

Analyst Briefing Notes

Budget Committee - February 16, 2010

PART I: 2010 OPERATING BUDGET

Executive Summary	2
Recommendations	6

PART II: 2010 SERVICE OVERVIEW AND PLAN

Mission Statement	7
Program Map	7
2010 Recommended Services: Overview	7

PART III: 2009 EXPERIENCE

2009 Accomplishments	10
2009 Budget Variance Analysis	10
Impact of 2009 Operating Variance on 2010 Recommended Budget	10

PART IV: 2010 RECOMMENDED BASE BUDGET

2010 Recommended Base Budget	11
2010 Key Cost Drivers	12
2010 Service Changes	12

PART V: RECOMMENDED SERVICE CHANGES

2010 Recommended Service Changes	14
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PART VI: RECOMMENDED NEW/ENHANCED SERVICE PRIORITY ACTIONS

2010 Service Priority Actions	N/A
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PART VII: ISSUES FOR DISCUSSION

2010 Budget Issues	17
2011 and Future Year Issues	N/A
Issues Referred to the 2010 Operating Budget Process	N/A
Issues Referred from 2009 and Prior Years	N/A

Appendix A: 2010 Recommended Base Budget Changes vs. 2009 Approved Budget	18
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Appendix B: Summary of Service Changes	19
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Appendix C: Summary of 2010 Recommended New/Enhanced Service Priority Actions	N/A
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Appendix D: Program Summary by Expenditure Category	20
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Appendix E: Inflows / Outflows to / from Reserves and Reserve Funds	21
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February 25, 2010

Executive Summary

- Fleet Services provides responsive, flexible, comprehensive and efficient fleet and fuel management services to City Divisions, Agencies, Boards and Commissions to support the delivery of public programs and services. Fleet Services strives to minimize lifecycle costs, to maximize environmental sustainability, and to mitigate the risk of unsafe drivers, vehicles and equipment operation.
- Fleet Services' 2010 service objectives are highlighted below:
 - Reduce the average life of vehicles and equipment from 14 years to 8 years to reduce maintenance costs.
 - Reduce the average downtime of vehicles from 4 hours to less than 4 hours.
 - Reduce emergency repairs from 40% to 35% of the total vehicle repairs by 2011 to allow more time for preventive maintenance.
 - Maintain Commercial Vehicle Operators Registration safety rating in good standing.
 - Maintain driver safety training at current 95% of divisions' training needs and provide training in a timely manner.
 - Continue to increase the number of vehicles with environmental friendly technologies, such as hybrids.
 - Continue the promotion of the "Idle Free" campaign to reduce fuel consumption and costs.
 - Manage fuel acquisition, distribution and dispensing to minimize consumption and related greenhouse gas emission.
- Fleet Services achieved the following accomplishments in 2009:
 - Increased the City's fleet of green vehicles by 119 bringing the total to 529, representing an increase of 29%.
 - Commenced the installation of 'Idle free' devices in the light-duty vehicles to reduce fuel consumption, costs and carbon dioxide emissions.
 - Closed four and upgraded two City-owned fuel sites to reduce environmental risks and to improve operational efficiencies.
 - Began the process of developing a new fuel purchasing program including a price hedging as a strategy to minimize the impacts of fluctuating market fuel prices and to reduce fuel costs.
 - Fully implemented the parts consignment model.

- The September 30th 2009 projected year-end net expenditures of \$0.423 million is \$0.091 million or 27.3% above the 2009 Approved Budget of \$0.332 million net. The projected year-end variance is due to increased costs in vehicle parts and contracted services, and unfunded retroactive pay increases resulting from job evaluations.

Table 1: 2010 Recommended Budget

(In \$000s)	2009		2010 Recommended Operating Budget			Change - 2010 Recommended Operating Budget v. 2009 Appvd. Budget		FY Incremental Outlook	
	2009 Appvd. Budget	2009 Projected Actual	2010 Rec. Base	2010 Rec. New/Enhanced	2010 Rec. Budget			2011	2012
	\$	\$	\$	\$	\$	\$	%	\$	\$
GROSS EXP.	46,768.7	48,963.5	47,292.0	0.0	47,292.0	523.3	1.1	(375.0)	34.9
REVENUE	46,436.5	48,540.6	47,292.0	0.0	47,292.0	855.5	1.8	(375.0)	34.9
NET EXP.	332.2	422.9	0.0	0.0	0.0	(332.2)	(100.0)	0.0	0.0
Approved Positions	209.0	195.0	205.0	0.0	205.0	(4.0)	(1.9)	0.0	0.0

