

# Toronto 2017 BUDGET



## OPERATING BUDGET NOTES



## Fleet Services

### 2017 OPERATING BUDGET OVERVIEW

Fleet Services provides responsive and efficient fleet management services to City Programs and Agencies to maximize safety and environmental sustainability and minimize lifecycle costs.

#### 2017 Operating Budget Highlights

The total cost to deliver these services to Toronto residents is \$53.907 million gross and (\$0.172) million net as shown below:

(in \$000's)	2016 Budget	2017 Preliminary Budget	Change	
			\$	%
Gross Expenditures	52,088.1	53,906.9	1,818.7	3.5%
Revenues	52,088.1	54,078.9	1,990.7	3.8%
<b>Net Expenditures</b>	<b>0.0</b>	<b>(172.0)</b>	<b>(172.0)</b>	N/A

The 2017 Preliminary Operating Budget of \$53.907 million gross is \$1.819 or 3.5% million over the 2016 Approved Budget, primarily attributable to an increase in fleet maintenance costs and demand for fuel from client Programs which is fully offset by increased in inter-divisional recoveries. The net expenditure reduction of \$0.172 million is due to savings identified from implementing the Alternate Service Delivery strategy.

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**Fast Facts**

- Manage 5,200 vehicles and equipment for City of Toronto Divisions and Agencies.
- Manage the fueling needs of over 13,000 assets located throughout the City
- Distribute 15.5 million litres of fuel to City Programs and Agencies.
- Dispense fuel to the City's vehicles throughout 23 fuel sites across the City.
- Manage the Capital replacement plan for all City fleet, except TTC and Police.
- Foster and continue to lead the City-wide Green Fleet Plan that encompasses all City fleets, including TTC, Police and Agencies
- Maintained a satisfactory Ontario Commercial Vehicle Operators Registration (CVOR) safety rating for the City's Fleet. The CVOR rating has improved from 75.2% in 2013, to the current 41% as of November 2016. A 55% improvement in three years (a lower number is better).

**Trends**

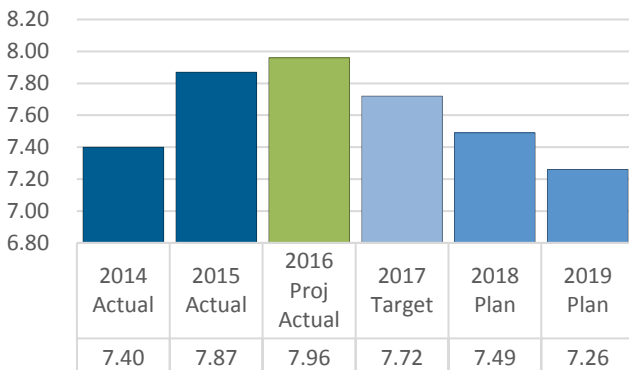
- The average age of vehicle and equipment is gradually declining and will reach 7.26 years by 2019.
- A decrease in vehicle and equipment age ensures safety and reduces the escalating cost of repairs and maintenance.
- Enrollment in trades has declined significantly across North America impacting the ability for organizations to attract trained professional staff.

**Key Service Deliverables for 2017**

The 2017 Preliminary Operating Budget will enable Fleet Services to:

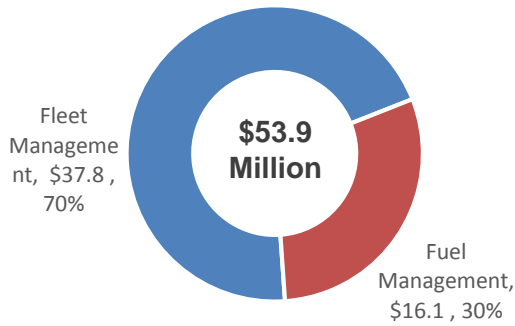
- Provide a full-range of fleet management services for City Divisions and Agencies.
- Direct the lifecycle management of the City's fleet including the acquisition, maintenance and disposal of vehicles and equipment based on lifecycle and operational analysis.
- Ensure compliance with Provincial legislation and City policies and guidelines.
- Provide safety training, testing and certification to approximately 11,000 City employees who are required to operate City vehicles and equipment.
- Oversee and direct the City's fuel management operations, including, safety and compliance management, staff training and the associated management of fueling stations and the fueling of over 13,000 assets.
- Work closely with client Programs to optimize fleet size through ensuring that all vehicles are required and fully utilized.
- Provide leadership in reducing environmental impact of the City's fleet operations through the City's 2014 - 2018 Consolidated Green Fleet Plan.

**Average Vehicle/Equipment Age (in years)**

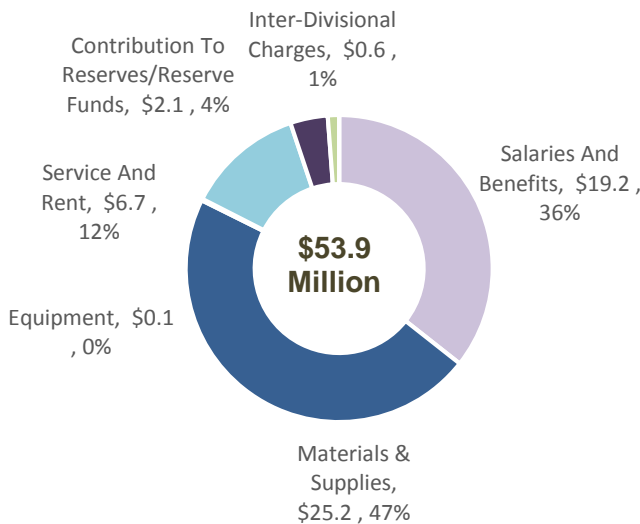


Where the money goes:

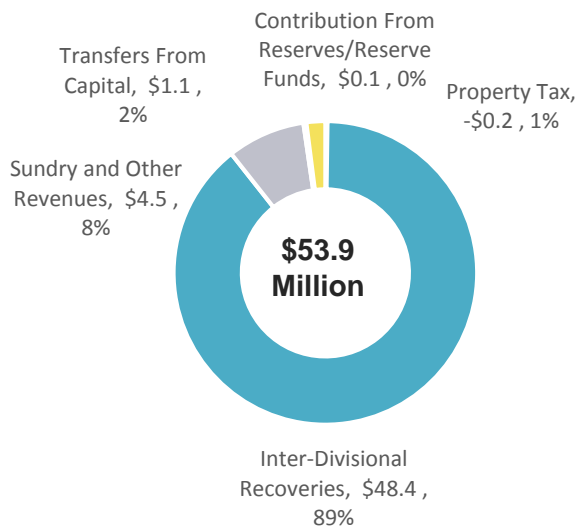
2017 Budget by Service



2017 Budget by Expenditure Category



Where the money comes from:



Our Key Issues & Priority Actions

- **Efficient Cost and Financial Management** by implementing transparent chargebacks to drive best practice (lowest total cost of ownership and fleet optimization)
  - ✓ Drive value for money and focus on improvements in contract management
- **Operational and Business Process Enhancement** by improving data collection and performance indicator based reporting.
  - ✓ Enhance service delivery by adopting leading fleet practices – implement Reliability Centered Maintenance Model to improve Preventative Maintenance execution and reduce downtime and other costs through service delivery revisions and refocusing internal resources.

2017 Operating Budget Highlights

- The 2017 Preliminary Operating Budget for \$53.907 million in gross expenditures and (\$0.172) million in net provides funding for two services: Fleet Management and Fuel Management.
- Fleet Services has achieved the budget reduction target of -2.6% increase from 2016 Approved Budget mainly due to the followings:
  - Savings from the Alternate Service Delivery model for vehicle maintenance contracting out preventative maintenance for Class 1 & 2 and reduction in lower contribution to reserve (\$0.172 million)
  - Elimination of the Taxi Inspection Centre (\$0.650 million)
  - 2% fleet reduction and rationalization to eliminate the high maintenance old vehicles (\$0.409 million)
  - CNG fuel site transfer to Solid Waste (\$1.776 million)
  - Additional recoveries for higher fuel consumption, rental & maintenance costs from programs and agencies (\$4.062 million)
- Staff complement decrease of 13.0 positions from 2016 to 2017

## Actions for Consideration

Approval of the 2017 Preliminary Budget as presented in these notes requires that:

1. City Council approve the 2017 Preliminary Operating Budget for Fleet Services of \$53.907 million gross, (\$0.172) million net for the following services:

<u>Service:</u>	<u>Gross</u> <u>(\$000s)</u>	<u>Net</u> <u>(\$000s)</u>
Fleet Management:	37,806.3	(150.5)
Fuel Management:	<u>16,100.6</u>	<u>(21.5)</u>
Total Program Budget	<u>53,906.9</u>	<u>(172.0)</u>

2. City Council approve the 2017 service levels for Fleet Services as outlined on pages 15 and 19 of this report, and associated staff complement of 181.0 positions.
3. City Council approve the budget transfer of \$0.172 million gross and net reflecting the savings resulting from the implementation of the Alternate Service Delivery Model, from the respective tax-supported client programs and Agencies to Fleet Services. The table below has illustrated the savings by division/agency in year:

