-	-	-
Tsf from General Revenue Fund	-	**339**	-	-	-

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 2023	Budget 2024	Forecast 2024	Variance 2024	**2025**	2026	2027	2028
Consumables and corrective maintenance	$ 5,652	$ 5,946	$ 6,144	$ 198	**$ 6,077**	$ 6,197	$ 6,319	$ 6,477
Insurance revenue	2,459	2,420	2,531	111	**2,648**	2,699	2,752	2,821
Power tools	632	643	645	2	**507**	517	527	538
Manufacturing sales	547	870	563	(307)	**888**	905	923	946
Other	425	730	493	(237)	**697**	705	714	795
Provincial support grant	135	147	137	(10)	**137**	137	137	137
	$ 9,850	$ 10,756	$ 10,513	$ (243)	**$ 10,954**	$ 11,160	$ 11,372	$ 11,714