TARGET COMPARISON	2010 Target	2010 Rec. Budget	2010 Rec. Budget vs. 2010 Target	2011 Target
GROSS BUDGET	45,019.3	47,292.0	2,272.7	42,680.9
PROGRAM REDUCTION (\$)	(2,338.4)	(2,986.7)	(648.3)	(2,338.4)
PROGRAM REDUCTION (%)	(5.0)	(6.4)	(195.2)	(5.0)

- The 2010 Recommended Operating Budget for Fleet Services is \$47.292 million gross, \$0 net as Fleet Services' Operating Budget is based on full cost recovery. The 2009 Approved Net Budget is \$0.332 million due to in-year technical adjustments mainly comprised of COLA adjustments after the settlement of the labour strike in August 2009. The 2010 Recommended Gross Expenditure is \$0.523 million or 1.1% over the 2009 Approved Gross Budget primarily due to progression pay, and COLA increases.
- Fleet Services exceeded the Program reduction target of \$2.338 million gross by 1.4% with reductions totalling \$2.987 million gross.
- The 2010 Recommended Operating Budget for Fleet Services is comprised of base funding of \$47.292 million gross, \$0 net. Approval of the 2010 Recommended Operating Budget will result in the Program's staff complement decreasing by 4 positions as a result of service efficiencies.
 - The 2011 Outlook anticipates a decrease in gross expenditures of \$0.375 million which is comprised of COLA, progression pay, step increases, and annualization of service efficiencies in 2010, offset by a corresponding increase in inter-divisional recoveries for a \$0 net impact.
 - The 2012 Outlook includes \$0.035 million for progression pay and step increases in gross expenditures, offset by inter-divisional recoveries for a net \$0 increase.
- The 2010 Recommended Operating Budget provides funding of \$3.565 million for the following key cost drivers:

- Cost of living allowance (COLA) of 2% for Union staff and 1% for exempt staff resulting in an increase of \$0.452 million including benefits.
- Step and progression pay increments of \$0.066 million.
- Annualization of salaries and benefits for 3 new 2009 approved positions of \$0.107 million.
- Increase in salaries for 3 Fleet Standards and Specs Analyst positions resulting from job evaluations of \$0.013 million.
- Inflationary increases on non-labour costs of \$0.271 million for materials, supplies, services and rentals.
- Adjustment for actual costs incurred by client divisions of \$2.656 million.
- These pressures have been offset by savings from service efficiencies totaling \$2.986 million gross, and (\$0.626) million net.
- The cost drivers noted above will be partially off-set by the following savings included in the 2010 Recommended Operating Budget:
 - Change in the concentration of Bio-Diesel mix of fuel, to optimize fuel pricing resulting in a savings of \$0.200 million.
 - Fuel savings from additional Green Vehicles of \$0.063 million.
 - Savings from new fuel purchasing program of \$0.333 million.
 - Eco-driving for fuel efficiency resulting in a saving of \$0.140 million.
 - Savings from using non-Original Equivalent Manufacturers' replacement parts and reducing outsourced maintenance of \$0.400 million.
 - Deletion of 2 new developmental positions resulting in a savings of \$0.186 million. This will eliminate the training opportunities for staff development to address Fleet Services' aging workforce.
 - Savings of \$0.158 million from deleting 2 vacant positions; one Auto Mechanic Apprentice and one Auto Service Advisor.
 - Savings from reducing the size of the fleet inventory for Transportation Services and Solid Waste Management Services of \$1.507 million.
- In total, Fleet Services have identified \$2.986 million gross in service efficiencies, which exceeds the 5% reduction target, calculated as 5% of the gross 2009 Operating Budget. However, due to the need to recognize historical expenditures levels of client programs for non-standard maintenance, short term vehicle rentals and fuel, the overall gross expenditures are higher than the 2009 Approved Gross Expenditures by \$0.523 million, or 1.1%.

- Approval of the service changes will result in a reduction of 4 approved positions resulting in a staff complement of 205.
- The following key program issue has been identified during the 2010 Operating Budget process:
 - Fleet Services' 2010 Recommended Operating Budget reflects an alignment of the Inter-Divisional Charges and Recoveries with actual experience, resulting in an increase of gross expenditures of \$2.656 million and recoveries of \$3.088 million for a net reduction of \$0.432 million net.
- The 2010 Recommended Operating Budget will enable Fleet Services to:
 - To provide maintenance services for 4,900 vehicles and equipment.
 - To reduce the average downtime of vehicles to less than 4 hours.
 - To reduce the emergency repairs from 40% to 35% of the total vehicle repairs by 2011 to allow for more time in preventative maintenance.
 - To manage fuel site operations.
 - To continue the implementation of the Idle Free and Speed Control campaigns to conserve fuel, and minimize emission of carbon monoxide into the atmosphere
 - To reduce the average life of vehicles and equipment to 8 years to reduce maintenance costs.
 - To train and license drivers and operators of City vehicles and equipment to ensure compliance with safety standards.
 - To maintain Commercial Vehicle Operators Registration safety training in good standing.

