



2020 Operating and Capital Budget

Fleet Management Agency



November 18, 2019

Agenda

1. Strategic Objectives and Priorities
2. Performance Measurement
3. Operating Budget (including options to achieve target)
 - Operating Budget Year over Year Variance Explanations
 - Implications of the Recommended Target to Balance the Operating Budget
 - Salaries and benefits, FTEs, and vacancy management and options to achieve target
4. Capital Budget
 - Capital Budget
 - Implications of the Recommended Target to the Capital Budget
 - Capital Forecast to Submission Reconciliation
5. Operating and Capital Budget Referrals (not applicable)
6. Budget Summary
7. Questions

Strategic Objectives and Priorities

Strategic Objectives

Source: Fleet Management SOA – 2019 Business Plan

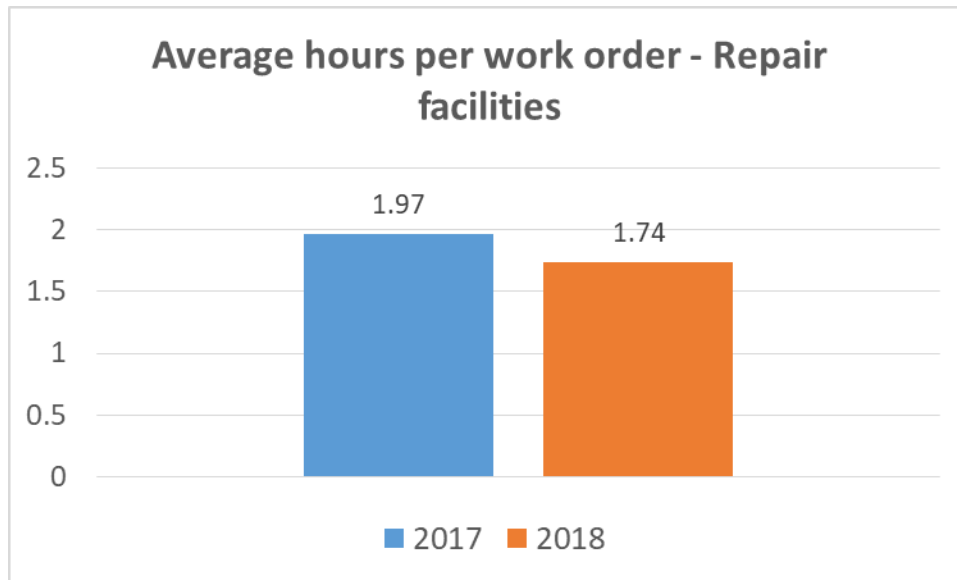
- Develop innovative strategies and efficiencies through the introduction of new technologies and business processes that enhance fleet services across the agency.
- To be a leader in environmental stewardship through the management of the agency's fueling infrastructure and promote fleet emission reductions.
- The establishment of a business environment that embraces safety as a priority for the fleet and its employees.
- Optimize the operational and financial performance of the agency's repair and manufacturing facilities to support the delivery of essential services to a diverse civic customer base.
- Improve customer service and satisfaction through effective fleet service delivery.

Key Priorities

Source: Fleet Management SOA – 2019 Business Plan

- Optimize lifecycle management by improving use of both vehicle utilization data and repair and maintenance data for vehicle replacement planning and to reduce the overall cost and size of the fleet.
- Implement regular reporting to civic departments on AVL idling trends for action on reduction measures.
- Continue to explore ways in which to enhance repair service for customers through the implementation of improved shift schedules for increased shop productivity and enhanced maintenance services.
- Enhance customer relationships through improved communications, resulting in fully transparent fleet charges, services, and decision making processes.

Performance Measurement – Internal reporting for our facility supervisors



Precision manufacturing, mobile welding, and so much more!

