



# TORONTO STAFF REPORT

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June 29, 2006

To: Policy and Finance Committee

From: City Manager

Subject: Review of the City's Corporate Organizational Structure for Fleet Management and Services

Purpose:

To respond to the Council approved recommendation of the Auditor-General's report entitled, "Fleet Operations Review - Phase Two", which directed the City Manager to review the corporate organizational structure for fleet management and services and evaluate the implications of fully centralizing all fleet management responsibilities in the Fleet Services Division.

Financial Implications and Impact Statement:

In 2006, the Fleet Services Division reduced its administrative staff complement by four full time positions. If the Fleet Services Division assumes the responsibility for authorizing all business cases for renting light duty vehicles and for negotiating and managing all contracts for those vehicles, the division will require two of those full time positions back with associated costs to be determined for the 2007 budget submission. It is expected that this budget increase will be offset in the long term by efficiencies realized by centralizing these operations.

The Chief Financial Officer/Deputy City Manager has reviewed this report and concurs with the financial impact statement.

Recommendations:

It is recommended that:

- (1) City Council adopt a policy, as outlined in Appendix A of this report, confirming the Fleet Services Division as the supplier of choice for fleet management services, except for Emergency Medical Services, Toronto Fire Services and Agencies, Boards and Commissions unless specified otherwise;

- (2) a Service Level Agreement (SLA) be developed by January 2007, between Fleet Services Division and each of its client divisions and that this SLA clarify accountabilities by:
  - clearly stating the roles and responsibilities of both parties in all areas of fleet management;
  - articulating the performance expectations of both parties (the expected accomplishments, service levels and service standards);
  - ensuring all performance expectations are appropriate and achievable by ensuring they are in line with each party's capacities (authorities, skills and resources);
  - ensuring there is timely reporting on achievements, changing circumstances and identification of opportunities for service improvement; and
  - establishing mechanisms for ongoing feedback about performance, issue resolution and adjustment;
- (3) the mandate and membership of the Fleet Services Steering Committee be revised according to the proposed terms of reference, as outlined in Appendix B of this report and be renamed the Fleet Services Division Client Advisory Committee;
- (4) the existing communication and co-ordination between Fleet Services Division, the Purchasing and Materials Management Division and the fleet management services found in Emergency Medical Services, Toronto Fire Services, Toronto Police Services and Toronto Transit Commission be enhanced by establishing an Executive Fleet Management Coordinating Committee with a terms of reference, as outlined in Appendix C of this report;
- (5) reflecting the policy proposed in recommendation (1) of this report, the Fleet Services Division be mandated with the responsibility for:
  - a. developing and managing all contracts with providers of rental and leased light duty vehicles to be utilized by its client divisions, except where documented in the SLA between Fleet Services Division and the client division;
  - b. authorizing all business cases requesting rental or leased light duty vehicles after working with the clients to determine if alternatives exist to meet their business needs;
  - c. establishing operating procedures and standards for city operated fuel sites, including those operated by EMS and Toronto Fire Services; and
  - d. monitoring compliance of those procedures and standards at all City fuel sites;
- (6) the Deputy City Manager and Chief Financial Officer provide a follow-up report, as part of the City's Program Review Initiative, assessing the effect of the recommendations of this report;
- (7) the appropriate City officials be authorized and directed to take the necessary action to give effect thereto.

Background:

At its meeting of July 19 to 21, 2005 City Council adopted the recommendations of the Audit Committee respecting a report from the Auditor-General entitled, Fleet Operations Review – Phase Two (*Clause #1, Report #3 of the Audit Committee*). This report addresses recommendation number one that the City Manager:

- a) review the corporate organizational structure of fleet management services and evaluate the feasibility of centralizing ownership, control and the accountability for the City fleet in the Fleet Services Division.

This report also addresses recommendations four and five that the City Manager:

- b) establish a Corporate-wide policy providing that:
  - Fleet Services be designated the primary provider of maintenance and repair services; and
  - Fleet Services co-ordinate all referrals of maintenance and repair services to private repair shops; and
- c) evaluate the feasibility of centralizing all rental vehicles within the Fleet Services Division.

In addition, this report addresses the issues raised in the Fleet Operations Review – Phase One with respect to the lack of central oversight and unclear accountabilities for management of the City’s fuel sites and the recent direction of City Council that the City Manager ensure the establishment of common performance measures and standards for fleet operations City-wide (see *Clause #3, Report #1 of the Audit Committee, April 25 to 27, 2006 meeting of City Council*).

Senior Management from Emergency Medical Services; Toronto Fire Services; the Fleet Services Division; and the four divisions which utilize approximately 85% of the fleet managed by the Fleet Services Division: Parks, Forestry and Recreation; Solid Waste Management; Toronto Water; and Transportation Services, were consulted in the preparation of this report.