Recommendations

The City Manager and Chief Financial Officer recommend that:

1. City Council approve the 2010 Recommended Operating Budget for Fleet Services of \$47.292 million gross and \$0.0 million net, comprised of the following services:

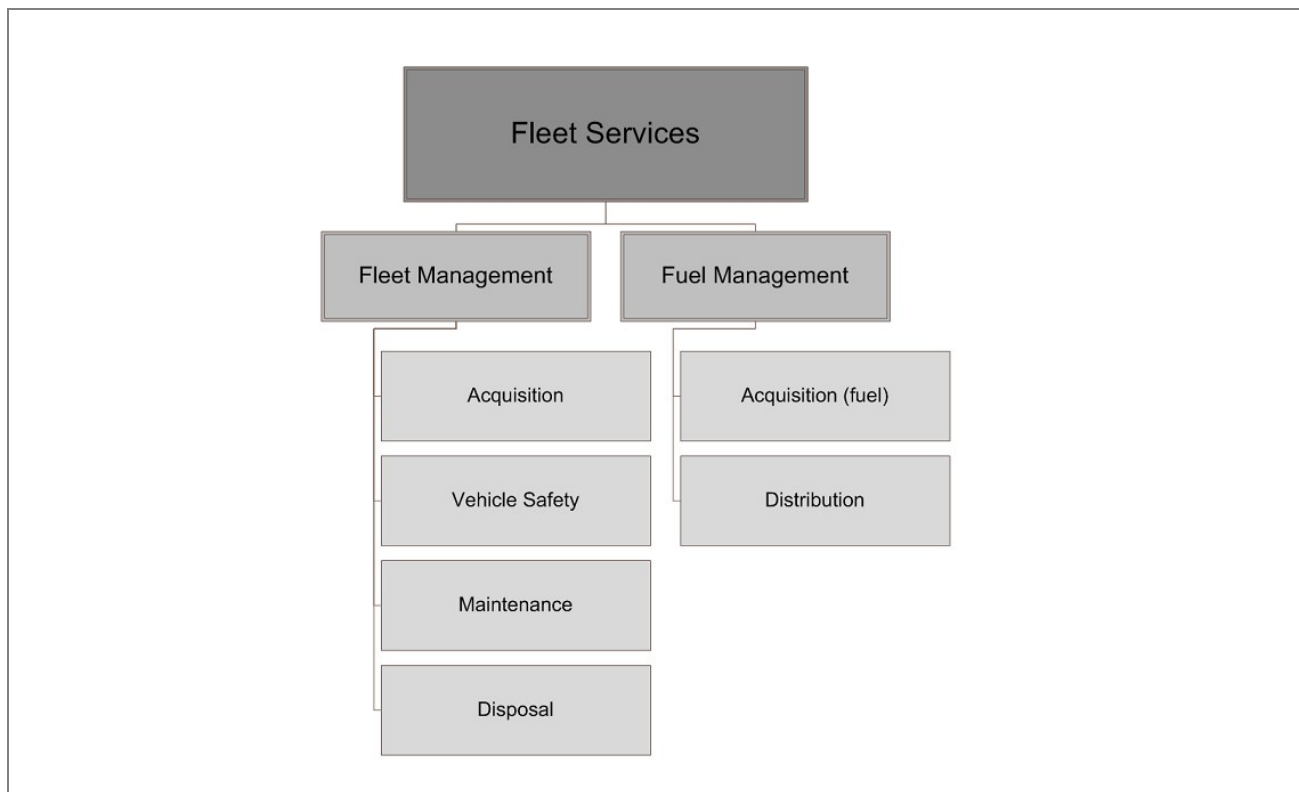
<u>Service:</u>	Gross <u>(\$000s)</u>	Net <u>(\$000s)</u>
Fleet Maintenance	26,095.1	0.0
Fuel Operations	15,257.3	0.0
Fleet Safety and Standards	1,469.5	0.0
Fleet Management	4,470.1	0.0
	<hr/>	<hr/>
Total Program Budget	47,292.0	0.0
	<hr/>	<hr/>

2. Fleet Services continue to review the size of the City's fleet inventory and report back with further budgetary savings for consideration with the 2011 budget process.