- Reporting is provided to our facility supervisors
- The Agency utilized this data to adjust shifts at 2 repair facilities in 2018
- Average time to complete a work order has decreased while overall work orders completed has increased from 2017 to 2019
- Productivity and net income at the Manufacturing facility has also increased

Performance Measurement – Safety



- In 2019, the City of Winnipeg Fleet Management Agency became the first City department and self-insured corporation to receive safety certification.
- WFMA experienced a significant decrease in both departmental lost time injury frequency rates and lost time injury severity rates from 2012 to 2018.

Recommended Target to Balance the Budget

1. Departmental Operating Budget – 0% annual budget growth rates based on 2019 expenditures

2. Cash to capital funding levels: (not applicable as Fleet capital is funded through accumulated surplus and external debt)

3. Key assumptions for multi-year budget:

These proposed recommended targets present a balanced tax-supported operating budget from 2020 to 2023:

- a. Property Tax Increases: 2.33% annually (road renewal and southwest rapid transit (stage 2))
- b. Fees and Charges: Inflationary increases annually
- c. Natural Assessment Base Growth: 1.2% annually
- d. Efficiencies/Vacancy Management: \$17 Million annually
- e. Additional Transfers/Savings: \$32.5 million in 2020 growing to \$40 million by 2023
- f. Provincial Operating Grants: Flat at \$149.7 million annually (2016 level)
- g. Utility dividend rate: 11% of Water and Sewer Sales
- h. Remaining Tax Supported Debt Room: \$150 million in total

Options to achieve Operating Budget Target

2020 Draft Operating Budget and 2021 to 2023 Projections in millions of \$	2020 Draft Budget *	2021 Draft Projection*	2022 Draft Projection*	2023 Draft Projection*
Options to Achieve Operating Budget Target:				
a. Fuel price estimate revision	(0.491)	(0.510)	(0.529)	(0.539)
b. Fleet fuel admin charge reduction due to higher price of fuel	(0.181)	(0.188)	(0.196)	(0.199)
c. Fleet asset purchase estimated timing adjustment	(0.401)	(0.414)	(0.414)	(0.414)
d. Remove increased transfer to HR and BTS	(0.159)	(0.164)	(0.168)	(0.171)
e. Defer head office relocation study to 2022	(0.200)		0.200	
f. Reduce expenditure accounts based on updated 2019 forecast	(0.310)	(0.310)	(0.310)	(0.310)
g. Approve and promote voluntary furlough program during non-peak seasons	(0.098)	(0.101)	(0.103)	(0.105)
h. Reduce building renovation & shop equipment capital programs and adjust amortization of fleet software capital	(0.046)	(0.203)	(0.307)	(0.287)
i. Fleet Accountability reporting	(0.331)	(0.390)	(0.501)	(0.610)
j. Fleet size optimization (see "1" below)	(0.584)	(1.164)	(1.168)	(1.200)
k. Staffing reductions - 5 FTEs	(0.226)	(0.465)	(0.481)	(0.491)
l. Close Waverley Repair Facility - 22 FTEs (see "2" below)	(0.792)	(1.248)	(1.281)	(1.328)
Total Options to Achieve the Target	(3.819)	(5.157)	(5.258)	(5.654)
EPC Recommended Target to Balance	(3.900)	(4.564)	(5.013)	(5.550)
Variance (Shortfall from the Target)	0.081	(0.593)	(0.245)	(0.104)

(1) The success of the Fleet size optimization option is dependent on approval of an amendment to the Agency charter, to be included in the Fleet 2020 business plan, which would grant the Agency authority over size and mix of the Fleet.

(2) The closure of Waverley repair facility includes savings of the transfer to Municipal Accommodations of \$213K per annum, however M.A only estimates their savings at \$15K per annum of reduced utility costs.