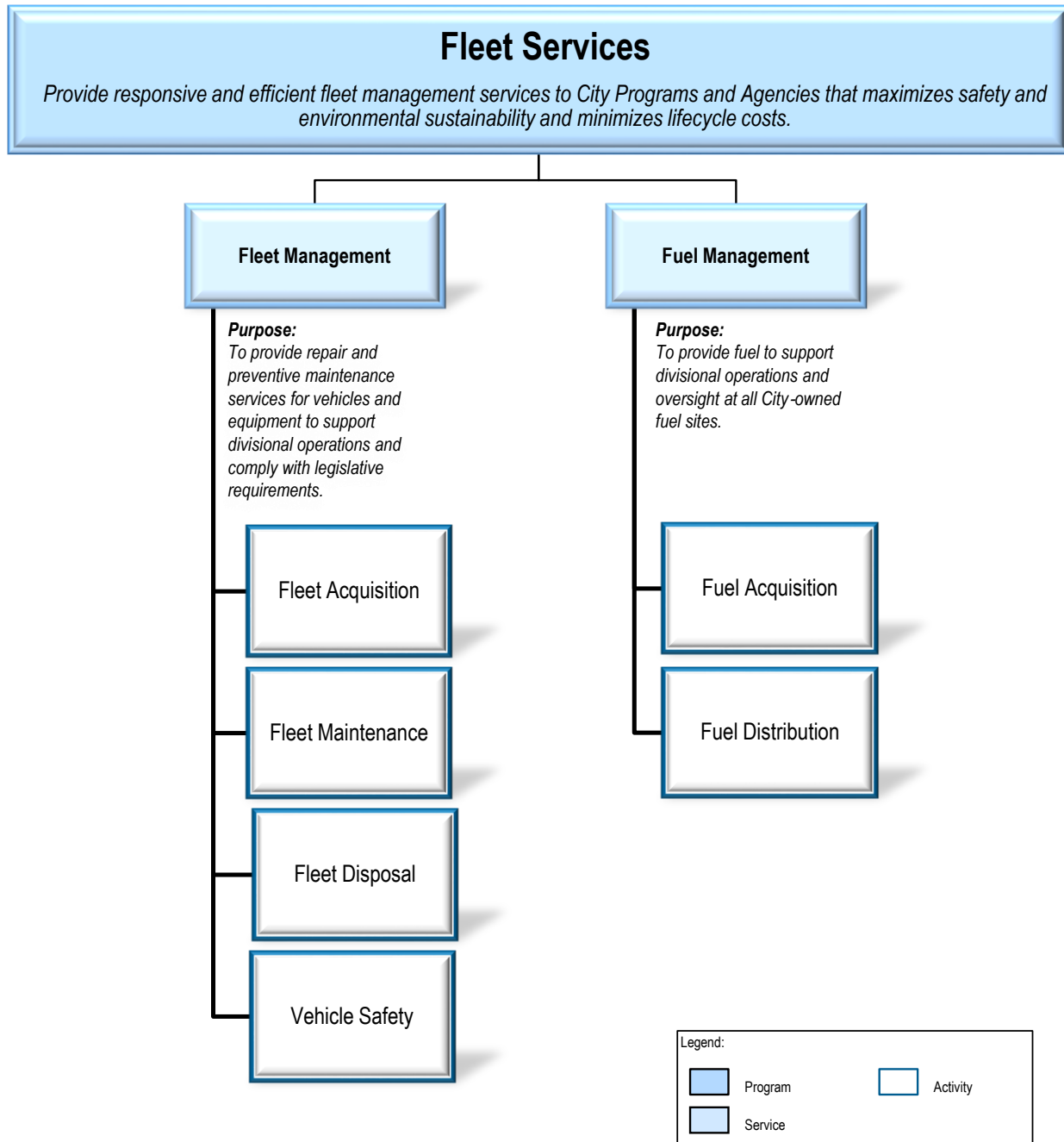
<b>Savings by Programs/Agencies</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>
City Clerks Office	825	2,863	3,751
City Managers Office	22	75	98
Eco. Devt. & Culture	269	933	1,223
Engineering & Constr. Services	3,264	11,325	14,838
Facilities Mgmt & Real Estate	7,542	26,172	34,291
Information & Technology	131	453	594
Mayors Office	49	171	224
Municipal Licensing & Stds	8,294	28,781	37,709
Parks, Forestry & Recreation	75,850	263,204	344,857
Policy, Planning, Fin. & Admin	442	1,533	2,008
Public Health	1,877	6,513	8,534
Purchasing And Materials Mgmt	1,275	4,424	5,797
Revenue Services	31	107	140
Shelter, Sup., & Housing Admin	510	1,771	2,321
Toronto Building	737	2,557	3,350
Toronto Housing Company	9,506	32,987	43,220
Toronto Public Library	2,588	8,980	11,766
Transportation Services	58,798	204,033	267,329
<b>Sub-Total Tax-Supported Programs</b>	<b>172,010</b>	<b>596,882</b>	<b>782,051</b>
Solid Waste Management	145,638	436,915	728,191
Toronto Water	78,852	157,703	394,258
<b>Sub-total Rate Supported Programs</b>	<b>224,490</b>	<b>594,618</b>	<b>1,122,449</b>
<b>Total Cumulative Savings</b>	<b>396,500</b>	<b>1,191,500</b>	<b>1,904,500</b>
<b>Incremental Savings</b>	<b>396,500</b>	<b>795,000</b>	<b>713,000</b>



# Part 1:

## 2017-2019 Service Overview and Plan

# Program Map



### Service Customer

**Fleet Management**

- Staff - City Divisions

Indirect (Beneficial)

- Residents
- Businesses

**Fuel Management**

- Staff - City Divisions
- Staff - Agencies

Indirect (Beneficial)

- Residents
- Businesses

**Table 1**  
**2017 Preliminary Operating Budget and Plan by Service**

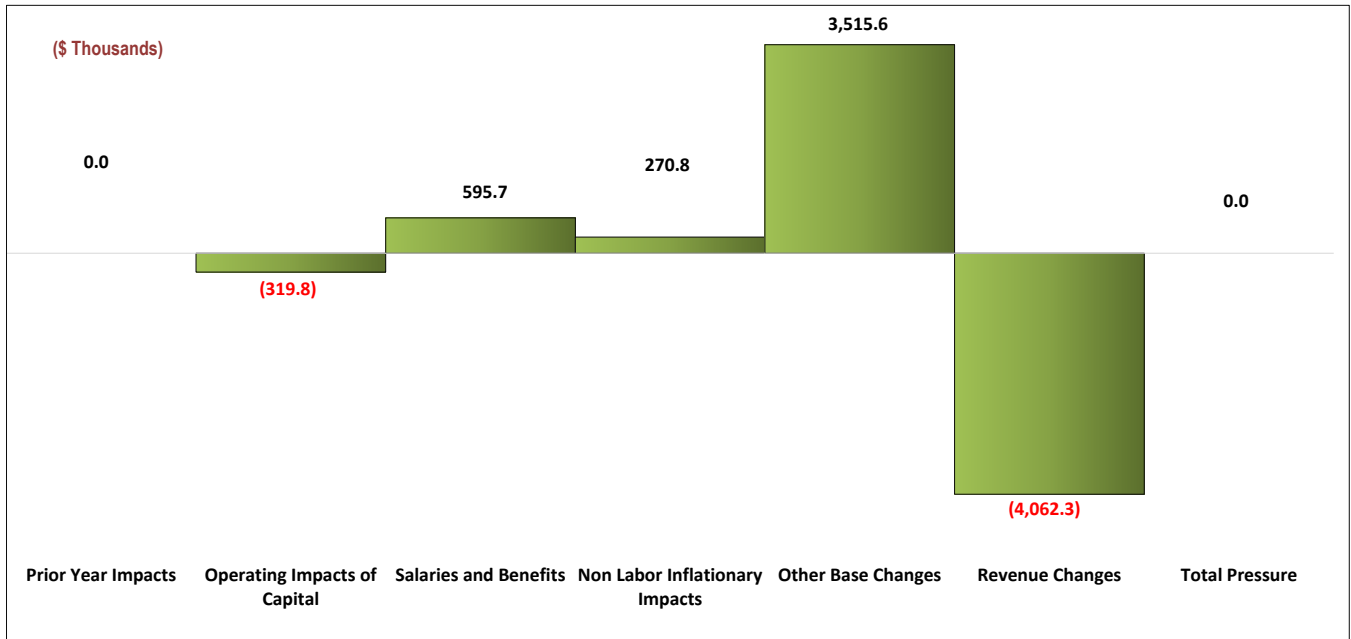
(In \$000s)	2016		2017 Preliminary Operating Budget			2017 Preliminary vs. 2016 Budget Change		Incremental Change			
	Budget	Projected Actual	Base	New/Enhanced	Total Budget			2018 Plan		2019 Plan	
By Service	\$	\$	\$	\$	\$	\$	%	\$	%	\$	%
<b>Fleet Management</b>											
Gross Expenditures	35,830.9	38,139.7	37,806.3		37,806.3	1,975.4	5.5%	(819.6)	(2.2%)	1.9	0.0%
Revenue	35,789.1	37,910.0	37,956.8		37,956.8	2,167.8	6.1%	(804.2)	(2.1%)		
<b>Net Expenditures</b>	41.9	229.7	(150.5)		(150.5)	(192.4)	(459.4%)	(15.4)	10.2%	1.9	(1.1%)
<b>Fuel Management</b>											
Gross Expenditures	16,257.2	15,681.8	16,100.6		16,100.6	(155.5)	(1.0%)	177.6	1.6%	292.9	0.8%
Revenue	16,299.1	15,753.5	16,122.1		16,122.1	(177.0)	(1.1%)	590.3	3.7%	483.7	2.9%
<b>Net Expenditures</b>	(41.9)	(71.7)	(21.5)		(21.5)	21.5	(51.2%)	(412.7)	1922.4%	(190.8)	43.9%
<b>Total</b>											
<b>Gross Expenditures</b>	52,088.1	53,821.5	53,906.9		53,906.9	1,818.8	3.5%	(642.0)	(1.2%)	294.8	0.6%
<b>Revenue</b>	52,088.1	53,663.5	54,078.9		54,078.9	1,990.7	3.8%	(214.0)	(0.4%)	483.7	0.9%
<b>Total Net Expenditures</b>	0.0	158.0	(172.0)		(172.0)	(172.0)	N/A	(428.1)	248.9%	(188.9)	31.5%
<b>Approved Positions</b>	194.0	182.0	181.0		181.0	(13.0)	(6.7%)	(3.0)	(1.7%)		

The Fleet Services' 2017 Preliminary Operating Budget is \$53.907 million gross and (\$0.172) million net, representing a decrease of \$0.172 million to the 2016 Approved Net Operating Budget.