Mission Statement

To provide responsive and efficient fleet management services to City Divisions, Agencies, Boards and Commissions that maximizes safety and environmental sustainability, and minimizes lifecycle costs.

Program Map



Fleet Services provides responsive and efficient fleet and fuel management services for the City fleet operations to support the delivery of public programs and services.

The Program is comprised of two major services.

- 1) **Fleet Management** services includes the acquisition of new vehicles and equipment, disposal of old vehicles, maintenance services on the City's fleet, and management of the safety requirements of the Commercial Vehicle Operators Registration Ontario Safety Rating, and maintenance of the operators' safety training.
- 2) **Fuel Management** provides fuel to support divisional operations and oversight at all City owned fuel sites.

The activities within each of the above services of Fleet Services are highlighted below:

Fleet Management

The Program ensures the timely replacement of vehicle and equipment. It strives to reduce the average life of vehicles from 14 to 8 years and to maintain this level.

Scheduled and non-scheduled maintenance is provided at minimum costs and vehicle downtime. The goal is to reduce the emergency repairs from 40% to 35% of the total vehicle repairs by 2011, and to reduce the average downtime from 4 hours to less than 4 hours.

Fleet Management ensures Vehicle Safety is maintained in accordance with the Commercial Vehicle Operators Registration Ontario Safety Rating (CVOR), with an on-road performance level of 70% or less of the overall CVOR threshold, and maintains the operators' safety training at the current level of 98% of Divisions training needs in a timely manner.

Fuel Management

Fuel Management provides fuel 24/7 to support divisional operations.

The Program ensures that all of the City's fuel sites are adequately supplied and maintained to provide fuel 24/7 whenever required by the operators to perform their duties.

Service Objectives**Fleet Management**

- To implement the Green Fleet Plan 2008-2011.
 - Provide leadership in the advancement of the City's green fleet and environmental goals related to fleet utilization.
 - Replace 140 vehicles in 2010 with green vehicles giving priority to the cleanest technologies.
 - Continue to enhance the fleet's environmental impacts by choosing more environmentally sustainable vehicles, fuel and practices.
- To reduce the average downtime of vehicles to less than 4 hours.
 - Reduce the average life of vehicles from 14 years to 8 years, and to maintain at this level by continually investing an additional \$4 million each year for the next 8 years in vehicle replacement to eliminate backlog.
 - Reduce emergency repairs from 40% to 35% of the total vehicle repairs by 2011 to allow for more time in preventive maintenance.
- To work closely with the client Divisions to reduce the size of their fleet inventory, ensuring that all vehicles on hand are required and fully utilized.
- To continue working closely with client Divisions to maintain or improve the Commercial Vehicle Operators Registration (CVOR) safety rating in good standing, with an on-road performance level of 70% or less of the total overall CVOR threshold.

Fuel Management:

- Continue to reduce fuel use and fuel costs, emissions of greenhouse gases and smog-causing air pollutants, and the fleet's environmental impacts by choosing more environmentally sustainable vehicles, fuels and practices.
- Reduce the emissions of carbon dioxide from fleet operations by 15,300 tonnes by 2011.
- Continue to promote the "Idle Free" campaign to reduce fuel consumption and costs.
- To implement the new fuel purchasing program, using a price hedging strategy to minimize the impacts of fluctuating market fuel prices and to reduce fuel cost.
- To reduce the number of City-owned fuel sites from 53 to 49 in 2010.

2009 Accomplishments

- 119 green vehicles were added to City's fleet, bringing the total to 529 green vehicles.
- Commenced the installation of 'idle free' devices in light-duty vehicles to reduce fuel consumption, costs and CO2 emissions.
- Closed four and upgraded two City-owned fuel sites to reduce environmental risks and to improve operational efficiencies. The upgraded sites dispense all fuel types that are in use by the City and have above-ground fuel storage tanks, hence reducing the risk of soil contamination.
- Began the process of developing a new fuel purchasing program as a strategy to minimize the impacts of fluctuating market fuel prices and to reduce fuel costs.
- Fully implemented the parts consignment model at four main garage locations. This has significantly reduced the turnaround time for parts acquisition, enhanced the billing process and provided bulk savings.

Table 2: 2009 Budget Variance Review (\$000s)

(In \$000s)	2008 Actuals	2009 Approved Budget	2009 Projected Actuals*	2009 Appvd. Budget vs Projected Actuals Variance	
	\$	\$	\$	\$	%
GROSS EXP.	51,291.4	46,768.7	48,963.5	2,194.8	4.7
REVENUES	49,565.7	46,436.5	48,540.6	2,104.1	4.5
NET EXP.	1,725.7	332.2	422.9	90.7	27.3
Approved Positions	204.0	209.0	195.0	(14.0)	(6.7)

*Projected actuals based on the September 30, 2009 Variance Report.