Comments:

1.0 Context

The existing corporate organizational and operational model for fleet management is a reflection of decisions made at the time of amalgamation. In the lead-up to amalgamation, the Toronto Transition Team recommended that an “enterprise” approach be taken for all internal support services, which included fleet management services. This meant these services should:

- be benchmarked against private sector performance;
- operate on a business-like basis, driven by customer requirements, with a charge back system for provision of services to operating departments;
- be competitive with private sector providers; and
- manage within an environment of greater flexibility, based on responsibility for results.

The senior management team for the new City, based on those recommendations, set out to establish a corporate organizational structure for the provision of internal support services. The key characteristics of that structure were:

- the budgets for internal support services should reside with the client divisions, thus providing the client departments with control, through discussion with the support service divisions, over the level of service they require;
- development of a service contract between the client and support service departments for the delivery of services;
- separation of the two roles of service provision and oversight responsibilities to ensure compliance with corporate policy and legislative requirements; and
- ongoing evaluation of the effectiveness and efficiency of the support service.

A key element of this organizational model, which was implemented in the area of fleet management, was the notion that the budgets for fleet services reside with the client divisions and therefore the key decision-making rests with the client divisions.

Since amalgamation there have been a number of other decisions and factors that have influenced the corporate organizational and operational structure for fleet management.

In 1999, a review of the Fleet Services Division (FSD) was completed by KPMG (*see Clause #1, Report #2 of the Administration Committee, July 27, 1999 meeting of City Council*). That review recommended:

- closing five garages and investigating moving to a four garage model;
- developing a strategy for consolidating fuel sites;
- adopting the M4 information management system;
- achieving a 5% efficiency gain in labour productivity;
- setting standards for rates; and
- improving communication with clients.

Implementation of the majority of these recommendations resulted in \$5 million in savings.

In 2000, a dangerous “wheel-off” incident with a City vehicle highlighted the need for a better approach for ensuring all City vehicles are properly inspected, licensed and registered and the operators are properly trained and have the required licenses. Working with its client divisions, the Fleet Services Division (FSD) established a comprehensive program for safety which has, since 2002, been consistently rated as the best in the province.

An additional outcome of that effort was the establishment of the Fleet Services Steering Committee which includes representatives from all of FSD’s clients and from Emergency Medical Services (EMS), Toronto Fire Services (TFS) and Toronto Police Services. Originally organized as a forum for communicating about the safety program, the committee has become a forum for discussion on a range of fleet management activities.

In 2002, City Council directed that TFS assume total responsibility for fleet management for all vehicles operated by the division (*see Item #1 of the January 16 & 23, 2002 meeting of the Community Services Committee*). This action centralized fleet management for 350 vehicles with TFS. FSD, unless requested, provides no services for these vehicles.

In 2003, City Council adopted a report making FSD responsible for managing all fleet service and maintenance contracts and phasing out the use of fleet service cards (*see Clause #28, Report #5 of the Administration Committee, June 24, 2003 meeting of City Council*). This action, improved fiscal accountability by removing potential hidden costs associated with the fleet service cards and set the stage for ensuring all service and maintenance activity was recorded in a single fleet management database to help ensure the City's fleet is in compliance with province's Commercial Vehicle Operators Registration (CVOR) program.

Since 2002, the funding for fleet management services has functioned on a pay as you go approach which means as services are used, the client division pays for those services and if the client division needs to replace vehicles, it must make the allocation in its operating budget. Part of the reason for this approach, was the fact that withdrawals from the fleet replacement reserve had exceeded contributions and by 2002 the replacement reserve for fleet was down to \$8 million. With the pay as you go funding model, fleet replacement has not kept pace with the need, resulting in an increasing number of vehicles that should probably be replaced but haven't because funding is unavailable. This in turn has increased costs either in terms of increased leasing of vehicles or increased repair costs due to the age of the vehicles.

FSD and the Finance Department were directed to identify an alternative funding model and in 2004 City Council approved a shift from the pay as you go approach, to a monthly flat rate charge for fleet services to be implemented in 2006. The flat rate charge captures projected lifetime preventative maintenance and repairs, estimated replacement costs and insurance and licensing costs (*see Item #7 of the November 18, 2004 meeting of the Budget Advisory Committee*). Only fuel remains as a pay as you go charge.

The process of merging the organizational and operational approaches of the seven former municipalities into a single, corporate wide fleet, while addressing service and financial pressures has been a difficult task. Despite these challenges FSD, in partnership with its client divisions have made a number of significant achievements to improve fleet management. Appendix D attached to this report provides an overview of those achievements.

## 2.0 Current Organizational and Operational Structure

The current structure for fleet management reflects what was envisioned at the time of amalgamation. The major characteristics are:

- Centralization of the delivery of fleet management services in FSD for approximately 4,000 city vehicles and equipment;
- Centralization of most of the oversight and policy functions in FSD;
- A budget for FSD that consists entirely of charge-backs from its client divisions;

- FSD has developed fee schedules and standards for its services which can be benchmarked against similar service providers to help identify where service improvements may be achieved; and
- Primary decision making about repairs, replacement and leasing rests with the client divisions.

