THE CITY OF WINNIPEG
FLEET MANAGEMENT - SPECIAL OPERATING AGENCY

Projected Financial Statements
Four Years Ending December 31, 2029

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 2024	Budget 2025	Forecast 2025	Variance 2025	**2026**	2027	2028	2029
FINANCIAL ASSETS								
Cash	$ 1	$ 1	$ 1	$ -	**$ 1**	$ 1	$ 1	$ 1
Accounts receivable	496	387	380	(7)	**387**	395	403	403
	497	388	381	(7)	**388**	396	404	404
LIABILITIES								
Due to The City of Winnipeg - General Revenue Fund (Note 3)	3,557	3,648	10,265	6,617	**14,297**	1,604	(1,920)	(5,537)
Accounts payable and accrued liabilities	4,858	1,570	4,858	3,288	**4,955**	5,054	5,156	5,258
Debt (Note 4)	49,263	56,077	52,316	(3,761)	**57,798**	69,866	73,195	76,275
Other liabilities	-	-	-	-	**-**	-	-	-
Accrued employee benefits (Note 5a)	2,029	2,061	2,056	(5)	**2,097**	2,139	2,181	2,225
	59,707	63,356	69,495	6,139	**79,147**	78,663	78,612	78,221
NET FINANCIAL LIABILITIES	(59,210)	(62,968)	(69,114)	(6,146)	**(78,759)**	(78,267)	(78,208)	(77,817)
NON-FINANCIAL ASSETS								
Tangible capital assets *(Note 6)*	75,946	80,258	84,969	4,711	**94,088**	94,341	93,814	93,726
Inventories	1,814	1,890	1,853	(37)	**1,889**	1,852	1,815	1,778
Prepaid expenses	700	638	625	(13)	**638**	638	638	638
	78,460	82,786	87,447	4,661	**96,615**	96,831	96,267	96,142
ACCUMULATED SURPLUS	$ 19,250	$ 19,818	$ 18,333	$ (1,485)	**$ 17,856**	$ 18,564	$ 18,059	$ 18,325

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 2024	Budget 2025	Forecast 2025	Variance 2025	**2026**	2027	2028	2029
REVENUES								
Fleet leases	$ 25,253	$ 27,820	$ 27,074	$ (746)	**$ 29,728**	$ 32,891	$ 51,287	$ 61,704
Fuel sales	8,990	11,211	8,925	(2,286)	**9,071**	9,502	9,693	9,887
Services and parts revenue (Schedule 1)	10,371	10,954	10,622	(332)	**11,120**	11,237	11,616	11,870
Rental income	8,815	4,182	9,384	5,202	**4,239**	4,345	4,449	4,477
Transfer from Other Funds	111	1,263	1,263	-	**656**	680	738	760
Gain on sale of tangible capital assets	692	800	919	119	**800**	800	800	800
Total Revenues	54,232	56,230	58,187	1,957	**55,614**	59,455	78,583	89,498
EXPENSES								
Amortization	13,864	14,838	14,963	125	**15,561**	16,536	16,703	16,402
Supplies	12,918	14,551	12,765	(1,786)	**13,302**	13,810	14,101	14,399
Salaries and employee benefits (Note 5)	9,672	10,918	10,171	(747)	**11,072**	11,368	11,774	12,118
Services	15,782	12,087	17,096	5,009	**12,709**	13,000	31,602	41,170
Interest (Notes 3 and 4)	2,067	2,408	2,294	(114)	**2,568**	3,062	3,471	3,651
Other expenses	1,477	1,426	1,814	388	**879**	971	1,437	1,492
Total Expenses	55,780	56,228	59,103	2,875	**56,091**	58,747	79,088	89,232
Annual (Deficit) Surplus	(1,548)	2	(916)	(918)	**(477)**	708	(505)	266
ACCUMULATED SURPLUS, BEGINNING OF YEAR	20,798	19,816	19,249	(567)	**18,333**	17,856	18,564	18,059
ACCUMULATED SURPLUS, END OF YEAR	$ 19,250	$ 19,818	$ 18,333	$ (1,485)	**$ 17,856**	$ 18,564	$ 18,059	$ 18,325