**Fleet Services' annual Operating Budgets are approved as \$0.0 net. A technical adjustment during 2009 has resulted in the 2009 Adjusted Approved Operating Budget being \$0.0332 million net.

2009 Budget Variance Analysis

Fleet Services' Third Quarter Variance report projects that the Program will be \$0.091 million or 27.3% above the 2009 Approved Operating Budget of \$0.332 million by year-end.

- The over-spending is primarily due to net increased costs in vehicle parts and contracted services (\$0.059 million), and unfunded retroactive pay resulting from job evaluation (\$0.032 million).

Impact of 2009 Operating Variance on the 2010 Recommended Budget

- There is no impact of the 2009 Operating Variance on the 2010 Recommended Operating Budget.

Table 3: 2010 Recommended Base Budget (\$000s)

	2009 Appvd. Budget	2010 Recommended Base	Change 2010 Recommended Base v. 2009 Appvd. Budget		FY Incremental Outlook	
					2011	2012
(In \$000s)	\$	\$	\$	%	\$	\$
GROSS EXP.	46,768.7	47,292.0	523.3	1.1	(375.0)	34.9
REVENUE	46,436.5	47,292.0	855.5	1.8	(375.0)	34.9
NET EXP.	332.2	0.0	(332.2)	(100.0)	0.0	0.0
Approved Positions	209.0	205.0	(4.0)	(1.9)	0.0	0.0

TARGET COMPARISON	2010 Target	2010 Rec. Budget	2010 Rec. Budget vs. 2010 Target	2011 Target
GROSS BUDGET	45,019.3	47,292.0	2,272.7	42,680.9
PROGRAM REDUCTION (\$)	(2,338.0)	(2,986.2)	(648.2)	(2,338.4)
PROGRAM REDUCTION (%)	(5.0)	(6.4)	(1.4)	(5.0)

Table 3a: Program Reduction Requirements (\$000s)

(In \$000s)	2010 Required Reductions	2011 Required Reductions
2009 Approved Gross Budget (September 30)	46,768.7	
Pressures Reported with 2010 / 2011 Outlook	589.0	
Pressures Not Reported with 2010 / 2011 Outlook	391.2	0.0
5% Reduction Target	(2,338.4)	(2,338.4)
Additional Pressures not in 2010 Reported Outlook	(391.2)	TBD
Program Reduction Target	(2,729.6)	(2,338.4)
Gross Budget Target	45,019.3	42,680.8

2010 Recommended Base Budget

The 2010 Recommended Base Budget of \$47.292 million gross and \$0.0 net represents a \$0.523 million or 1.1% increase over Fleet Services 2009 Approved Operating Budget of \$46.769 million gross and \$0.332 million net. The 2010 Recommended Base Budget includes \$3.510 million gross or 7.5% in 2010 Base Budget increases, which have been offset by savings of \$2.986 million gross or 6.4% arising from recommended Service Efficiencies, resulting in Fleet Services exceeding its Program Reduction target of \$2.338 million by \$0.648 million or 1.4%.

- The 2010 Recommended Operating Base Budget accommodates increased labour costs arising from inflationary and progression pay increases, and annualized salary costs for positions approved in 2009. It also includes maintenance and vehicle rental budget re-alignments to match client's actual experiences.

Approval of the 2010 Recommended Base Budget will result in the Program's total staff complement decreasing from 209 to 205 approved positions as a result of the deletion of 4 permanent vacant positions.

2010 Base Budget Key Cost Drivers

The 2010 Recommended Base Budget provides funding of \$3.565 million for the following key cost drivers:

- Cost of living allowance (COLA) of 2% for union staff and 1% for exempt staff resulting in an increase of \$0.452 million including benefits.
- Step and progression pay increments of \$0.066 million.
- Annualization of salaries and benefits for 3 new 2009 approved positions of \$0.107 million.
- Increase in salaries for 3 Fleet Standards and Specs Analyst positions resulting from job evaluations of \$0.013 million.
- Inflationary increases on non-labour costs of \$0.271 million for materials, supplies, services and rentals.
- Adjustments for maintenance, short term vehicle rentals, and fuel expenses based on actual historical levels of \$2.656 million.