The major aspects of the envisioned organizational and operational structure that are missing are:

- no documented service level agreements between FSD and its client divisions;
- no central oversight, management or co-ordination of vehicle leasing and rentals; and
- no central oversight, management or co-ordination of the operation of fuel sites.

Also, while FSD has responsibility for the majority of the City's fleet, there are three fleet units, which fall outside the mandate of FSD. These are Toronto Fire Services (TFS) and Emergency Medical Services (EMS), which have their own in-house fleet management services for approximately 350 and 250 vehicles respectively and the Solid Waste Management Division.

While TFS and EMS are essentially autonomous, fleet management in the Solid Waste Management Division is more integrated with FSD and is a shared operational model. FSD has responsibility for the collection and light duty vehicles and the Solid Waste Management Division has responsibility for the approximately 130 heavy vehicles utilized at the City's transfer stations. While it is somewhat autonomous in the management of its heavy vehicles, the Solid Waste Management Division does collaborate with FSD. For example, information about these vehicles is entered into FSD's M4 management system.

How the City manages small engine and equipment repairs and maintenance, is also currently delivered in a mixed organizational model. The Parks, Forestry and Recreation Division (PF&R) has in-house staff for maintaining small engines in three of its service districts while FSD provides this service in one service district. Almost 90% of the work done by FSD, in the area of small engines, is for PF&R. Therefore these two divisions have initiated a process whereby all small engine repair and maintenance services will be centralized with PF&R.

With respect to Agencies, Boards and Commissions (ABCs), the two largest fleets, which are the Toronto Police Services and the Toronto Transit Commission are managed by in-house fleet management services. FSD's mandate does not include ABCs but FSD does provide fleet management services for a number of the City's ABCs, in particular the Toronto Public Library, Exhibition Place and the Toronto Zoo.

Appendix E, which summarizes the current corporate organizational structure and accountabilities for fleet management responsibilities, highlights that fleet management services are largely centralized with FSD. What is not centralized are the accountabilities tied to decision making, meaning it is shared between FSD and its client divisions, as opposed to resting solely with one or the other.

### 3.0 Key Stakeholder Consultations

In the preparation of this report, senior management from the four divisions which utilize approximately 85% of the City's fleet were consulted for their views on centralizing decision making authority of fleet management activities. Irrespective of what changes are made, all indicated that any changes must ensure they will be able to meet their service expectations.

All articulated that a missing element in the current organizational and operational model is documented service level agreements between FSD and its client divisions. All stated that they need a clear idea of what services they can expect from FSD, the turnaround time for vehicle repairs and other service standards. With this information and commitment, the client divisions felt they could better plan their service levels and when services don't meet expectations identify accountabilities and ensure corrective action is taken.

It was also identified, that a service level agreement would help in addressing some of the concerns raised by the Auditor-General, because it would serve to document the responsibilities of both parties around items, such as, ensuring vehicles receive required preventative maintenance and proper tracking of utilization.

Another issue of concern was the idea of further centralization of garage operations. All felt, that any decision to reduce the number of maintenance facilities would have a negative operational effect on them and that there is a need for more decentralized approach, whereby mechanics are available on-site to handle running repairs or FSD needs to increase its mobile repair capabilities. The senior management in FSD indicated that they are aware of this need and have initiated efforts to increase its ability to conduct repair activities in the field and after hours.

Consultations were also held with senior management in Toronto Fire Services (TFS) and Emergency Medical Services (EMS), which both have their own in-house fleet management services. EMS has maintained an in-house fleet management operation since its inception in 1975 while in 2002 City Council directed that all fleet management services for TFS be centralized within TFS (*see Item #1 of the January 16 & 23, 2002 meeting of the Community Services Committee*).

There are a number of reasons for this operational model, the key ones being the unique nature of a lot of the equipment in these two divisions and the need to ensure these vehicles are a priority and being maintained by a team of staff dedicated to ensuring these vehicles are available for emergency services. Given the unique operational needs of TFS and EMS, it was suggested that there would be little value to transferring the fleet management services of these two areas into the Fleet Services Division.

It was noted that the Auditor-General's recently completed operational review of Toronto Fire Services did identify a number of concerns with respect to fleet management in TFS (*see Item 4 of the February 22, 2006 meeting of the Audit Committee*). The response of TFS to the report of the Auditor-General identifies those operational concerns, which can be addressed with the assistance of FSD.

The fleet management units in EMS and TFS and in the ABCs, like Toronto Police Services do not function completely on their own and there is communication and coordination between them and FSD around issues like vehicle purchasing and contracts, utilization of information systems and development of mechanic internship programs.

#### 4.0 Discussion

##### 4.1 Maintenance and Repair Decision Making

At the time of his review, the Auditor-General identified a concern with the fact that a large percentage of City vehicles were not receiving scheduled preventative maintenance and that repairs were being done by external suppliers without the knowledge of FSD. These actions prevent FSD from fulfilling its mandate of ensuring the City's fleet is properly maintained and repaired and in compliance with the City's Commercial Vehicle Operator Registration (CVOR). In addition, the Auditor-General identified a number of situations where repairs were being made to older vehicles, even though the repairs cost more than the current value of the vehicle.