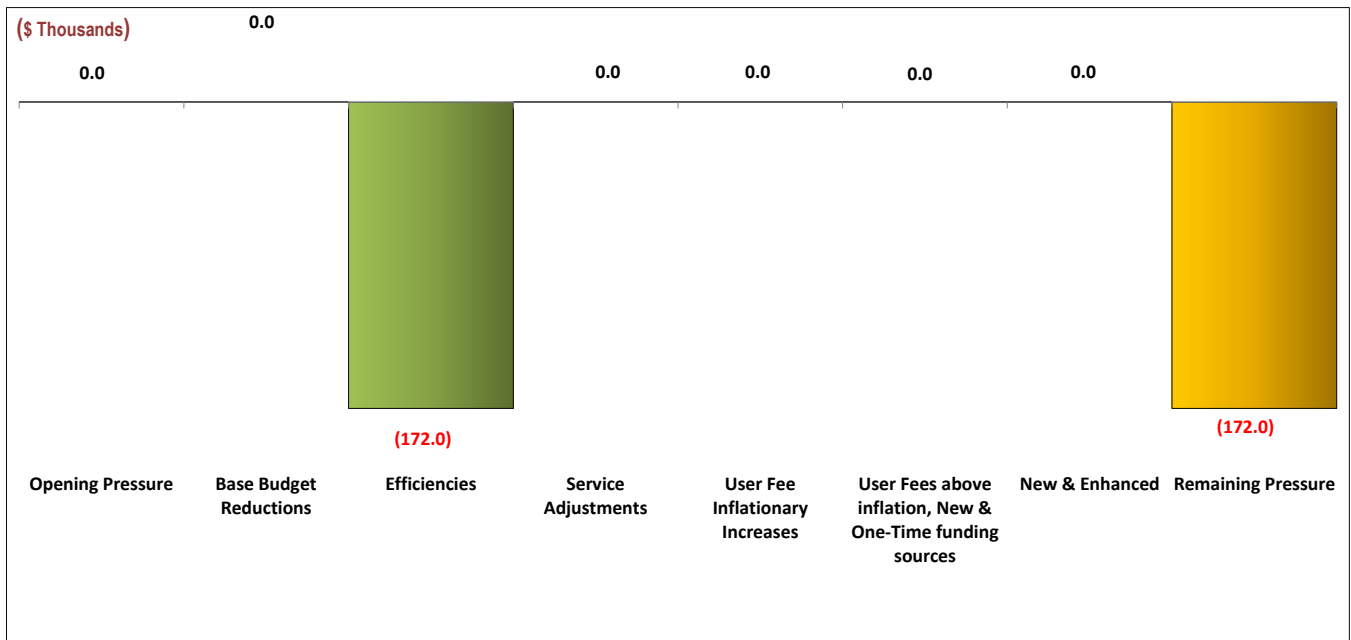
- Base pressures are mainly attributable to the inflationary cost increases in salaries and benefits, increased demand for fuel, higher maintenance costs to maintain the City's fleet and the annualization of the additional maintenance costs for Solid Waste Management collection vehicles.
- The above pressures were more than offset by a fuel price reduction, the implementation of an Alternate Service Model for preventative maintenance of Class 1 & 2 vehicles and right sizing of fleet achieving a 2.5% fleet reduction across the City which is equivalent to 49 vehicles.
- Approval of the 2017 Preliminary Operating Budget will result in Fleet Services reducing its total staff complement by 13.0 positions from 194.0 to 181.0:
  - 5.0 temporary mechanic positions will be deleted commencing in 2017 due to anticipated completion of Fleet Management System and Fuel System Integration project work on the Automated Odometer Download (VIB) capital project delivery.
  - According to the new Vehicle-for-Hire Bylaw, adopted by Council on May 3, 2016 and effected July 15, 2016, taxi inspections are no longer required by the City. As a result, 6 permanent/filled positions (5 mechanics and 1 coordinator) will be eliminated.
  - This new alternate service delivery model will result in the contracting out of all the preventative maintenance and repairs of non-specialized class 1-2 vehicles, so that internal capacity can be more focused on preventative maintenance and repairs of heavy duty and specialized vehicles and equipment. As a result, 2 permanent, vacant mechanic positions will be eliminated.
- The 2018 and 2019 Plan increases are mainly attributable to salary and benefit increases.

The following graphs summarize the operating budget pressures for this Program and the measures/actions taken to offset these pressures and meet the budget target.

### Key Cost Drivers



### Actions to Achieve Budget Reduction Target





**Table 2  
Key Cost Drivers**

(In \$000s)	2017 Base Operating Budget				Total	
	Fleet Management		Fuel Management			
	\$	Position	\$	Position	\$	Position
<b>Gross Expenditure Changes</b>						
<b>Operating Impacts of Capital</b>						
Completion of Automated Odometer Download Project	(291.7)	(5.0)	(28.1)		(319.8)	(5.0)
<b>Salaries and Benefits</b>						
COLA, Progression Pay, STEP and Benefits	801.7	(1.2)	(206.0)	1.2	595.7	
<b>Economic Factors</b>						
Inflationary Increase for Maintenance Contracts and vehicle parts	268.3		2.5		270.8	
<b>Other Base Changes</b>						
Fuel volume adjustment mainly due to TTC & Fire Services	84.2		1,933.1		2,017.3	
Expenditures required to maintain City fleet in SOGR for SWM and Transportation (sweepers)	1,461.3				1,461.3	
Other adjustments (short term rental, computer software, membership etc. )	31.3		5.7		36.9	
<b>Total Gross Expenditure Changes</b>	<b>2,355.1</b>	<b>(6.2)</b>	<b>1,707.2</b>	<b>1.2</b>	<b>4,062.3</b>	<b>(5.0)</b>
<b>Revenue Changes</b>						
Additional recovery for higher fuel consumption and rental & maintenance costs from programs and agencies	(3,195.9)		(866.4)		(4,062.3)	
<b>Total Revenue Changes</b>	<b>(3,195.9)</b>		<b>(866.4)</b>		<b>(4,062.3)</b>	
<b>Net Expenditure Changes</b>	<b>(840.8)</b>	<b>(6.2)</b>	<b>840.8</b>	<b>1.2</b>		<b>(5.0)</b>

Key cost drivers and offsetting cost reductions for Fleet Services are shown in the table above. The following describes the major budget changes:

- Operating Impacts of Capital
  - The completion of the Automated Odometer Download (VIB) project in 2017 will result in deletion of 5.0 temporary mechanic positions and a reduction of in salaries and benefit costs.
- Salaries and Benefits
  - The inflationary increase in salaries and benefits including a cost of living allowance (COLA), progression pay and associated benefits common across all services will add a pressure of \$0.596 million.
- Economic Factors:
  - 2% inflationary increase for fleet vehicle maintenance contracts and parts will result in a pressure of \$0.271 million.
- Other Base Changes:
  - An increase of \$2.017 million can be attributed to changes in fuel demand mainly driven by TTC (non-revenue) vehicles and Fire Services move to Fleet fuel sites.

- Increased maintenance costs mainly for Solid Waste Management vehicles and Transportation Services fleet in state of good repair will add a pressure of \$1.461 million.
- Revenue Changes:
  - The base budget pressure will be offset by additional recoveries of \$4.062 million for higher fuel consumption primarily from Fire Services and TTC, and rental & maintenance costs from Solid Waste and Transportation Services.

In order to achieve the budget reduction target, the 2017 service changes for Fleet Services consists of base expenditure changes of (\$0.172) million as detailed below.

**Table 3**  
**Actions to Achieve Budget Reduction Target**  
**2017 Preliminary Service Change Summary**

Description (\$000s)	Service Changes				Total Service Changes			Incremental Change			
	Fleet Management		Fuel Management		\$		#	2018 Plan		2019 Plan	
	Gross	Net	Gross	Net	Gross	Net	Pos.	Net	Pos.	Net	Pos.
<b>Service Efficiencies</b>											
Taxi Inspection Centre Elimination	(649.6)				(649.6)		(6.0)				
Alternate Service Delivery Model											
Contracting Out Maintenance/Repair for Fleet Class 1 & 2 Vehicles							(2.0)				
Savings from Alternate Service Delivery Model			(172.0)	(172.0)	(172.0)	(172.0)		(424.9)		(185.2)	
<b>Fleet Reduction/Rationalization</b>											
Street sweeper Reduction - Transportation (4 vehicles)	(151.8)				(151.8)						
Fleet Rationalization - Facilities (2 vehicles)	(10.0)				(10.0)						
Fleet Rationalization - Engineering & Construction Services (9 vehicles)	(29.2)				(29.2)						
Fleet Rationalization - Toronto Water (34 vehicles)	(217.8)				(217.8)						
Phase out Fleet motor pool vehicles (lower contribution to reserve)	(215.9)	2.7	(27.0)	(2.7)	(242.8)	(0.0)					
Overhead Costs Reduction for Solid Waste Haulage Vehicles	(83.1)				(83.1)						
Fuel Price Reduction of \$0.01/L resulting from efficiency to \$1.03/L (lower contribution to reserve)			(171.4)		(171.4)			171.4			
Compressed Natural Gas Fuel Sites Transfer to Solid Waste	(77.6)	(77.6)	(1,698.1)	77.6	(1,775.7)						
<b>Sub-Total</b>	(1,434.9)	(74.9)	(2,068.5)	(97.1)	(3,503.4)	(172.0)	(8.0)	(253.5)		(185.2)	
<b>Total Changes</b>	(1,434.9)	(74.9)	(2,068.5)	(97.1)	(3,503.4)	(172.0)	(8.0)	(253.5)		(185.2)	

### Service Efficiencies (Savings of \$3.503 million gross & \$0.172 million net)

- Taxi Inspection Centre Elimination
  - According to the new Vehicle-for-Hire Bylaw, adopted by Council on May 3, 2016 and implemented July 15, 2016, taxi inspection is no longer required by the City. As a result, 6 filled positions (5 mechanics and 1 coordinator) will be eliminated, resulting in savings of \$0.650 million.
- Alternate Service Delivery Model for vehicle maintenance. This encompasses the following:
  - Fleet Services expects to begin implementing a "Reliability Centred Maintenance Program", an alternate service delivery model to enhance service delivery in September 2017. This model will result in significant savings across the City as a result of contracting out all preventative maintenance and repairs of non-specialized Class 1-2 vehicles.
  - By contracting out these services, internal Fleet Services capacity will be focused on preventative maintenance and repairs for heavy duty and specialized vehicles and equipment, tools and training requirements and will result in an improvement of the City's overall fleet vehicle turnaround time of 33% at the end of the 5 full years of implementation.
  - Implementation of the delivery model will result in improved service through a reduced need for unplanned maintenance and repairs and reduced downtime.
  - The initiative will result in savings of \$0.172 million in 2017 with additional savings of \$0.425 million in 2018 and \$0.185 million in 2019 for City's Non-Rate Programs.
- Fleet Reductions/Rationalization
  - Fleet Services, in collaboration with other divisions reviewed the current fleet inventory and identified opportunities to reduce fleet across the City. As a result of this review, 49 vehicles will be disposed in 2017 resulting in a 2.5% reduction in fleet and corresponding savings in maintenance and repair costs.

Please see the discussion on Fleet Rationalization in the "Issues Section" on P24 & 25 of these notes for more details.

- With the implementation of the Car Share Program, the internal vehicle rental program will be phased out and any vehicles used for this purpose and past their useful life will not be replaced. Consequently, contribution to the reserve is not required resulting in savings of \$0.243 million.
- Reduction of overhead costs allocated to Solid Waste Haulage vehicles will result in savings of \$0.083 million.
- Fuel price reduction of \$0.01/L from \$1.04/L to \$1.03/L will result in a one-time lower contribution to reserve of \$0.171 million.
- Solid Waste Management will assume the management of 2 Compressed Natural Gas (CNG) fuel sites, including invoice payment and site maintenance and management with Enbridge. As a result, this will generate a budget reduction of \$1.776 million.