Fleet Management Agency Operating Budget - including options to achieve Operating Budget Target

2020 Draft Operating Budget and 2021 to 2023 Projections in millions of \$	2018 Actual	2019 Budget	2020 Draft Budget *	Year over Year Increase / (Decrease)	%	2021 Draft Projection*	2022 Draft Projection*	2023 Draft Projection*
GOVERNMENT GRANTS	0.174	0.173	0.174	0.001		0.174	0.174	0.174
SERVICE AND OTHER	48.708	48.692	49.871	1.179		48.885	49.188	49.943
TOTAL REVENUE	48.882	48.865	50.045	1.180	2%	49.059	49.362	50.117
SALARIES & BENEFITS	9.908	11.043	10.238	(0.805)		9.453	9.270	9.448
SERVICES	9.195	8.945	9.363	0.418		9.712	10.334	10.552
MATS PARTS & SUPPLIES	11.431	10.341	11.144	0.803		11.458	11.750	11.890
ASSETS & PURCHASES	0.145	0.174	0.146	(0.028)		0.143	0.146	0.150
GRANTS, TRANSFERS & OTHER	1.532	1.500	1.166	(0.334)		1.049	1.057	1.064
RECOVERIES	(0.041)	-	-	-		-	-	-
TOTAL OPERATIONAL EXPENDITURES	32.170	32.003	32.057	0.054	0%	31.815	32.557	33.104
DEBT & FINANCE CHARGES	16.448	16.789	17.100	0.311		16.907	16.709	16.538
TOTAL EXPENDITURES	48.618	48.792	49.157	0.365	1%	48.722	49.266	49.642
Surplus/(Deficit)	0.264	0.073	0.888	0.815		0.337	0.096	0.475

Year over Year Variance Explanations

(in millions)

Year over year (increase) / decrease	2020 Draft Budget	2021 Draft Projection	2022 Draft Projection	2023 Draft Projection
1) <i>Revenue change due to the following:</i>				
- Increase in fuel revenue	\$ 0.535	\$ 0.280	\$ 0.230	\$ 0.057
- Increase in consumables, rentals and other revenue	0.618	0.194	0.322	0.330
- Increase/(Decrease) in capital & operating lease revenue	0.027	(1.460)	(0.249)	0.367
Net Revenue Change	\$ 1.180	\$ (0.986)	\$ 0.303	\$ 0.754
2) <i>Expenditure change due to the following:</i>				
- Increase/(Decrease) in salary & benefits	\$ (0.805)	\$ (0.784)	\$ (0.183)	\$ 0.179
- Increase in fuel expense	\$ 0.606	\$ 0.274	\$ 0.205	\$ 0.044
- Increase in other materials	\$ 0.197	\$ 0.040	\$ 0.087	\$ 0.095
- Increase/(Decrease) in debt & finance incl. amortization	\$ 0.311	\$ (0.193)	\$ (0.198)	\$ (0.171)
- Increase in services	0.418	0.349	0.622	0.218
- Increase/(Decrease) in transfers and other expenses	(0.362)	(0.120)	0.010	0.011
Net Expenditure Change	\$ 0.365	\$ (0.434)	\$ 0.543	\$ 0.376

Implications of the Recommended Target to Balance Operating Budget

- a. The fuel price estimate revision results in an increased risk of fuel being over budget in future years.
- b. The fuel admin charge may need to be increased in the future to support capital costs of additional fuel sites or remediation costs for existing sites.
- c. The adjustment results in an increased risk of amortization expense being over budget in future years.
- d. The adjustment results in risk of delays in HR and IT support services provided to the Agency.
- e. The adjustment delays planning for a new facility as the Agency continues to occupy buildings at the end of their useful lives.
- f. The adjustment results in increased risk of various expenditure accounts being over budget in future years.
- g. The adjustment results in increased risk of salary & benefits being over budget in future years.
- h. See Capital Budget implications.