The 2010 base budget includes a significant adjustment to the gross expenditures resulting from the need to recognize historical expenditure levels of client programs. The budget alignment for maintenance with actual experience is for non-regular unscheduled maintenance, such as modifications, repairs due to negligence, and specific divisional work orders. Similarly, short term rental of vehicles and fuel usage have also been higher in actual costs than the client programs' budgeted amounts.

2010 Service Changes

The Program's 2010 Recommended Base Budget includes savings of \$2.986 million gross, and \$0.626 million net. The recommended service changes result in \$2.986 million in efficiency savings for 2010.

The recommended service changes are summarized below:

Service Efficiencies

- Change in the concentration of the Bio-Diesel mix of fuel resulting in a savings of \$0.200 million.
- Fuel savings from Green Vehicles of \$0.063 million.
- Savings from new fuel purchasing program of \$0.333 million.

- Eco-driving for fuel efficiency resulting in a saving of \$0.140 million.
- Savings from using non-Original Equivalent Manufacturers' replacement parts and reducing outsourced maintenance of \$0.400 million.
- Deletion of 2 new developmental positions effective January 1, 2010 resulting in a savings of \$0.186 million.
- Savings of \$0.158 million from deleting 2 vacant positions, 1 Auto Mechanic Apprentice, and 1 Auto Service Advisor, effective January 1, 2010.
- Savings from reducing the size of the fleet inventory for Transportation Services and Solid Waste Management Services of \$1.507 million.

2011 and 2012 Outlook: Net Incremental Impact

Approval of the 2010 Recommended Base Budget for Fleet Services will result in no net incremental impact on 2011 and 2012 because Fleet Services operates on a \$0.0 net basis.

- In 2011 gross expenditures will include \$0.321 million for COLA, \$0.031 million for progression pay, \$0.009 million for step increases, \$0.736 million in projected savings arising from 2010 service changes, which are recovered from Fleet Services' clients for a net \$0.0 incremental impact.
 - The 2010 Recommended Operating Budget will not result in any 2011 incremental service change savings to assist the Program in achieving their 2011 reduction target of a further decrease of \$2.338 million or 5% of the 2009 Approved Gross Budget. Fleet Services will present viable 2011 reduction options during the 2011 Operating Budget process.
- The 2012 Outlook anticipates incremental increases of \$0.025 million for progression pay, and \$0.010 million for step increases, which are offset by recoveries for a net \$0.0 impact.

Table 4: 2010 Recommended Service Change Summary
(In \$000s)

Description	2010 Recommended Service Changes				Net Incremental Impact	
	Position Change	Gross Exp.	Net Exp.	% Change over 2009 Budget	2011	
	#	\$	\$	#	\$	# Pos
Base Change Summary	0.0			0.0%	0.0	0.0
Service Efficiencies:						
Change in the Concentration of Bio-Diesel.		(200.0)		-0.4%		
Fuel savings from Green vehicles.		(62.5)		-0.1%		
Savings from New Fuel Purchasing program.		(333.4)		-0.7%		
Eco Driving for Fuel Efficiency.		(140.0)		-0.3%		
Substitution of OEM parts		(400.0)	(400.0)	-0.9%		
Deletion of 2 New Developmental Positions.	(2.0)	(185.5)	(185.5)	-0.4%		
Deletion of 2 vacant Fleet maintenance positions.	(2.0)	(157.5)	(157.5)	-0.3%		
Rationalization of Fleet size		(1,507.3)	117.1	-3.2%		
Sub-Total Service Changes	(4.0)	(2,986.2)	(625.9)	-6.4%	0.0	0.0
Total Changes	(4.0)	(2,986.2)	(625.9)	-6.4%	0.0	0.0

2010 Recommended Service Changes

The budgetary impact of implementing the following 8 service changes are included in the 2010 Recommended Base Budget, with savings at \$2.986 million gross and \$0.626 million net in 2010 with no net incremental impact in 2011 as Fleet Services operates on a \$0.0 net basis. Approval of the recommended service changes will result in a reduction of 4 approved positions reducing the complement to 205. The total service changes reflect efficiencies savings that will have no impact in the level of service by the Program in 2010, and no incremental impact for 2011.

Service Changes

The following 8 recommended service efficiencies changes included in Fleet Services 2010 Recommended Base Budget are discussed below.

Service Efficiencies***Change in the Concentration / Mixtures in Bio-Diesel fuel***

Changing the concentration of mixtures of the Bio-Diesel fuel depending on the fuel prices instead of specific level of concentration for each month of the year is expected to save \$0.200 million in 2010. Currently, the supplier provides the City with various concentration and mixtures of biodiesel based on the months of the year. The new approach will purchase various concentration and mixtures of biodiesel fuel depending on fuel prices and not simply by month of the year.