**Table 5**  
**2018 and 2019 Plan by Program**

Description (\$000s)	2018 - Incremental Increase					2019 - Incremental Increase				
	Gross Expense	Revenue	Net Expense	% Change	Position	Gross Expense	Revenue	Net Expense	% Change	Position
<b>Known Impacts:</b>										
<b>Prior Year Bridging Approval Impacts</b>										
Reversal of One-time Fuel Price Reduction	171.4	171.4								
<b>Prior Year Impact</b>										
Savings from Alternate Service Delivery Model	(424.9)		(424.9)			(185.2)		(185.2)		
<b>Salaries and Benefits</b>										
COLA, Progression Pay, STEP and Benefits	512.9		512.9			488.6		488.6		
<b>Other Base Changes</b>										
Transfer of CNG Stations to Solid Waste	(67.2)	(67.2)				(49.9)	(49.9)			
<b>Revenue</b>										
Recoveries for Fuel Consumption and Maintenance	(834.3)	(318.2)	(516.1)		(3.0)	41.3	533.6	(492.3)		
<b>Total Incremental Impact</b>	<b>(642.1)</b>	<b>(214.0)</b>	<b>(428.1)</b>		<b>(3.0)</b>	<b>294.8</b>	<b>483.7</b>	<b>(188.9)</b>		

Future year incremental costs are primarily attributable to the following:

**Known Impacts:**

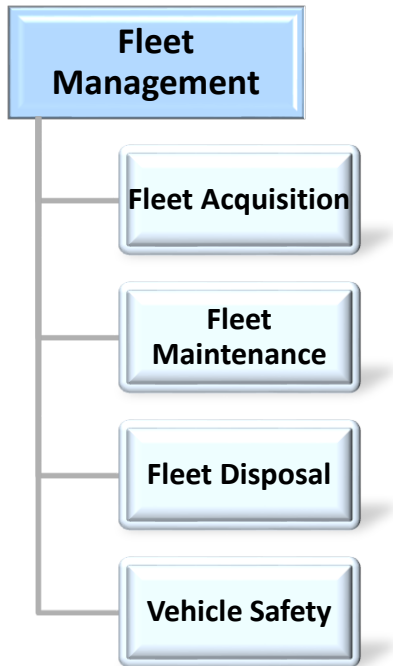
- Prior Year Bridging Approval Impacts
  - Reversal of the one-time fuel price reduction of \$0.01/L to \$1.03/L in 2017.
- Prior Year Impact
  - Future year savings from the implementation of the Alternate Service Delivery Model.
- Salary and benefit increases of \$0.513 million and \$0.489 million in 2018 & 2019, respectively.
- Other Base Changes Include:
  - Adjustment to fuel budget and recovery associated with transferring the management of the CNG fuel sites to Solid Waste.
- Revenue
  - Adjustments for future anticipated fuel consumption levels and maintenance costs.



# Part 2:

## 2017 Preliminary Operating Budget by Service

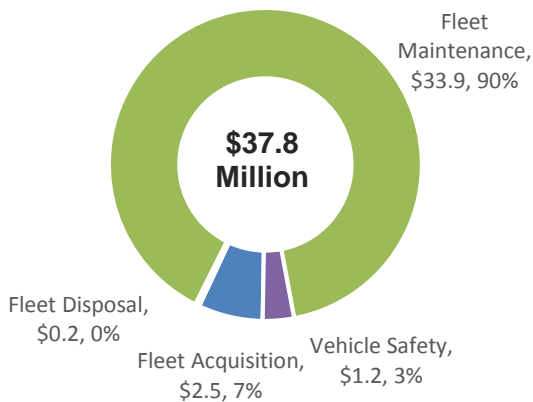
### Fleet Management



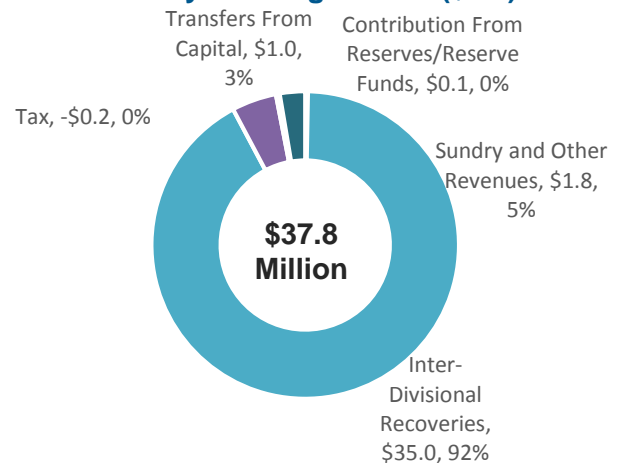
#### What We Do

- Purchase, manage, maintain and dispose vehicles and equipment, and provide operator training and safety compliance management to support divisional operations and comply with legislative requirements.

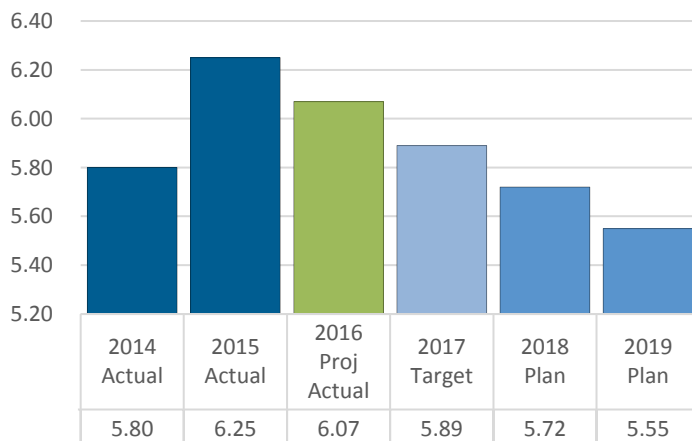
2017 Service Budget by Activity (\$Ms)



Service by Funding Source (\$Ms)



Average Age of Light Duty Vehicles (in years)



- The average age of light duty vehicles is an important indicator of its usage and maintenance costs.
- The average fleet age of light duty vehicles for the City is gradually decreasing from 5.80 years in 2014 to 5.55 years in 2019 following planned replacement of older light duty vehicles on a timely basis.

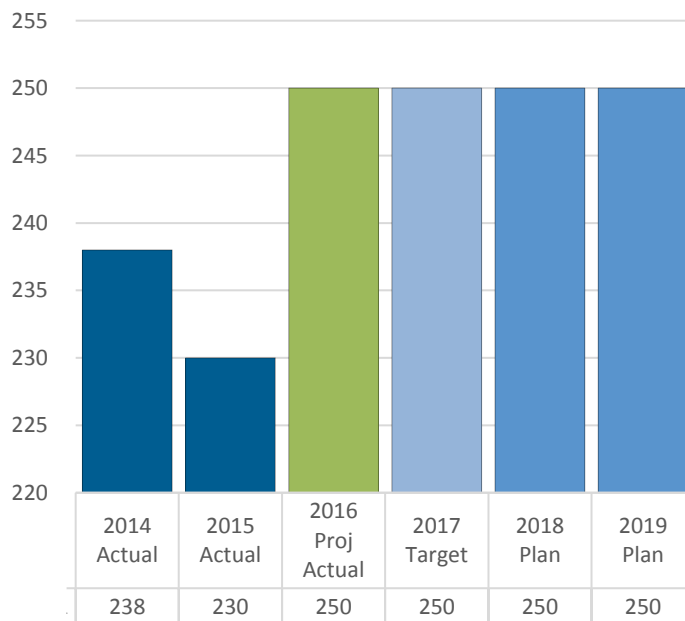
**2017 Service Levels  
Fleet Management**

Activity	Type	Status	2014	2015	2016	2017
Fleet Acquisition	Average Light Duty Vehicle Age (<4500kg)	Approved	4.8	4.5	4.5	4.5
	Average Medium Duty Vehicles Age (4500kg - 9000 Kg)	Approved	6.0	5.7	5.7	5.7
	Average Heavy Duty Vehicle Age (>9000kg)	Approved	6.15	6.15	6.0	6.0
	Average Off-Road Equipment Age	Approved	7.1	7.1	7.0	7.0
Fleet Maintenance	% scheduled repairs to unscheduled repairs	Approved	58% / 42%	60% / 40%	60% / 40%	60% / 40%
Fleet Disposal	Days to Dispose - Light Duty Vehicles (<4500kg)	Approved	42.0	42.0	<b>90.0</b>	<b>90.0</b>
	Days to Dispose - Medium Duty Vehicles (4500kg-9000kg)	Approved	42.0	42.0	<b>90.0</b>	<b>90.0</b>
	Days to Dispose - Heavy Duty Vehicles (>9000kg)	Approved	42.0	42.0	<b>90.0</b>	<b>90.0</b>
	Days to Dispose - Off-Road Equipment	Approved	42.0	42.0	<b>90.0</b>	<b>90.0</b>
	Number of vehicles / equipment disposed	Approved	250.0	250.0	250.0	250.0
Vehicle Safety	MTO CVOR (Commercial Vehicle Operator's Registration) Safety Rating	Approved	55.0%	52.0%	42.0%	<b>40.0%</b>
	% of Driver / Opeartor Trained	Approved	100%	100%	100%	100%

The following 2017 Service Levels have changed with the approved 2016 Service Levels for Fuel Management:

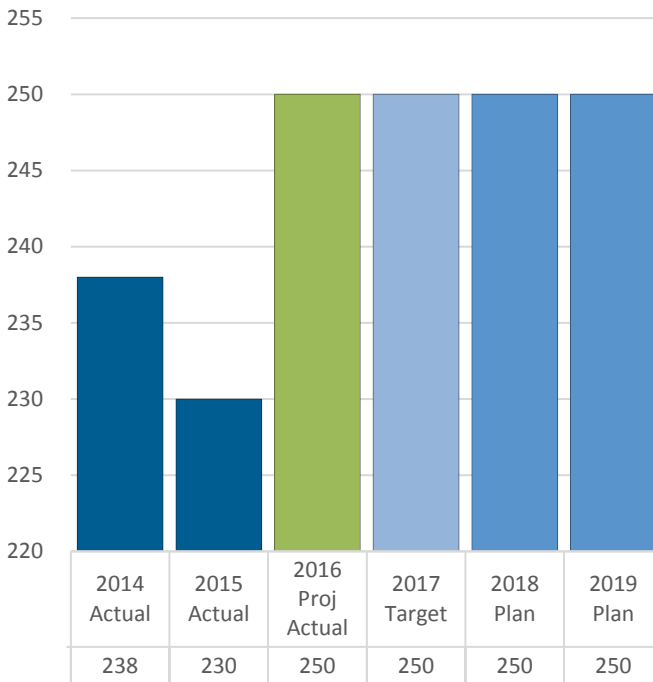
- The number of "Days to Dispose" for all vehicle types increased from the previously approved 42 days to 90 days. Fleet Services has done an analysis recently and found that the 42 days did not include the time required for preparation, auction process, delay in auction and final paperwork to close out the sale. Staff have concluded the 90 days would be a more reasonable, realistic and achievable target.
- MTO CVOR is projected to decrease to 40% due to continued monitoring and accident prevention strategies implemented by Fleet Services. Lower percentage represents safer rating.