Implications of the Recommended Target to Balance Operating Budget

i. Fleet Accountability reporting includes estimated fuel savings of 2.5% (2020) to 5% (2023) and a decrease in budgeted costs for damages of vehicles and equipments. There is risk these savings may not be realized.

j. Fleet size optimization includes a reduction in the size of the fleet to obtain 5% savings in fleet leases by 2021. There is risk these savings may not be realized.

k. The reduction of 5 FTE's may result in delayed procurement or disposal of vehicles and equipment and delays in providing billing or other fleet data and statistics. The Agency would redistribute and prioritize work to minimize these risks.

l. The closure of Waverley Repair Facility is expected to result in a number of risks. Repair and maintenance wait times are expected to increase which would impact service levels as downtime for vehicles and equipment would be expected to increase. Delays in preventative maintenance would also occur resulting in increased risks of vehicle and equipment failure. There is risk that expenses for vendor repairs will exceed budget if the remaining repair facilities are unable to absorb the increased volume of work that is forecasted.

Salary Budget and Full Time Equivalents (FTEs) / Vacancy Management / Options to Achieve the Target

2020 Draft Operating Budget

	2019 Adopted Budget	2020 Draft Budget*	Increase / (Decrease)	2021 Draft Projection*	2022 Draft Projection*	2023 Draft Projection*
Full Time Equivalents <i>(number of FTEs)</i>	129.14	118.67	(10.47)	109.19	102.19	102.19
Salaries & Benefits <i>(in millions of \$)</i>	\$ 11.043	\$ 10.238	\$ (0.805)	\$ 9.453	\$ 9.270	\$ 9.448
Vacancy Management included in Salaries & Benefits <i>(in millions of \$)</i>	\$ (0.150)	\$ (0.146)	\$ 0.004	\$ (0.147)	\$ (0.148)	\$ (0.151)

* 2020 Draft Budget and 2021 to 2023 Draft Projections include the options to achieve the operating budget target

Capital Budget

FLEET MANAGEMENT AGENCY- GENERAL CAPITAL FUND

Capital Investment Plan - Authorization

(\$000's)

	2019 Adopted	2020 Draft Budget*	Authorization					6-Year Total	
			Draft Forecast*						
			2021	2022	2023	2024	2025		
List of Capital Projects:									
1 Shop Tools & Equipment Upgrades	627	255	265	245	255	255	255	1,530	
2 Power Tools	150	125	125	125	125	125	125	750	
3 Fuel Site Upgrades and Improvements	200	200	200	200	200	200	200	1,200	
4 Building Renovations	-	214	160	225	190	197	197	1,183	
5 Fleet Asset Acquisitions	22,336	15,670	15,670	15,670	15,670	15,670	15,670	94,020	
5 Fleet Software Application	-		929					929	
TOTAL CAPITAL PROJECTS	23,313	16,464	17,349	16,465	16,440	16,447	16,447	99,612	
Options to Achieve the Target			2020	2021	2022	2023	2024	2025	6-Yr Total
a.	Reduce Shop Tools & Equipment Upgrades	(254)	(265)	(245)	(255)	(255)	(255)	(255)	(1,529)
b.	Reduce Building Renovations	(213)	(160)	(225)	(190)	(197)	(197)	(197)	(1,182)
Total Options to Achieve the Target *		(467)	(425)	(470)	(445)	(452)	(452)	(452)	(2,711)
EPC Recommended Target to Balance									-
Variance		(467)	(425)	(470)	(445)	(452)	(452)	(452)	(2,711)

Implications of the Recommended Target to the Capital Budget

a. Reducing the Shop Tools & Equipment Upgrades capital program may result in risk that tools and equipment are not available to perform necessary repairs to vehicles and equipment. The Agency would address this by utilizing the remaining program funds to minimize this risk.

b. Reducing the Building Improvements capital program results in risk that funding is not available to perform necessary refurbishment and/or improvements to various Winnipeg Fleet Management Agency (WFMA) owned facilities and including interior, accessibility, heating, ventilation, air conditioning, electrical, plumbing, parking lot, building envelope and structural improvements. The Agency would address this by utilizing the remaining program funds to minimize this risk.