Fuel savings from Additional Green Vehicles

In accordance with the Green Fleet Plan, 140 green vehicles will be added to the City's fleet in 2010. The anticipated fuel savings resulting from the increased number of green vehicles in use is \$0.063 million for 2010.

New Fuel Purchasing Program

The new financial hedging program to be used in the purchase of fuel in 2010 is expected to result in savings of \$0.333 million. The new financial hedging program for purchasing fuel will be implemented in 2010. Fuel price hedging is a contractual tool used to stabilize fuel costs. It will establish a pre-determined price for future fuel purchases. If the future fuel prices are higher, savings will be achieved. Commodity hedging provides for more flexibility to better manage fuel price fluctuations.

Eco-Driving for Fuel Efficiency

The Drivers' training program on how to drive for fuel efficiency is anticipated to save \$0.140 million. Eco driving will require special attention to various aspects of driving that will minimize fuel consumption, such as, driving at optimal speed, following the idle-free program, checking tire pressures regularly to always drive with properly inflated tires, and to wait a few seconds after starting the vehicle before shifting into gear to allow the engine oil to do its job more effectively.

Substitution of OEM (Original Equivalent Manufacturer's) Parts

Fleet Maintenance staff will substitute using OEM (Original Equivalent Manufacturer's) parts with non-OEM parts, and reduce outsourced maintenance. The anticipated cost savings from this initiative is \$0.400 million gross in 2010.

Deletion of 2 new Developmental positions

As part of the Program's Succession Plan, 2 new developmental positions (Fleet Services Supervisor and Fleet Safety & Education Consultant) were approved by Council in 2009. The deletion of these permanent positions, effective January 1, 2010, which are currently vacant, will save \$0.186 million. These developmental positions were approved as part of Fleet Services' succession plan to address the aging workforce. These positions were to provide training opportunities for staff development to ensure that the Division has skilled and knowledgeable staff ready to fulfill the future mandate of the Division. Succession planning will continue to be a challenge for Fleet Services as a significant number of employees are approaching retirement.

Eliminate 2 Vacant Fleet Maintenance positions

Eliminating 2 permanent vacant positions, an Auto Mechanic Apprentice and an Auto Service Advisor, will save \$0.158 million in 2010. The number of Auto Mechanic Apprentices will be reduced from 10 to 9, and Auto Service Advisors from 5 to 4 effective January 1, 2010 to support the 4 Fleet Services' districts, as a result of service efficiencies.

Rationalization of Fleet

The objective of rationalizing fleet size is to ensure that all vehicles on hand are required and fully utilized. A smaller inventory of vehicles means fewer vehicles to maintain, and therefore lower maintenance costs. Fleet Services has obtained commitments from Transportation Services and Solid Waste Management Services to downsize their fleet inventory, and thereby, enabled Fleet Services to propose a reduction in maintenance costs of \$1.507 million gross. This is the result of reducing approximately 100 vehicles from the City's fleet. Work will continue by Fleet Services to review the City's entire fleet to "right size" the inventory to achieve additional cost savings in 2011. Fleet Services will report back on additional savings for consideration with the City's 2011 budget process.

2010 Budget Issues

Program Charge Back Adjustments

Fleet Services' 2010 Recommended Base Budget reflects an alignment of the Inter-Divisional Charges and Recoveries budget with actual experience, resulting in an increase of gross expenditures of \$2.656 million and recoveries of \$3.088 million for a net reduction of \$0.432 million.

Alignment of the maintenance budget with actual experience is for non-regular (not scheduled) maintenance charges, such as modifications, repairs due to negligence, and special divisional work orders. This is necessary to ensure that client divisions are fully aware of the costs of additional work orders which are not part of the regularly scheduled items of maintenance, and appropriately budget for these accordingly.

The maintenance budget also includes funding for short term rentals on behalf of client programs. Fleet Services took over the management of the external vehicle rental program in 2008, pursuant to Council approval in 2005 of the Audit Committee Report 3, Clause 1, "Fleet Operations Review – Phase 2", which contained a recommendation for Fleet Services to assume responsibility for vehicle rentals.

Programs rent vehicles generally for the following reasons:

- additional vehicles for seasonal staff;
- no capital funding is provided for the required vehicles.