**Vehicles & Equipment Acquired**



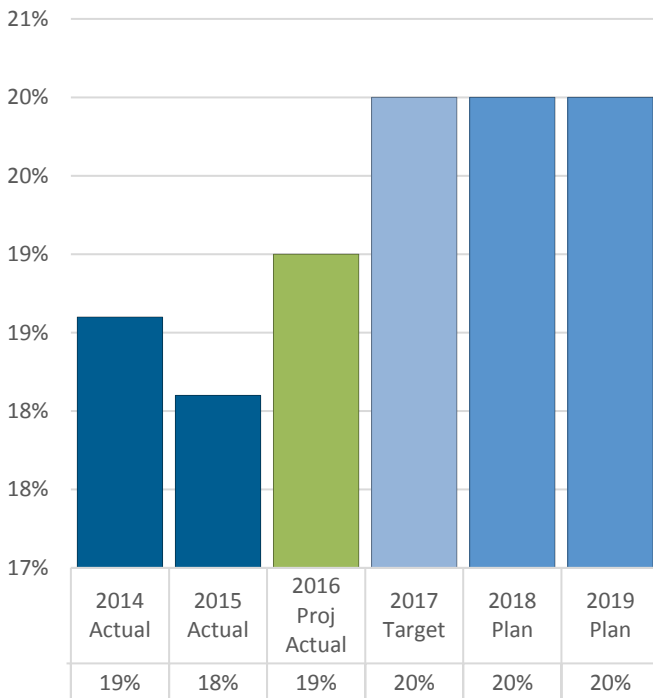
- The number of vehicles and equipment acquired affects the timely replacement of vehicles in order to minimize operating costs.
- The number of vehicles and equipment acquired on an annual basis reflects the new additions to the fleet. It is projected that a combined total of 250 vehicles and equipment will be purchased in 2017.

Vehicles & Equipment Disposed



- An equivalent number of vehicles and equipment are projected to be acquired and disposed on an annual basis.
- The timely replacement including the disposal of inefficient units will have an overall positive impact on maintenance costs.
- The increase from 2015 is mainly due to the 2% fleet reduction initiative and the fleet rationalization to eliminate high maintenance older vehicles.

Percentage of Green Vehicles



- The percentage of the vehicle inventory that is Green include alternative fuel vehicles such as Natural Gas, Gas-Electric Hybrids, and all electric vehicles.
- Fleet Services continues to purchase environmentally sustainable vehicles to reduce fuel use and costs, emissions of greenhouse gases and smog-causing air pollutants.
- The percentage of Green Vehicles is expected to increase to 20% in 2017.
- The increase from 2015 is due to acquiring more vehicles that use alternative fuels, emit less GHGs and air pollution.



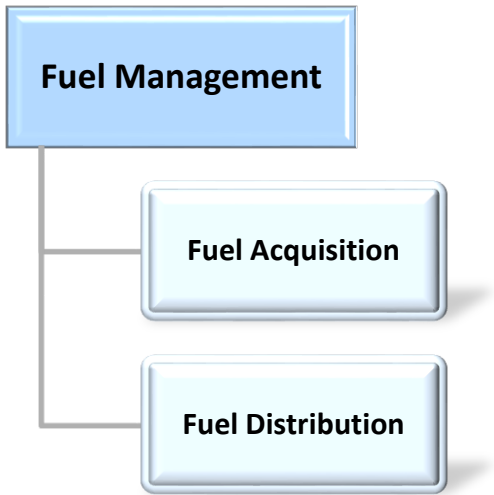
**Table 6**  
**2017 Preliminary Service Budget by Activity**

(\$000s)	2016	2017 Preliminary Operating Budget						2017 Prelim. Budget vs. 2016 Budget		Incremental Change				
	Budget	Base Budget	Service Changes	Preliminary Base	Prelim. Base Budget vs. 2016 Budget	% Change	New/Enhanced	Prelim. Budget	\$	%	2018 Plan		2019 Plan	
	\$	\$	\$	\$	\$	%	\$	\$	\$	%	\$	%	\$	%
<b>GROSS EXP.</b>														
Fleet Acquisition	2,273.6	2,751.0	(224.5)	2,526.5	252.9	11.1%		2,526.5	252.9	11.1%	10.1	0.4%	36.6	1.4%
Fleet Disposal	165.8	164.2		164.2	(1.5)	(0.9%)		164.2	(1.5)	(0.9%)	3.4	2.1%	3.3	1.9%
Fleet Maintenance	32,192.4	35,106.5	(1,210.5)	33,896.0	1,703.6	5.3%		33,896.0	1,703.6	5.3%	(883.1)	-2.6%	(86.0)	(0.3%)
Vehicle Safety	1,199.1	1,219.5		1,219.5	20.4	1.7%		1,219.5	20.4	1.7%	50.0	4.1%	47.9	3.8%
<b>Total Gross Exp.</b>	<b>35,830.9</b>	<b>39,241.3</b>	<b>(1,435.0)</b>	<b>37,806.3</b>	<b>1,975.4</b>	<b>5.5%</b>		<b>37,806.3</b>	<b>1,975.4</b>	<b>5.5%</b>	<b>(819.6)</b>	<b>-2.2%</b>	<b>1.9</b>	<b>0.0%</b>
<b>REVENUE</b>														
Fleet Acquisition	1,388.1	1,471.4	(24.3)	1,447.1	59.0	4.3%		1,447.1	59.0	4.3%	(28.1)	-1.9%		
Fleet Disposal	75.0	75.0		75.0				75.0				0.0%		
Fleet Maintenance	32,733.9	36,181.3	(1,335.8)	34,845.5	2,111.6	6.5%		34,845.5	2,111.6	6.5%	(776.1)	-2.2%		
Vehicle Safety	1,592.1	1,589.2		1,589.2	(2.8)	(0.2%)		1,589.2	(2.8)	(0.2%)		0.0%		
<b>Total Revenues</b>	<b>35,789.1</b>	<b>39,316.9</b>	<b>(1,360.1)</b>	<b>37,956.8</b>	<b>2,167.8</b>	<b>6.1%</b>		<b>37,956.8</b>	<b>2,167.8</b>	<b>6.1%</b>	<b>(804.2)</b>			
<b>NET EXP.</b>														
Fleet Acquisition	885.5	1,279.7	(200.2)	1,079.4	193.9	21.9%		1,079.4	193.9	21.9%	38.3	3.5%	36.6	3.3%
Fleet Disposal	90.8	89.2		89.2	(1.5)	(1.7%)		89.2	(1.5)	(1.7%)	3.4	3.8%	3.3	3.5%
Fleet Maintenance	(541.5)	(1,074.8)	125.3	(949.5)	(408.0)	75.3%		(949.5)	(408.0)	75.3%	(107.0)	11.3%	(86.0)	8.1%
Vehicle Safety	(392.9)	(369.7)		(369.7)	23.2	(5.9%)		(369.7)	23.2	(5.9%)	50.0	-13.5%	47.9	(15.0%)
<b>Total Net Exp.</b>	<b>41.9</b>	<b>(75.6)</b>	<b>(74.9)</b>	<b>(150.5)</b>	<b>(192.4)</b>	<b>(459.4%)</b>		<b>(150.5)</b>	<b>(192.4)</b>	<b>(459.4%)</b>	<b>(15.4)</b>	<b>10.2%</b>	<b>1.9</b>	<b>(1.1%)</b>
<b>Approved Positions</b>	<b>191.0</b>	<b>184.8</b>	<b>(8.0)</b>	<b>176.8</b>	<b>14.2</b>	<b>7.4%</b>		<b>176.8</b>	<b>14.2</b>	<b>7.4%</b>	<b>(2.8)</b>	<b>-1.6%</b>		

Fleet Management's 2017 Operating Budget of \$37.806 million gross and (\$0.151) million net is \$0.192 million under the 2016 Approved Net Budget.

- Base budget pressures in Fleet Management are primarily attributable to salary and benefit increases of \$0.618 million and higher fuel demand and maintenance costs.
- These pressures were more than offset by increased recoveries from various divisions and agencies, as well as savings from the implementation of the Alternate Service Delivery Model.
- Increases in fleet maintenance costs in response to Program needs were offset by corresponding increases in interdivisional recoveries.

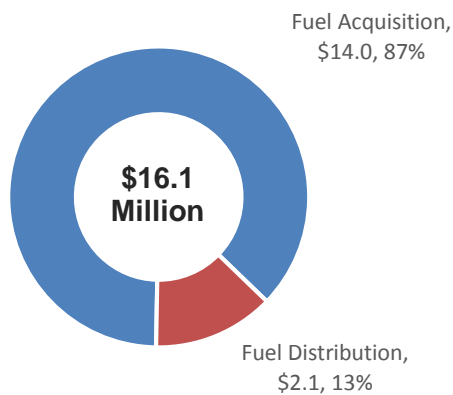
### Fuel Management



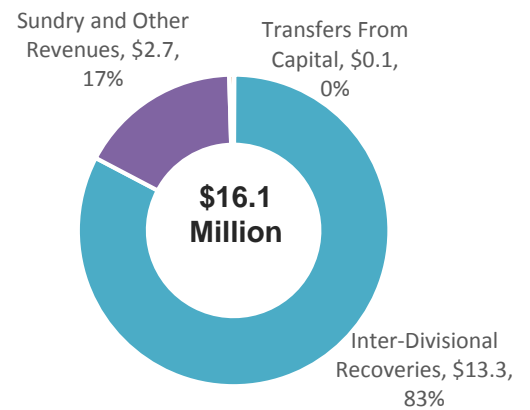
#### What We Do

- Provide fuel to support divisional operations and oversight at all City-owned fuel sites.