There are a number of factors underlying these actions, in particular:

- the lack of funding available for replacement of vehicles;
- a feeling by client divisions that FSD cannot meet their service expectations;
- high and increasing front line service expectations on the client divisions; and
- reductions in the ability of FSD to deliver its services as a result of reduced budget and resources.

One change, already adopted by City Council that will address the funding and resource issues is implementation of the flat rate charge. The flat rate charge will lead to the establishment of a sustainable reserve for replacement and it provides FSD with more stable operating funding and a greater say in the decision making with respect to fleet management.

The match between service expectations and service capabilities has been an issue of concern since amalgamation. This issue can be addressed in a couple of ways:

- the development of service level agreements between FSD and its client divisions, which clearly state the performance expectations, service levels and standards for both parties and the roles and responsibilities of each party; and
- updating the mandate of the Fleet Steering Committee to ensure it is a meaningful forum for discussion of issues of concern to all parties.

##### 4.2 Under-utilization of Vehicles, Vehicle Acquisitions, and Rental Vehicles

The Auditor-General, in his report, suggested that because there is no central authority for managing vehicle assignments that there are situations where under utilized vehicles in some divisions could be utilized in other divisions, instead of acquiring or renting vehicles. The Auditor-General also suggested that there could be better coordination of seasonal vehicles.

This conclusion was based partially on the fact that some vehicles were found to have been driven few kilometres. There are a number of vehicles which are utilized all day but travel within a very limited geographic area of the City or even just within one facility. Different mechanisms are required to track the utilization of vehicles and assess whether they are being used appropriately.

Senior Management in the client divisions did agree that there may be opportunities to better share vehicles between divisions but all cautioned that it is limited opportunity. The two divisions, that make the greatest use of rental vehicles for seasonal work, Parks, Forestry and Recreation and Transportation Services, have initiated activities to facilitate better sharing of vehicles, but have found that there is overlap in seasons and that while the vehicles may seem to be the same, the specifications for the type of use do vary significantly making sharing difficult.

The full extent of whether there are operational efficiencies to be achieved by sharing vehicles is unknown and it can be best identified by assigning responsibility for coordinating vehicle rentals to a central authority. If FSD is given the responsibility for authorizing business cases for renting vehicles and to effectively manage those contracts, senior management in FSD estimate the division will need to dedicate two full time positions to this task. Since FSD reduced its administrative staff complement by four full time positions in 2006, it will not be able to accommodate these responsibilities in the existing staff complement and will require two of those positions back with associated costs to be determined for the 2007 budget submission. It is expected however, that in the long term a more co-ordinated approach will reduce operating costs in other areas for the client divisions.

#### 4.3 Fuel Site Management

Another area of fleet management services, where accountabilities are not well defined is in the areas of fuel site operation and oversight. Both FSD and a number of City Divisions have responsibility for fuel site management and control. A recent report by the Chief Corporate Officer to the Administration Committee (*see Item #22 of the January 5, 2006 meeting of the Administration Committee*) suggests there are benefits to moving towards central control for oversight and operating procedures to ensure consistent operations and compliance with regulations. Fuel sites would still be operated by City Divisions, but FSD should have responsibility for setting operating standards and to monitor to ensure compliance with these standards.

#### 4.4 Co-ordinated Fleet Management

As currently organized, there are three fleet management service areas outside of the mandate of FSD. These being, Emergency Medical Services (EMS), Toronto Fire Services (TFS) and the heavy equipment and vehicles utilized by Solid Waste Management at the Transfer Stations. Also, while FSD does provide services to a number of the ABCs, it does not include Toronto Police Services and the TTC.

There are advantages and disadvantages to having in-house fleet management services for emergency services. Of the ten municipalities utilized by the Auditor-General to compare other

municipal fleet management practice and standards against Toronto, information available on those municipalities' web-sites indicates that one-half have some or all of their emergency services outside of the mandate of the central fleet service provider. There is no common approach for whether to include emergency services in the mandate of the central fleet operations.

A change in the organizational structure is not recommended, but existing communication and co-operation between FSD, EMS, PMMD, TFS, Toronto Police Services and TTC on issues like contracts for repair of light duty vehicles; contracts for provision of parts; utilization of information systems; developing mechanic apprenticeship programs; and assembling city-wide data for emergency planning, such as the Pandemic Flu Planning exercise could be enhanced by establishing an Executive Fleet Management Co-ordinating Committee that regularly meets to discuss these and other opportunities for co-ordination. This Committee would also serve as a forum to address the need to develop performance measures for fleet operations City-wide (see *Clause #3, Report #1 of the Audit Committee, April 25 to 27, 2006 meeting of City Council*).

#### 4.5 Adopting a Centralized Organizational and Operational Model

The City already has a centralized organizational model for corporate fleet management where the Fleet Services Division is the supplier of fleet services. Excluding TFS and EMS, the only exception is Solid Waste Management which has three staff to provide running repairs and it has a contract with an external supplier to maintain the 130 heavy vehicles used at the Transfer Stations. Senior Management in Solid Waste Management and FSD will, as part of a SLA, be negotiating the expectations and mandate of FSD in relation to these vehicles.