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 2024	Budget 2025	Forecast 2025	Variance 2025	**2026**	2027	2028	2029
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:								
OPERATING								
Annual (Deficit) Surplus	$ (1,548)	$ 2	$ (916)	$ (918)	**$ (477)**	$ 708	$ (505)	$ 266
Non-cash charges to operations								
Amortization	13,864	14,838	14,963	125	**15,561**	16,536	16,703	16,402
Gain on sale of tangible capital assets	(692)	(800)	(919)	(119)	**(800)**	(800)	(800)	(800)
Retirement allowance and compensated absences	-	27	27	-	**27**	27	28	29
	11,624	14,067	13,155	(912)	**14,311**	16,471	15,426	15,897
Net change in non-cash working capital related to operations	3,144	(13)	151	164	**56**	143	145	153
Cash provided by operating activities	14,768	14,054	13,306	(748)	**14,367**	16,614	15,571	16,050
CAPITAL								
Acquisition of tangible capital assets	(18,473)	(17,943)	(23,986)	(6,043)	**(24,680)**	(16,789)	(16,176)	(16,313)
Proceeds on disposal of tangible capital assets	837	800	919	119	**800**	800	800	800
Cash used in capital activities	(17,636)	(17,143)	(23,067)	(5,924)	**(23,880)**	(15,989)	(15,376)	(15,513)
FINANCING								
Change in due to/from The City of Winnipeg - General Revenue Fund	(2,237)	(3,732)	6,708	10,440	**4,032**	(12,693)	(3,524)	(3,617)
Proceeds from term loans	15,700	17,400	13,792	(3,608)	**16,600**	23,000	15,000	15,000
Repayment of term loans	(10,595)	(10,579)	(10,739)	(160)	**(11,117)**	(10,933)	(11,671)	(11,920)
Cash provided by (used in) financing activities	2,868	3,089	9,761	6,672	**9,513**	(625)	(195)	(537)
Increase in cash	-	-	-	-	-	-	-	-
CASH, BEGINNING OF YEAR	1	1	1	1	**1**	1	1	1
CASH, END OF YEAR	$ 1	$ 1	$ 1	$ 1	**$ 1**	$ 1	$ 1	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 2024	Budget 2025	Forecast 2025	Variance 2025	**2026**	2027	2028	2029
ANNNUAL (DEFICIT) SURPLUS	$ (1,548)	$ 2	$ (916)	$ (918)	**$ (477)**	$ 708	$ (505)	266
Amortization of tangible capital assets	13,864	14,838	14,963	125	**15,561**	16,536	16,703	16,402
Proceeds on disposal of tangible capital assets	837	800	919	119	**800**	800	800	800
Gain on sale of tangible capital assets	(692)	(800)	(919)	(119)	**(800)**	(800)	(800)	(800)
Change in inventories and prepaid expenses	(84)	(50)	35	85	**(49)**	37	37	36
Acquisition of tangible capital assets	(18,473)	(17,943)	(23,986)	(6,043)	**(24,680)**	(16,789)	(16,176)	(16,313)
(INCREASE) DECREASE IN NET FINANCIAL LIABILITIES	(6,096)	(3,153)	(9,904)	(6,751)	**(9,645)**	492	59	391
NET FINANCIAL LIABILITIES, BEGINNING OF YEAR	(53,114)	(59,815)	(59,210)	605	**(69,114)**	(78,759)	(78,267)	(78,208)
NET FINANCIAL LIABILITIES, END OF YEAR	$ (59,210)	$ (62,968)	$ (69,114)	$ (6,146)	**$ (78,759)**	$ (78,267)	$ (78,208)	(77,817)

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, 2029
(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	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 2025	**2026**	**2027**	**2028**	**2029**
Term loans	$ 52,138	**$ 57,620**	$ 69,688	$ 73,017	76,097
The City of Winnipeg, non-interest bearing, no repayment schedule	178	**178**	178	178	178
	$ 52,316	**$ 57,798**	$ 69,866	$ 73,195	76,275

5. Accrued Employee Benefits

a) Accrued employee benefits

	Forecast 2025	**2026**	2027	2028	2029
Retirement allowance and compensated absences	$ 1,352	**$ 1,379**	$ 1,406	$ 1,434	1,463
Vacation	704	**718**	733	747	762
	$ 2,056	**$ 2,097**	$ 2,139	$ 2,181	2,225

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 2025	**2026**	2027	2028	2029
Land	$ 390	**$ 390**	$ 390	$ 390	$ 390
Buildings	2,736	**2,560**	2,426	2,357	2,284
Fleet assets	76,238	**85,603**	86,100	86,019	86,222
Equipment	5,605	**5,535**	5,424	5,048	4,830
	$ 84,969	**$ 94,088**	$ 94,340	$ 93,814	$ 93,726

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 2025	2026	2027	2028	2029
a) Sales of goods and services to The City of Winnipeg	$ 54,363	$ 55,286	$ 58,694	$ 77,407	$ 87,132
b) Municipal Accomodations Fund:					
Repair facility lease	$ 855	$ 862	$ 890	$ 918	$ 946
c) Corporate Support Services Deparment:					
Innovation & Technology Service Cost	$ 577	$ 618	$ 631	$ 644	$ 661
d) Public Works Department:					
HR Resource Services	$ 172	$ 175	$ 179	$ 182	$ 185
f) Transfer from Other Funds:					
Tsf from Public Works for Central Stores	$ 652	$ 656	$ 680	$ 738	$ 760
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 2024	Budget 2025	Forecast 2025	Variance 2025	**2026**	2027	2028	2029
Consumables and corrective maintenance	$ 5,708	$ 6,077	$ 5,754	$ (323)	**$ 5,900**	$ 5,874	$ 6,020	$ 6,037
Insurance revenue	2,503	2,648	2,834	186	**2,973**	3,047	3,124	3,202
Power tools	644	507	513	6	**525**	535	546	557
Manufacturing sales	800	888	812	(76)	**799**	799	819	819
Other	580	697	571	(126)	**787**	846	972	1,120
Provincial support grant	136	137	138	1	**136**	136	135	135
	$ 10,371	$ 10,954	$ 10,622	$ (332)	**$ 11,120**	$ 11,237	$ 11,616	$ 11,870