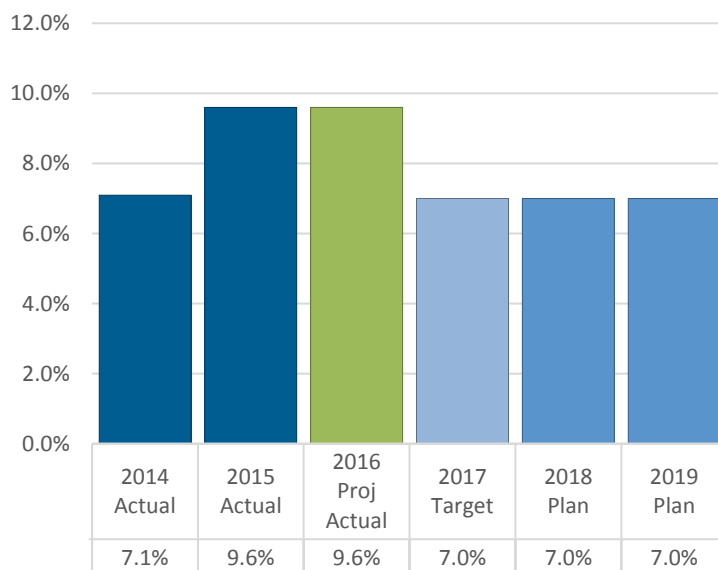
2017 Service Budget by Activity (\$Ms)



Service by Funding Source (\$Ms)



#### Discount Over Market Price for Gasoline Fuel



- Discount over market price for gasoline fuel for 2017 - 2019 is forecast at 7% to reflect actual experience in the market place given the amount of fuel purchased by the City.
- The higher percentage in 2015 & 2016 are due to the lower hedged price for the fuel contracts.

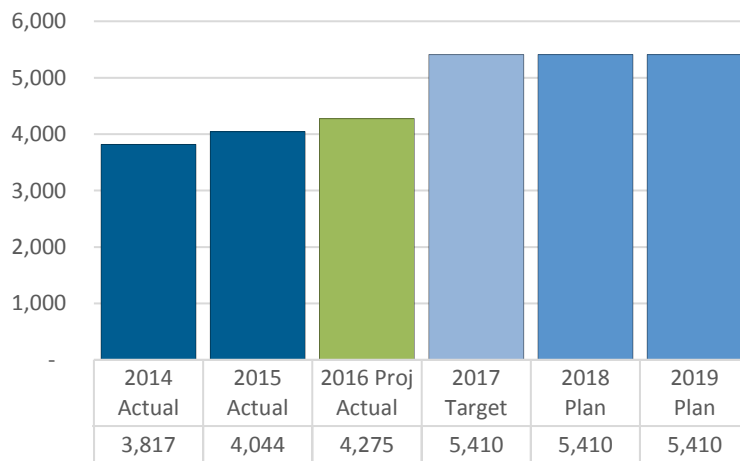
### 2017 Service Levels Fuel Management

Activity	Type	Status	2014	2015	2016	2017
Fuel Acquisition	Gasoline Contract below market price	Approved	5%	5%	5%	7%
		Actual	7%	10%	10%	
	Diesel Contract below market price	Approved	8%	8%	8%	8%
		Actual	9%	11%	12%	
Fuel Distribution	Litres of Gasoline Dispensed (millions)	Approved	3.9	3.8	4.3	5.4
		Actual	3.8	4.0	4.3	
	Litres of Diesel Dispensed (millions)	Approved	10.7	10.6	10.8	10.1
		Actual	10.8	11.4	10.8	

The following 2017 Service Levels have changed with the approved 2016 Service Levels for Fuel Management:

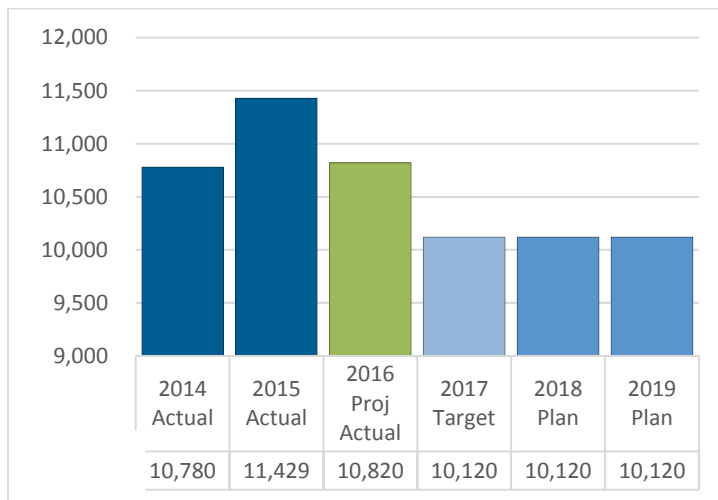
- The Gasoline Contract below Market Price will increase due to better pricing received from our fuel contract in comparison to the pricing at commercial fuel sites.
- The target volume of gasoline dispensed reflects increased demand from City Programs.
- The target volume of diesel dispensed will decrease due to the transition of Solid Waste Management Services vehicles from diesel to compressed natural gas.

Amount of Gasoline Fuel Acquired (in 000s)



- An average of 4.0 million litres of gasoline was acquired between 2014 and 2016 and an average 5.4 million litres of gasoline is projected to be acquired in years 2017 – 2019

Amount of Diesel Fuel Distributed (in 000s)



- An Average of 11.0 million litres of diesel fuel was acquired in 2014 - 2016 and an average 10.1 million litres of diesel fuel is projected to be acquired in years 2017 - 2019.
- Fuel Services continues the Fuel Hedging program to minimize the impacts of fluctuating fuel market prices.

**Table 6**  
**2017 Preliminary Service Budget by Activity**

(\$000s)	2016		2017 Preliminary Operating Budget							Incremental Change				
	Budget	Base Budget	Service Changes	Preliminary Base	Prelim. Base Budget vs. 2016 Budget		New/Enhanced	Prelim. Budget	2017 Prelim. Budget vs. 2016 Budget		2018 Plan		2019 Plan	
					\$	%			\$	%	\$	%	\$	%
<b>GROSS EXP.</b>														
Fuel Acquisition	13,813.3	15,532.4	(1,534.4)	13,998.0	184.8	1.3%		13,998.0	184.8	1.3%	463.7	3.3%	465.8	3.2%
Fuel Distribution	2,443.9	2,636.7	(534.2)	2,102.5	(341.4)	(14.0%)		2,102.5	(341.4)	(14.0%)	(286.1)	-13.6%	(172.9)	(9.5%)
<b>Total Gross Exp.</b>	<b>16,257.2</b>	<b>18,169.1</b>	<b>(2,068.5)</b>	<b>16,100.6</b>	<b>(156.6)</b>	<b>(1.0%)</b>		<b>16,100.6</b>	<b>(156.6)</b>	<b>(1.0%)</b>	<b>177.6</b>	<b>1.1%</b>	<b>292.9</b>	<b>1.8%</b>
<b>REVENUE</b>														
Fuel Acquisition	13,538.9	(34.0)		(34.0)	(13,572.9)	(100.3%)		(34.0)	(13,572.9)	(100.3%)		0.0%		
Fuel Distribution	2,760.2	18,127.5	(1,971.4)	16,156.1	13,395.9	485.3%		16,156.1	13,395.9	485.3%	590.3	3.7%	483.7	2.9%
<b>Total Revenues</b>	<b>16,299.1</b>	<b>18,093.5</b>	<b>(1,971.4)</b>	<b>16,122.1</b>	<b>(177.0)</b>	<b>(1.1%)</b>		<b>16,122.1</b>	<b>(177.0)</b>	<b>(1.1%)</b>	<b>590.3</b>		<b>483.7</b>	<b>2.8%</b>
<b>NET EXP.</b>														
Fuel Acquisition	274.4	15,566.4	(1,534.4)	14,032.0	13,757.7	5014.3%		14,032.0	13,757.7	5014.3%	463.7	3.3%	465.8	3.2%
Fuel Distribution	(316.2)	(15,490.8)	1,437.3	(14,053.5)	(13,737.3)	4343.9%		(14,053.5)	(13,737.3)	4343.9%	(876.4)	6.2%	(656.6)	4.4%
<b>Total Net Exp.</b>	<b>(41.9)</b>	<b>75.6</b>	<b>(97.1)</b>	<b>(21.5)</b>	<b>20.4</b>	<b>(48.7%)</b>		<b>(21.5)</b>	<b>20.4</b>	<b>(48.7%)</b>	<b>(412.7)</b>	<b>1920.1%</b>	<b>(190.8)</b>	<b>30.5%</b>
<b>Approved Positions</b>	<b>3.0</b>	<b>4.2</b>		<b>4.2</b>	<b>1.2</b>	<b>40.0%</b>		<b>4.2</b>	<b>1.2</b>	<b>40.0%</b>	<b>(0.2)</b>	<b>(4.8%)</b>		

The Fuel Management's 2017 Operating Budget of \$16.101 million gross and \$0.022 million net is \$0.020 million or 48.7% over the 2016 Approved Net Budget.

- Base budget pressures in Fuel Management are primarily attributable to increased fuel consumption for Fire Services that now utilize the Fleet fuel program.
- These pressures were offset by an increase in recoveries from various divisions and agencies \$3.196 million, as well as savings from the implementation of the Alternate Service Delivery Model (\$0.172 million).
- Increases in fleet maintenance in response to Program needs were offset by corresponding increases in interdivisional recoveries.



# Part 3:

## Issues for Discussion

## Issues Impacting the 2017 Budget

### ***Budget Reduction Target***

- At its meeting on July 12, 2016, the "2017 Budget Process: Budget Directions and Schedule" staff report (EX16.37) was submitted for consideration and adopted by City Council regarding the establishment of the 2017 Budget Process and the scheduling of the review and approval of the Tax and Rate Supported 2017 Operating Budget and 2017-2026 Capital Budget and Plan for the City of Toronto. (<http://www.toronto.ca/legdocs/mmis/2016/ex/bgrd/backgroundfile-94519.pdf>)
- City Council adopted an across the board budget reduction target of -2.6% net below the 2016 Approved Net Operating Budgets for all City Programs and Agencies utilizing strategies including but not limited to controlling expenditures through cost saving measures, and exploring all services for efficiency savings including opportunities from business process reengineering, streamlining, transformation and innovation to service delivery.
- Fleet Services' 2017 Preliminary Operating Budget is \$53.907 million gross and (\$0.172) million net, representing \$0.172 million decrease from the 2016 Approved Net Operating Budget. The Program identified many reduction strategies in order to meet the reduction target of -2.6%, as set out in the 2017 Operating Budget Directions approved by Council for all City Programs, Agencies and Accountability Offices.
- The next two sections describe the actions taken by Fleet Services to improve client service delivery by employing strategies to reduce costs and provide efficiencies across the City.