The net recoveries are attributed to the following:

- Fuel – 5 cents per litre to partially offset Fleet's administration costs: \$0.063 million.
- Vehicle rentals – 10% administration charge for vehicle rentals to partially offset Fleet's costs of \$0.073 million.
- Vehicle rentals - Savings from the use of Fleet Services' motor pool vehicles instead of external rental of \$0.296 million

Appendix A

2010 Recommended Base Budget Changes vs. 2009 Approved Budget

(In \$000s)	Summary of 2010 Base Budget Adjustments				Net Incremental Outlook	
	Approved Positions	Gross Expenditures	Revenues	Net	2011	2012
		\$	\$	\$	\$	\$
2009 Council Approved Operating Budget	209.0	46,478.2	46,478.2	0.0	0.0	0.0
Technical Adjustments		292.1	(41.7)	333.8		
In-Year Budget Adjustments		(1.6)		(1.6)		
2009 Approved Operating Budget	209.0	46,768.7	46,436.5	332.2	0.0	0.0
Prior Year Impacts:						
Annualizations from Prior Year		120.5		120.5		
Reversals from Prior Year						
Operating Impacts of Capital						
Zero Base Items						
Economic Increases:						
Salary		518.1		518.1		
Non Salary		270.7		270.7		
Adjusted Base Budget	209.0	47,678.0	46,436.5	1,241.5	0.0	0.0
Base Expenditure Changes		2,600.2	3,215.8	(615.6)		
Base Revenue Changes						
2010 Base Budget Prior to Service Changes	209.0	50,278.2	49,652.3	625.9	0.0	0.0
Recommended Service Changes:						
Service Efficiencies	(4.0)	(2,986.2)	(2,360.3)	(625.9)		
Revenue Changes						
Minor Service Level Changes						
Major Service Level Changes						
Total Recommended Base Changes	(4.0)	(2,986.2)	(2,360.3)	(625.9)	0.0	0.0
2010 Recommended Base Budget	205.0	47,292.0	47,292.0	(0.0)	0.0	0.0

Appendix B

Summary of Service Changes

Appendix D

Program Summary by Expenditure Category

CLUSTER: INTERNAL SERVICES PROGRAM: FLEET SERVICES							
	2009 Approved Budget	2009 Projected Actuals	2010 Recommended Budget	Change from 2009 Approved Budget		2011 Outlook	2012 Outlook
	\$	\$	\$	\$	%	\$	\$
Salaries and Benefits	18,617.3	18,350.6	18,862.1	244.8	1.3%	19,223.0	19,257.9
Materials and Supplies	23,076.9	22,427.3	23,061.4	(15.5)	(0.1%)	22,325.5	22,325.5
Equipment	115.6	115.6	117.4	1.8	1.6%	117.4	117.4
Services & Rents	4,499.8	7,610.9	4,713.8	214.0	4.8%	4,713.8	4,713.8
Contributions to Capital				0.0	n/a	0.0	0.0
Contributions to Reserve/Res Funds	80.0	80.0	80.0	0.0	0.0%	80.0	80.0
Other Expenditures				0.0	n/a	0.0	0.0
Interdivisional Charges	379.1	379.1	457.3	78.2	20.6%	457.3	457.3
TOTAL GROSS EXPENDITURES	46,768.7	48,963.5	47,292.0	523.3	1.1%	46,917.0	46,951.9
Interdivisional Recoveries	45,853.7	47,879.2	46,568.9	715.2	1.6%	46,193.9	46,228.8
Provincial Subsidies				0.0	n/a	0.0	0.0
Federal Subsidies				0.0	n/a	0.0	0.0
Other Subsidies				0.0	n/a	0.0	0.0
User Fees & Donations				0.0	n/a	0.0	0.0
Transfers from Capital Fund	5.3	5.3	4.8	(0.5)	(9.4%)	4.8	4.8
Contribution from Reserve Funds				0.0	n/a	0.0	0.0
Contribution from Reserve				0.0	n/a	0.0	0.0
Sundry Revenues	577.5	656.1	718.3	140.8	24.4%	718.3	718.3
TOTAL REVENUE	46,436.5	48,540.6	47,292.0	855.5	1.8%	46,917.0	46,951.9
TOTAL NET EXPENDITURES	332.2	422.9	0.0	(332.2)	(100.0%)	0.0	0.0
APPROVED POSITIONS	209.0	195.0	205.0	(4.0)	(1.9%)	205.0	205.0

Appendix E

Inflows / Outflows to / from Reserves & Reserve Funds

Reserve / Reserve Fund Name (In \$000s)	Reserve / Reserve Fund Number	Balance as of December 2009	Proposed Withdrawals (-) / Contributions (+)		
			2010	2011	2012
		\$	\$	\$	\$
Insurance Reserve Fund	XR1010	34,005.8	80.0	80.0	80.0
Total Reserve / Reserve Fund Draws / Contributions			80.0	80.0	80.0