Therefore, if the City were to further centralize its corporate fleet management services, it would be an operational change where the primary decision making authorities for maintenance, repairs and replacement would shift from the client divisions to FSD.

There are a number of non-organizational factors, which underlie the issues identified by the Auditor-General. They include:

- lack of an adequate reserve to fund vehicle replacement;
- budget pressures to provide front line services, which lead to decisions that may be detrimental to the long term management of the fleet resources;
- the challenges faced, in the past and to a certain degree today, by FSD in meeting the performance expectations of its client divisions;
- reductions in FSD's budget and staff complement while the number of service orders have increased; and
- at times, the working relationship between FSD and its client divisions.

Making the shift to a centralized operational model will not address these issues, and fails to recognize that the accountability for fleet management services will always be a relationship involving FSD and the client divisions. The accountability cannot be the sole responsibility of either FSD or the client divisions. While FSD is seen to be primarily accountable for management of the City's fleet resources, it cannot fulfill this mandate without the co-operation

of the client divisions. Similarly the client divisions cannot fulfill their mandate to deliver services to the community, if support service divisions, such as FSD, do not provide their services in a timely and cost effective manner. The current relationship between FSD and its client divisions is inefficient and this can be improved by clarifying roles, responsibilities and service expectations within the context of capacities, so both parties can achieve their mandate.

Rather than making the shift to a full centralized operational model, the issues raised by the Auditor-General can be addressed by:

- continued implementation of the shift from a pay as you go approach to a flat rate charge for fleet services; and
- improving the working relationship between FSD and its client divisions by establishing service level agreements and revitalizing the fleet steering committee to ensure it can function as a forum to raise and address issues of concern.

### Conclusions:

Implementation of the flat rate charge for fleet management services, initiated in 2006, will give FSD more authority in the decision making associated with maintenance, repairs and replacement. The flat rate charge will stabilize over time funding for fleet services and fleet replacement.

The issues associated with maintenance, repairs and replacement can be further addressed through the development of service level agreements (SLAs) between the FSD and its client divisions. The framework for those SLAs should be a corporate policy, as outlined in Appendix A which outlines broadly the responsibilities of FSD and the client divisions. The content of the SLAs must establish a foundation for effective accountability by:

- clearly stating the roles and responsibilities of both parties;
- articulating the performance expectations of both parties;
- ensuring all performance expectations are achievable by ensuring they are in line with each party's authorities, skills and resources;
- ensuring there is timely reporting on achievements, changing circumstances and identification of opportunities for service improvement; and
- establishing performance measures and mechanisms for ongoing feedback about performance, issue resolution and adjustment.

The working relationship can also be improved by revising the mandate of the Fleet Services Steering Committee, as outlined in Appendix B, to ensure it is a forum for discussion of issues of concerns to all parties.

In the two areas of fleet management services (leasing and renting of vehicles and fuel site operations) where there is no corporate oversight, the corporate policy outlined in Appendix A should state that FSD will have responsibility for:

- Authorizing all business cases for leasing and renting vehicles after working with the clients to determine if alternatives exist to meet their business needs;
- Developing and managing all contracts for rental vehicles;
- Establishing operating policies and standards for fuel sites to meet regulations; and
- Monitoring compliance with those policies and standards.

It is estimated that two full-time positions will be required in FSD to administer these new responsibilities. These responsibilities cannot be accommodated in the existing staff complement because in 2006, FSD reduced its staff complement by four full-time positions. Since these services will be provided at a chargeback to client divisions, associated costs will need to be included in the client division budgets. It is expected, however, that efficiencies will be achieved over time resulting in other savings for the client divisions.

The existing communication and coordination between TFS, EMS, FSD and the other major fleet operations in Toronto Police Services and TTC can be enhanced. A forum, as outlined in Appendix C, which includes these groups and the Purchasing and Materials Management Division should be established that will facilitate ongoing co-ordination of activities, such as development of contracts for repair and renting of light duty vehicles, contracts for procurement of vehicles and parts, building a relationship with external partners to develop apprenticeship programs and assembling city-wide data for emergency planning, such as, the Pandemic Flu Planning exercise.

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City Manager

List of Attachments:

- Appendix A: Proposed Policy – Fleet Management Services Provider of Record
- Appendix B: Proposed Terms of Reference for the Fleet Services Division Client Advisory Committee
- Appendix C: Proposed Terms of Reference for the Fleet Management Co-ordinating Committee
- Appendix D: Major Service Improvements in Fleet Services, 1999 to 2005, City of Toronto
- Appendix E: Current Organizational Structure and Accountabilities for Fleet Services, City of Toronto, March 2006

## **Appendix A: Proposed Policy – Fleet Management Services Provider of Record**

### **Policy Statement:**

The Fleet Services Division (FSD) is designated as the provider of vehicle and equipment management services for all City divisions, excluding Emergency Medical Services and Toronto Fire Services and where negotiated as part of a Service Level Agreement. FSD will provide these services based on the principles of quality, time-sensitivity, reliability and convenient service delivery.