### ***Alternate Service Delivery Model for Fleet Maintenance***

- City Council, at its meeting of October 5, 2016 adopted the report GM 14.1 "Fleet Services Review - Detailed Implementation Plan for the Fleet Services Strategy" that recommended 2 key actions:
  - A detailed implementation plan for the Fleet Services Division to achieve best practices, based on future mode of operation by employing strategies pertaining to organization, client service delivery, operational processes and business practices, corporate partnership, supplier management, cost, and program sustainability; and
  - An alternative service delivery model to improve maintenance practices, client service delivery and availability. Over the medium term, this model is expected to facilitate fleet optimization improvements, enhance vehicle condition and resale values, and reduce vehicle downtime.
  - To give effect to the above two actions, Council approved contracting out of all preventative maintenance and repairs of Non-Specialized Class 1-2 vehicles, managed in-house utilizing City contracts resulting in a net staff reduction of 2 positions in 2017; and
  - Directed the General Manager, Fleet Services Division to include the 2017 implementation impacts of the alternative service delivery model, as identified in the report and noted in the following table, for consideration, as part of the 2017 Budget Process. Attached is the link to the staff report for details: <http://www.toronto.ca/legdocs/mmis/2016/gm/bgrd/backgroundfile-94260.pdf>.

**Table 7**  
**Savings from Alternate Service Delivery Model 2017-2021**

	2017	2018	2019	2020	2021
<b>Upfront cost</b>					
Salvage value	\$ (5,000)				
Training & Professional Development	\$ 6,000				
<b>Total One-Time Upfront Cost:</b>	<b>\$ 1,000</b>				
<b>Operating Cost</b>					
Training & Professional Development	\$ 21,354	\$ 42,708	\$ 64,062	\$ 85,416	\$ 106,770
Parts	\$ 77,306	\$ 154,612	\$ 231,917	\$ 309,223	\$ 386,529
<b>Total Operating Cost</b>	<b>\$ 98,660</b>	<b>\$ 197,319</b>	<b>\$ 295,979</b>	<b>\$ 394,639</b>	<b>\$ 493,299</b>
<b>Operating Savings</b>					
Service Delivery	\$ (263,135)	\$ (526,269)	\$ (789,404)	\$ (1,052,538)	\$ (1,315,673)
Preventative Maintenance	\$ (327,716)	\$ (655,432)	\$ (983,148)	\$ (1,310,865)	\$ (1,638,581)
Complement	\$ (81,905)	\$ (163,810)	\$ 163,810	\$ (163,810)	\$ (163,810)
Tools	\$ (4,218)	\$ (8,435)	\$ (12,653)	\$ (16,870)	\$ (21,088)
Facilities	\$ (16,000)	\$ (32,000)	\$ (48,000)	\$ (64,000)	\$ (80,000)
Fleet Size Optimization	\$ (200,000)	\$ (400,000)	\$ (600,000)	\$ (800,000)	\$ (1,000,000)
<b>Total Cumulated Operating Savings</b>	<b>\$ (892,973)</b>	<b>\$ (1,785,946)</b>	<b>\$ (2,269,395)</b>	<b>\$ (3,408,083)</b>	<b>\$ (4,219,151)</b>
<b>Net Cumulated Operating Savings</b>	<b>\$ (794,313)</b>	<b>\$ (1,588,627)</b>	<b>\$ (2,301,035)</b>	<b>\$ (3,013,444)</b>	<b>\$ (3,725,852)</b>
<b>Incremental Operating Savings</b>	<b>\$ (794,313)</b>	<b>\$ (794,313)</b>	<b>\$ (712,408)</b>	<b>\$ (712,408)</b>	<b>\$ (712,408)</b>

- The preliminary estimates noted in Table 7 above indicate City-wide savings of \$3.726 million by 2021.
- While the report assumed an implementation start date of July 1, 2017 for this service delivery model, Council approval was not received until October 2016, necessitating a change in the start date to October 1, 2017, and resulting in prorated savings for 2017 and future years, totaling \$1.905 million savings for 2017 – 2019.
- The 2017 Preliminary Operating Budget Submission for Fleet Services includes savings of \$0.172 million assuming an implementation date of October 2017 for the alternative service delivery model for Tax-Supported Programs. Savings of \$0.146 million are included in the 2017 Preliminary Operating Budget for Solid Waste and \$0.079 million in the 2017 Preliminary Operating Budget for Toronto Water as noted in Table 8 below.
- This initiative will result in future year savings of \$0.425 million in 2018 and \$0.185 million in 2019 for Tax-Supported Programs; and \$0.370 million in 2018 and \$0.528 million in 2019 for Rate Supported Programs.

**Table 8**  
**Revised Savings from Alternate Service Delivery Model 2017-2019**

<b>Savings by Programs/Agencies</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>
City Clerks Office	825	2,863	3,751
City Managers Office	22	75	98
Eco. Devt. & Culture	269	933	1,223
Engineering & Constr. Services	3,264	11,325	14,838
Facilities Mgmt & Real Estate	7,542	26,172	34,291
Information & Technology	131	453	594
Mayors Office	49	171	224
Municipal Licensing & Stds	8,294	28,781	37,709
Parks, Forestry & Recreation	75,850	263,204	344,857
Policy, Planning, Fin. & Admin	442	1,533	2,008
Public Health	1,877	6,513	8,534
Purchasing And Materials Mgmt	1,275	4,424	5,797
Revenue Services	31	107	140
Shelter, Sup., & Housing Admin	510	1,771	2,321
Toronto Building	737	2,557	3,350
Toronto Housing Company	9,506	32,987	43,220
Toronto Public Library	2,588	8,980	11,766
Transportation Services	58,798	204,033	267,329
<b>Sub-Total Tax-Supported Programs</b>	<b>172,010</b>	<b>596,882</b>	<b>782,051</b>
Solid Waste Management	145,638	436,915	728,191
Toronto Water	78,852	157,703	394,258
<b>Sub-total Rate Supported Programs</b>	<b>224,490</b>	<b>594,618</b>	<b>1,122,449</b>
<b>Total Cumulative Savings</b>	<b>396,500</b>	<b>1,191,500</b>	<b>1,904,500</b>
<b>Incremental Savings</b>	<b>396,500</b>	<b>795,000</b>	<b>713,000</b>

- These savings are expected to be achieved from a reduction in downtime and improvements in preventative maintenance and repair and will need to be transferred to the respective Tax-Supported Programs and Agencies in year, after the approval of the 2017 Budget.
- It is recommended that City Council approve the budget transfer of \$0.172 million gross and net reflecting the savings resulting from the implementation of the Alternate Service Delivery Model as noted in table above from the respective non-rate client programs to Fleet Services.

**Fleet Rationalization/Reduction across the City**

- City Council, at its meeting of July 12, 13, 14 and 15, 2016 in approving EX16.37, "2017 Budget Process - Budget Directions and Schedule", adopted an across the board budget reduction target of -2.6 percent net below the 2016 Approved Net Operating Budgets and directed that strategies be employed to achieve the -2.6% target by exploring all services for efficiency savings including opportunities from service delivery rationalization and restructuring.
- The 2017 Budget Guidelines issued by the Financial Planning Division included strategies to achieve Council's budget target for the 2017 process including a 2% reduction in fleet based on the use of Fleet Services Division's (FSD) new CarShare program and other rationalization measures.
- Fleet Services in collaboration with Financial Planning Division and City Divisions reviewed the current fleet inventory to identify underutilized, high maintenance older vehicles which could be eliminated and disposed without impacting services. Currently the City has a total of 1,958 light duty vehicles as noted in the table below.
- The 2017 Preliminary Operating Budget includes a reduction of 49 vehicles representing a 2.5% fleet elimination that will generate savings in maintenance and fuel costs for these vehicles.

**Table 9  
Fleet Reductions**

	<b># of Vehicles</b>	<b>Savings \$</b>
Toronto Water	34	\$ 217,818
Facilities Management & Real Estate	2	\$ 10,038
Engineering & Construction Services	9	\$ 29,211
Transportation Services	4	\$ 151,776
<b>Total number of vehicle reduction</b>	<b>49</b>	<b>\$ 408,843</b>
Total City Owned Light Duty Vehicles	1,958	
<b>% of vehicle reduction</b>	<b>2.5%</b>	

- Table 9 above illustrates the savings by division totaling \$0.409 million in 2017 have been reflected in the 2017 Preliminary Operating Budgets of the client divisions.

**Car Share Program**

- At its meeting on July 6, 7, and 9, 2015, City Council authorized Fleet Services in consultation with Purchasing and Materials Management, to issue a Request for Proposal (RFP) for a city-wide car share program for City of Toronto Divisions and Agencies, including potential use of car share technology in managing City-owned vehicles. Attached is the link to the staff report for details: <http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2015.GM5.21>.



- At its meeting on May 3, 4 and 5, 2016, City Council authorized Fleet Services to enter into separate non-exclusive agreements with each of the Province of Ontario's Vendors of Record for Car Share: Enterprise and Zipcar. Attached is the link to the staff report for details:  
<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2016.GM11.10>.
  - The goal of this initiative is to provide alternatives to using City pool vehicles or an employee's personal vehicle for business travel. This program is available to all City of Toronto employees required to travel for business purposes.
  - Future savings are anticipated as a result of a reduction in costs associated with other modes of transportation employed by the City. Actual savings will depend on the actual application, type of vehicle, vehicle kilometres, and overall trip management.
- Following a one full year of implementation of the car share program, Fleet Services Division in conjunction with Financial Planning Division will analyze costs and benefits of the CarShare program and work with Divisions and Agencies to capture the sustainable savings realized. These savings will be included in future year budget submissions.
- Table 9 below demonstrates the potential savings of using car sharing, by comparing the annual cost of using car sharing compared to a City owned vehicle, and car rental. The potential lowest options have been highlighted.