Capital Forecast to Draft Budget (Including Options to Achieve Capital Target) Reconciliation

<i>CAPITAL PROJECTS SUMMARY</i>	ADOPTED	ADOPTED IN PRINCIPLE		
<i>(in Thousands of \$)</i>	BUDGET	FORECAST	CHANGES	DRAFT BUDGET
	2019	2020	2020	2020
<u>FLEET MANAGEMENT AGENCY</u>				
Shop Tools & Equipment Upgrades	627	701	-446	255
Power Tools	150	150	-25	125
Fuel Site Upgrades and Improvements	200	410	-210	200
Building Renovations			214	214
Fleet Asset Acquisitions	22,336	15,178	492	15,670
Fleet Software Application				
TOTAL FLEET MANAGEMENT AGENCY	23,313	16,439	25	16,464

Capital Forecast to Draft Budget (Including Options to Achieve Capital Target) Reconciliation

CAPITAL PROJECTS SUMMARY	ADOPTED IN PRINCIPLE		DRAFT	ADOPTED IN PRINCIPLE		DRAFT
<i>(in Thousands of \$)</i>	FORECAST	CHANGES	FORECAST	FORECAST	CHANGES	FORECAST
	2021	2021	2021	2022	2022	2022
<u>FLEET MANAGEMENT AGENCY</u>						
Shop Tools & Equipment Upgrades	664	-399	265	664	-419	245
Power Tools	150	-25	125	150	-25	125
Fuel Site Upgrades and Improvements	305	-105	200	305	-105	200
Building Renovations		160	160		225	225
Fleet Asset Acquisitions	15,670		15,670	15,670		15,670
Fleet Software Application		929	929			
TOTAL FLEET MANAGEMENT AGENCY	16,789	560	17,349	16,789	-324	16,465

Capital Forecast to Draft Budget (Including Options to Achieve Capital Target) Reconciliation

<i>CAPITAL PROJECTS SUMMARY</i> <i>(in Thousands of \$)</i>	ADOPTED IN PRINCIPLE FORECAST	CHANGES	DRAFT FORECAST	ADOPTED IN PRINCIPLE FORECAST	CHANGES	DRAFT FORECAST	DRAFT FORECAST	6 YEAR TOTAL
	2023	2023	2023	2024	2024	2024	2025	2020-2025
<u>FLEET MANAGEMENT AGENCY</u>								
Shop Tools & Equipment Upgrades	664	-409	255	664	-409	255	255	1,530
Power Tools	150	-25	125	150	-25	125	125	750
Fuel Site Upgrades and Improvements	305	-105	200	305	-105	200	200	1,200
Building Renovations		190	190		197	197	197	1,183
Fleet Asset Acquisitions	15,670		15,670	15,670		15,670	15,670	94,020
Fleet Software Application								929
TOTAL FLEET MANAGEMENT AGENCY	16,789	-349	16,440	16,789	-342	16,447	16,447	99,612

Operating Budget Summary

Recommended target – 4 year budget – **0% annual budget growth rates**

(in millions of \$)

	2019 Approved Budget	2020 Projection (from 2019)	2020 Draft Budget	2021 Draft Projection	2022 Draft Projection	2023 Draft Projection
Expenditure	48.79	49.27	49.16	48.72	49.27	49.64
EPC Recommended Expenditure Target			48.90	49.10	49.30	49.50
Expenditure Variance			0.26	(0.38)	(0.03)	0.14

* Note: Draft budget and projections include the options to achieve the EPC recommended targets to balance.

Capital Budget Summary

Recommended target for capital – **not applicable**

(in millions of \$)

	2019 Approved	2020 Draft Budget	Draft Forecast				
			2021	2022	2023	2024	2025
Total Capital Budget*	23.31	16.46	17.35	16.47	16.44	16.45	16.45
EPC Recommended Capital Target		n/a	n/a	n/a	n/a	n/a	n/a
Variance		n/a	n/a	n/a	n/a	n/a	n/a

* Note: Draft budget and forecast include the options to achieve the EPC recommended targets to balance.

The Total Capital Budget includes reductions to the Shop Tools & Equipment Upgrades and Building Renovations capital programs to assist in achieving operating budget savings through reduced amortization expense.

Questions?