### **Objective:**

This policy statement has been developed to clarify the mandate of the Fleet Services Division and to optimize the City's investment in vehicles and equipment to ensure these resources are effectively and efficiently managed to meet the needs of the City Corporation.

### **Definitions:**

Vehicle and equipment management services include:

- preventative maintenance;
- breakdown repair;
- establishment of vehicle and equipment specifications;
- replacement planning, procurement and disposal;
- long-term leasing and short-term rentals;
- registration, insurance and licensing;
- tracking of costs and utilization;
- operator safety training and monitoring;
- managing fuel purchases and provision;
- parts inventory and warehousing; and
- over-sight of the City's fuel dispensing sites.

Services are provided either directly by FSD or by an external provider managed by FSD or the Client Division and in accordance with relevant City policy, the City's collective agreements and the service level agreements established between FSD and its client divisions.

Vehicles and equipment covered by this policy are those as defined in Financial Planning policy (FS-FP-007), which indicates that the Fleet Services Division is responsible for the stewardship and maintenance of all vehicles covered under the City's Commercial Vehicle Owner's Registration (CVOR) and all vehicles with replacement value of over \$5,000.

### **Responsibilities of the Fleet Services Division:**

The Fleet Services Division is mandated to be the provider of fleet management services and will provide these services on a cost recovery basis. The specific responsibilities of FSD include:

- providing services to clients according to mutually agreed upon service level agreements or service contracts;

- providing transparent, fair, timely and cost-effective estimates to clients for their fleet service needs;
- ensuring, with the assistance of clients, that preventative maintenance occurs according to schedule and all breakdown repairs are completed in the most timely, efficient and effective manner;
- developing, managing and monitoring all contracts with external suppliers for maintenance and repair services;
- developing, managing and monitoring all contracts with external suppliers of leased and rental light duty vehicles;
- ensuring all vehicles and equipment are appropriately registered, licensed and insured;
- developing, managing and monitoring all contracts for the purchase of fuel and fuel cards;
- vehicle parts inventory and purchasing;
- working with clients, to track vehicle and equipment utilization, cost and performance; and
- in consultation with clients:
  - establishing vehicle and equipment specifications;
  - establishing and implementing a plan for replacement, procurement and disposal of vehicles and equipment;
  - determining the best course of action (e.g. purchase or lease new vehicles or redeploy vehicles from another division) for meeting the clients' service needs; and
  - develop and deliver operator equipment and vehicle safety training.

The Fleet Services Division also has oversight responsibilities to ensure compliance with corporate policy and legislative requirements. This includes:

- monitoring vehicle operator training and licensing;
- ensuring all vehicles receive required maintenance and safety inspections;
- ensuring fuel site operations are in compliance with TSSA standards and City's policies and procedures;
- reviewing and authorizing all business cases for purchase, lease or rent of vehicles and equipment after working with the clients to determine if alternatives exist to meet their business needs; and
- ensuring compliance with all appropriate City policy.

### **Responsibilities of Client Divisions:**

The responsibilities of all clients include:

- meeting all responsibilities as defined in any mutually agreed upon service level agreements or service contracts;
- directing, unless mutually agreed upon, all fleet management service activities and requirements to the FSD;

- communicating and working with FSD, as early as possible, to identify both short term and long term vehicle and equipment needs to develop a plan of action to address those needs;
- ensuring staff understand their responsibilities to ensure vehicle utilization and performance is appropriately tracked;
- ensuring vehicles and equipment are made available for required preventative maintenance;
- where required, ensuring compliance with corporate policy and legislative requirements; and
- reporting to FSD in a timely manner all potential repair and breakdown situations.

**Exceptions to the Policy:**

**Unique or specialized equipment may be exempt** - Most client divisions of FSD have unique or specialized vehicles or equipment where it may be more effective and efficient if the client division manages the maintenance and repair activities. These situations should be identified in the service level agreement between the client division and FSD and roles and responsibilities documented.

**Small engine and equipment maintenance is exempt** - Currently, small engine and equipment maintenance and repair services are provided, depending upon the service district, by FSD or the Parks, Forestry and Recreation Division (PF&R). Approximately 90% of the work done in this area is for the PF&R Division. A process has been initiated to centralize these services within the PF&R Division who will then become the primary provider for small engine and equipment maintenance and repair services for the City Corporation.

**ABCCs are exempt** - The City's Agencies, Boards, Commissions and Corporations are not included in this policy statement. Provision of fleet management services to any of the City's ABCCs by the FSD are governed by agreement between the FSD and the ABCC. ABCCs are, however, encouraged to utilize the expertise found FSD as their supplier of fleet services.

**Council Reference:**

Approved by City Council at its meeting of \_\_\_\_\_, Policy and Finance Committee Report No. \_\_\_\_\_, Clause No. \_\_\_\_\_, entitled "Review of the City's corporate organizational structure for fleet management and services".

## **Appendix B: Proposed Terms of Reference for the Fleet Services Division Client Advisory Committee**

### **Mandate:**

To provide a forum for the ongoing:

- discussion and communication between the Fleet Services Division and its clients and other fleet managers about fleet management activities, issues and concerns; and
- identification of opportunities to for more efficient and effective utilization of the City's fleet and equipment resources.

### **Membership:**

The core membership of the committee will consist of senior management representation from:

- Fleet Services;
- Parks, Forestry and Recreation;
- Solid Waste Management;
- Toronto Water;
- Transportation Services;
- Emergency Medical Services;
- Toronto Fire Services;
- Toronto Police Services; and
- ABC clients.

All other divisions, which are a client of FSD will designate a key contact to receive committee agendas and minutes and who can attend meetings if they so wish or will be requested to attend a specific meeting because the Chair feels items to be discussed will be a special interest to that division.

Representation is also required from:

- Legal Services;
- Insurance and Risk Management;
- PMMD; and
- Labour Relations.

### **Chair:**

The Chair of the Committee will be the Director of Fleet Services or designate.

### **Frequency of Meetings:**

The Committee will meet at least every two months or more frequently if the deemed necessary by the committee members or Chair.

**Responsibilities of the Committee Members and Key Division Contacts:**

- To ensure all relevant information on changes in things, such as, legislation, city policy, and training associated with fleet management is communicated to all appropriate staff in the division;
- To communicate concerns and issues of the division to the rest of the committee and Fleet Services Division;
- To participate actively in identifying opportunities to enhance fleet management services.

**Responsibilities of Fleet Services Division:**

- To inform all Fleet users and operators, through this committee of changes in policy, regulations and legislation;
- To seek advice and input from the committee on where change and improvements are required in service delivery;
- To utilize this forum to advise senior management of issues of non-compliance with policy, service contracts, regulations and legislation and to identify a course for corrective action;

**Administrative Support:**

The Fleet Services Division will provide administrative support to the committee, such as, distribution of agendas, preparation of minutes and organization of meeting rooms and dates.

## **Appendix C: Proposed Terms of Reference for the Executive Fleet Management Coordinating Committee**

### **Mandate:**

To identify and implement opportunities for joint participation in fleet management services and activities that will achieve cost savings and improved service delivery.

### **Membership:**

Senior management from:

- Fleet Services Division;
- Emergency Medical Services;
- Toronto Fire Services;
- Toronto Police Services;
- Toronto Transit Commission; and
- Purchasing, Materials and Management Division.

### **Chair:**

The Committee will be initially chaired by the Fleet Services Division but will rotate on an annual basis amongst the membership.

### **Frequency of Meetings:**

The Committee will meet at least four times a year but can meet more frequently, as deemed necessary by the committee members or Chair.

### **Responsibilities of the Committee:**

The Committee will look for opportunities to achieve cost savings and improve service delivery primarily in, but is not limited to these areas:

- Fuel purchasing;
- Contracts with external repair shops;
- Purchase of vehicles, equipment and parts;
- Pooling and sharing of light duty vehicles;
- Leasing and rental vehicle and equipment contracts;
- Development of mechanic apprenticeship programs and recruitment;
- Purchase, maintenance and utilization of vehicle and equipment information systems; and
- Development of common performance measures and standards for fleet operations City-wide (see *Clause #3, Report #1 of the Audit Committee, April 25 to 27, 2006 meeting of City Council*).

### **Administrative Support:**

Administrative support to the committee, such as, distribution of agendas, preparation of minutes and organization of meeting rooms and dates will be the responsibility of the Chair.

**Appendix D: Major Service Improvements in Fleet Services, 1999 to 2005, City of Toronto**

Service Area	Key Achievements
Fiscal Performance	<ul style="list-style-type: none"> <li>• achieved \$5 million in savings as a result of implementation of the 1999 KPMG study</li> <li>• reduced the size of fleet by 17% since amalgamation</li> <li>• established clear benchmarks and performance measures</li> <li>• automated the fuel system to control and manage fuel usage for approximately 5,000 vehicles.</li> <li>• developed a service level agreement with UDS for inspections of vehicles licensed by the City (taxi, limousines) with expected annualized savings of \$274,500</li> <li>• created the Fleet Acquisition and Specification Support Team (FASST) in 2003 which has established specifications to expedite procurement.</li> </ul>
Customer Satisfaction	<ul style="list-style-type: none"> <li>• provided expense and maintenance information to the clients through the intranet &amp; M4. On-line system for tracking maintenance, parts and service.</li> <li>• increased Divisional buying power by grouping similar orders to leverage manufacturer discounts.</li> </ul>
Greening the Fleet	<ul style="list-style-type: none"> <li>• piloted and tested various options leading to development of the Green Fleet Transition Plan, which will achieve a reduction of 10 to 15 kilograms of carbon dioxide by end of 2007. The Toronto Environment Alliance has given the Fleet Services Division an ‘A’ rating in its 2005 Smog Report Card.</li> <li>• supported the City’s anti-idling bylaw by incorporating training on the idling bylaw as part of the driver training program.</li> <li>• participated in anti-idling challenges with other municipalities.</li> <li>• expanded the use of alternative fuels by introducing a Biodiesel and Ethanol in City fuel pumps.</li> </ul>
Safety and Compliance	<ul style="list-style-type: none"> <li>• completed the most comprehensive Fleet Safety policy in Canada. Toronto now has highest safety rating in Ontario and is now the benchmark for other municipalities.</li> <li>• completed in 2002 a review of the 23 fueling stations operated by Fleet Services Division to ensure compliance with TSSA regulations.</li> <li>• completed in 2004 a TSSA review all additional fuel sites (excluding TTC and Police).</li> <li>• presented to City Council in January 2006 a corporate wide fuel site review report.</li> </ul>
Mobilizing the Staff	<ul style="list-style-type: none"> <li>• increased productivity from 70% in 2000 to 82% in 2004 where industry standard is 75%.</li> <li>• developed in 2002-03 a new organizational structure.</li> <li>• worked with CUPE 416 to develop an apprenticeship program in 2004.</li> <li>• established on-site technical trainer to train technicians on evolving technologies, such as hybrid vehicles.</li> </ul>

**Appendix E**

<b>Organizational Structure and Accountabilities for Fleet Services, City of Toronto, March 2006</b>				
<b>Responsibility</b>	<b>Accountability</b>			
	<b>City Divisions (excludes EMS &amp; Fire)</b>	<b>Emergency Medical Services (EMS)</b>	<b>Fire Services</b>	<b>ABCs</b>
1) Vehicle & equipment preventative maintenance & breakdown repair	Fleet Services Division (FSD)  The sole exception being the Solid Waste Mgmt division which manages the heavy equipment and fleet used at the City's transfer stations (excluding light duty vehicles).	EMS	Fire Services	FSD maintains the fleet of a number of ABCs, including the Toronto Public Library (TPL), Exhibition Place, and the Toronto Zoo.
2) Vehicle & equipment specifications	FSD sets standards & specifications in consultation with the City Divisions.	EMS	Fire Services	ABCs (FSD sets specifications in consultation with client ABCs)
3) Replacement planning, procurement and disposal	The City Divisions make the decision on replacing & disposing of vehicles & equipment with the advice of FSD.  FSD and PMMD manage the procurement and disposal processes.	EMS and PMMD	Fire Services and PMMD	Procurement co-ordinated by FSD for the TPL, the Toronto Zoo, Exhibition Place and the 8 Arena Boards.  Other ABCs.
4) Vehicle & Equipment Leasing & Rentals	City Divisions  Only role for FSD is the provision of fuel cards, when requested.	EMS	Fire Services	ABCs
5) Fleet registrations, insurance, & licensing	FSD	EMS	Fire Services	ABCs (FSD does look after some ABCs, the Toronto Zoo and Exhibition Place)
6) Fleet usage and assignment	City Divisions  FSD manages a small corporate pool of light duty vehicles that are assigned by FSD to the City Divisions.	EMS	Fire Services	ABCs

<b>Organizational Structure and Accountabilities for Fleet Services, City of Toronto, March 2006</b>				
<b>Responsibility</b>	<b>Accountability</b>			
	<b>City Divisions (excludes EMS &amp; Fire)</b>	<b>Emergency Medical Services (EMS)</b>	<b>Fire Services</b>	<b>ABCs</b>
7) Tracking costs and utilization	FSD tracks costs through its M4 system but relies upon consistent and accurate reporting by City Divisions on private repairs made and the number of kilometres driven.	EMS	Fire Services	ABCs
8) Fleet operator safety training & monitoring	FSD	EMS (FSD provides services upon request)	Fire Services (FSD provides services upon request)	ABCs (FSD provides services upon request)
9) Maintenance Facilities	FSD operates out of four primary maintenance facilities and nine satellite facilities.	EMS operates out of one maintenance facility.	Fire Services operates out of one maintenance facility.	ABCs, Toronto Police, TTC and some other ABCs have their own maintenance facilities.
10) Fuel Site Operations	FSD is responsible for 23 fuel sites while City Divisions directly operate 25 fuel sites.	EMS operates one fuel site.	Fire Services operates 23 fuel sites.	ABCs operate two fuel sites (excluding Police).
11) Fuel Purchases	FSD manages the contract for fuel purchases & provision of external and internal fuel cards.	Included in the contract managed by FSD, but EMS manages its own external fuel card contracts.	Included in the contract managed by FSD, but Fire Services manages its own external fuel card contracts.	Exhibition Place, Toronto Zoo, TPL and Toronto Police Services are included in the contract managed by FSD.  Other ABCs
12) Vehicle & equipment parts inventory and warehousing	Shared between FSD and the Purchasing and Materials Management Division (PMMD).	EMS & PMMD	Fire Services & PMMD	ABCs