**Table 9  
Potential Savings of Using CarShare**

Annual Kilometres Driven	CarShare Compact Car	City Owned Compact Car	Rental Compact Car
2,000	1,840	5,336	8,804
4,000	3,680	5,548	9,016
6,000	5,520	5,760	9,228
8,000	7,630	5,973	9,441
10,000	9,200	6,185	9,653



# Appendices

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# Appendix 1

## 2016 Service Performance

### Key Service Accomplishments

In 2016, Fleet Services accomplished the following:

- ✓ Developed and obtained Council approval of an alternate service delivery model for all preventative maintenance and repairs for non-specialized class 1-2 vehicles. For Class 1-2 vehicles, this reliability centered maintenance approach will reduce vehicle downtime by 67% at the end of the 5 year phased-in implementation. These changes will result in improved service delivery and reduced city-wide costs.
- ✓ Developed and received approval for a new chargeback/operating cost model that will help to drive efficiencies and fleet optimization through improved transparency and accountability.
- ✓ Implemented the City's first car share program for use by all Divisions.
- ✓ Integrated the fueling of over 500 TTC assets at Fleet Services Division (FSD) Fuel sites
- ✓ Completed the integration of all Fire Services vehicles to FSD fuel sites.
- ✓ Completed of fuel site upgrades & closures. Fleet now utilizes 1 software & hardware program to manage 23 City-wide fuel sites that fuel over 13,000 assets. All sites now have above ground fuel storage tanks that reduce soil contamination, combined with technology that allows for secure, real-time, fuel and data management.
- ✓ Through leadership in city-wide Fleet Shared Services, continued to leverage procurement leadership to provide TTC, TPA, Toronto Fire Services, Toronto Paramedic Services, Exhibition Place and the Toronto Zoo the ability to procure vehicles or equipment based on existing FSD specifications.

## Appendix 2

### 2017 Preliminary Operating Budget by Expenditure Category

#### Program Summary by Expenditure Category

Category of Expense (\$000's)	2014	2015	2016	2016	2017	2017 Change		Plan	
	Actual	Actual	Budget	Projected Actual *	Preliminary Budget	from 2016 Budget	%	2018	2019
	\$	\$	\$	\$	\$	\$		\$	\$
Salaries And Benefits	16,203.8	16,642.2	18,676.2	17,013.8	19,206.4	530.2	2.8%	(420.5)	476.2
Materials & Supplies	26,717.3	26,102.1	23,306.7	24,710.1	25,182.8	1,876.1	8.0%	109.7	(21.2)
Equipment	47.6	99.4	58.7	187.9	89.7	31.0	52.7%	(1.0)	
Service And Rent	8,592.7	8,831.4	6,939.4	8,707.5	6,657.8	(281.6)	(4.1%)	(63.5)	21.0
Contribution To Reserves/Reserve Funds	946.3	938.2	2,476.3	2,476.3	2,127.6	(348.7)	(14.1%)	(270.7)	(185.1)
Other Expenditures	0.1						-		
Inter-Divisional Charges	470.7	502.6	630.8	725.8	642.6	11.8	1.9%	3.9	4.0
<b>Total Gross Expenditures</b>	<b>52,978.5</b>	<b>53,115.9</b>	<b>52,088.1</b>	<b>53,821.5</b>	<b>53,906.9</b>	<b>1,818.8</b>	<b>3.5%</b>	<b>(642.0)</b>	<b>294.8</b>
Inter-Divisional Recoveries	51,331.5	50,869.1	48,294.9	50,123.1	48,357.6	62.6	0.1%	508.9	404.4
Transfers From Capital	562.9	183.9					-	(826.8)	1.3
Contribution From Reserves/Reserve Funds		33.7					-		
Sundry and Other Revenues	2,442.3	2,430.4	3,793.2	3,540.4	5,721.3			103.9	78.0
<b>Total Revenues</b>	<b>54,336.7</b>	<b>53,517.1</b>	<b>52,088.1</b>	<b>53,663.5</b>	<b>54,078.9</b>	<b>62.6</b>	<b>0.1%</b>	<b>(214.0)</b>	<b>483.7</b>
<b>Total Net Expenditures</b>	<b>(1,358.2)</b>	<b>(401.2)</b>	<b>(0.0)</b>	<b>158.0</b>	<b>(172.0)</b>	<b>1,756.1</b>		<b>(428.1)</b>	<b>(188.9)</b>
<b>Approved Positions</b>	<b>158.0</b>	<b>165.0</b>	<b>194.0</b>	<b>182.0</b>	<b>181.0</b>	<b>(13.0)</b>	<b>(6.7%)</b>	<b>178.0</b>	<b>178.0</b>

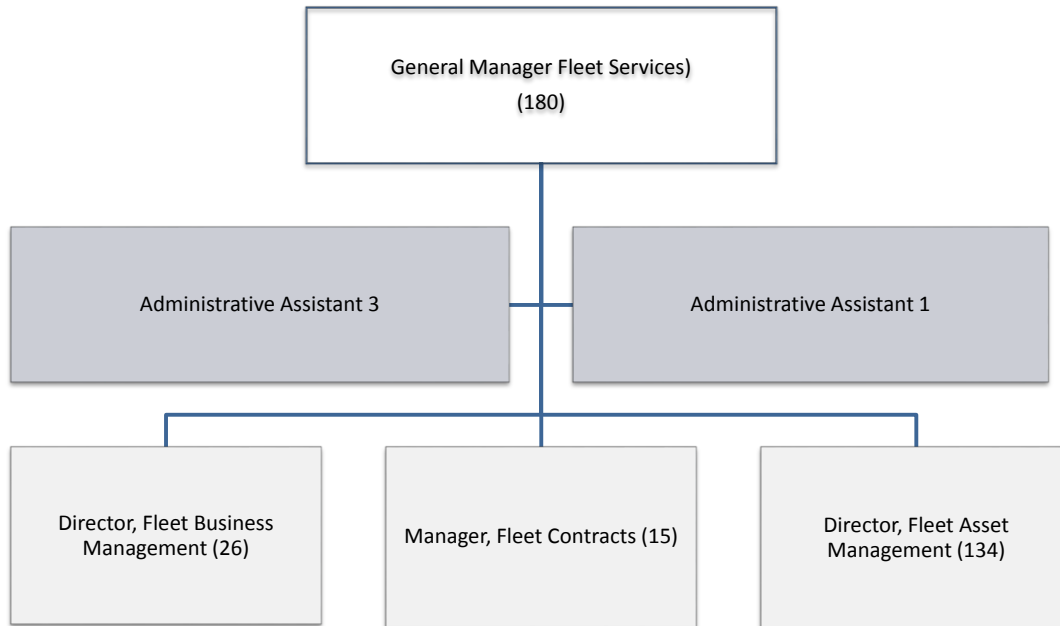
For additional information regarding the 2016 Q3 operating variances and year-end projections, please refer to the attached link for the report entitled "Operating Variance Report for the Nine-Month Period Ended September 30, 2016" considered by City Council at its meeting on December 13, 2016. Attached is the link to the staff report for details: <http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2016.BU26.4>

#### Impact of 2016 Operating Variance on the 2017 Preliminary Operating Budget

Fleet Services anticipated an unfavorable variance of \$0.158 million resulting from increased repair costs which are not chargeable back to the client divisions through maintenance rates. As part of the 2017 budget process, Fleet Services has revised the fixed monthly rates to cover the true costs of maintaining the aging fleet.

## Appendix 3

### 2017 Organization Chart



### 2017 Total Complement

Category	Senior Management	Management	Exempt Professional & Clerical	Union	Total
Permanent	1.0	24.0	9.0	133.0	167.0
Temporary		5.0		9.0	14.0
<b>Total</b>	1.0	29.0	9.0	142.0	181.0

# Appendix 4

## Summary of 2017 Service Changes

## 2017 Operating Budget - Preliminary Service Changes Summary by Service (\$000's)

Form ID		Internal Focused Services  Program - Fleet Services	Adjustments				2018 Plan Net Change	2019 Plan Net Change
Category	Priority		Gross Expenditure	Revenue	Net	Approved Positions		
<b>2017 Preliminary Base Budget Before Service Changes:</b>			<b>57,410.4</b>	<b>57,410.4</b>	<b>0.0</b>	<b>189.00</b>	<b>(3.2)</b>	<b>(3.8)</b>
11053	Fuel Price Reduction of \$0.01/L to \$1.03/L							
51	0	<b>Description:</b>						
Fuel price reduction of \$0.01/L from \$1.04/Litre to \$1.03/Litre which will result in a one-time reduction to the contribution to Fleet's reserves.								
<b>Service Level Impact:</b>								
No change in service level								
<b>Service:</b> FL-Fuel Management								
		Preliminary Service Changes	(171.4)	(171.4)	0.0	0.00	(0.0)	0.0
<b>Total Preliminary Service Changes:</b>			<b>(171.4)</b>	<b>(171.4)</b>	<b>0.0</b>	<b>0.00</b>	<b>(0.0)</b>	<b>0.0</b>
<hr/>								
11152	Taxi Inspection Centre Elimination							
51	0	<b>Description:</b>						
According to the New Vehicle-for-Hire Bylaw adopted by Council on May 3, 2016, taxi inspection is no longer required by the City. Consequently, 6 positions (5 mechanics and 1 coordinator) will be eliminated resulting in savings of \$0.650 million.								
<b>Service Level Impact:</b>								
Fleet Services no longer provide to the Taxi inspection service, as per council approval.								
<b>Service:</b> FL-Fleet Management								
		Preliminary Service Changes	(649.6)	(649.6)	0.0	(6.00)	0.0	(0.0)
<b>Total Preliminary Service Changes:</b>			<b>(649.6)</b>	<b>(649.6)</b>	<b>0.0</b>	<b>(6.00)</b>	<b>0.0</b>	<b>(0.0)</b>
<hr/>								
11156	Reduction for Haulage, Transfer & Disposal for Solid Waste							
51	0	<b>Description:</b>						
Reduction in the overhead cost allocated to Solid Waste Haulage vehicles due to efficiencies identified in Fleet Services, will result in saving of \$0.083 million.								

## 2017 Operating Budget - Preliminary Service Changes Summary by Service (\$000's)

Form ID		Internal Focused Services  Program - Fleet Services	Adjustments				2018 Plan Net Change	2019 Plan Net Change
Category	Priority		Gross Expenditure	Revenue	Net	Approved Positions		
		<b>Service Level Impact:</b>						
		No change in service level						
		<b>Service:</b> FL-Fleet Management						
		Preliminary Service Changes	(83.1)	(83.1)	0.0	0.00	0.0	0.0
		<b>Total Preliminary Service Changes:</b>	<b>(83.1)</b>	<b>(83.1)</b>	<b>0.0</b>	<b>0.00</b>	<b>0.0</b>	<b>0.0</b>

11191	Fleet Motor Pool Reduction Through CarShare Program							
51	0	<b>Description:</b>	With the implementation of the Car Share program, Fleet Services is phasing out the internal vehicle rental program (Fleet Owned motor pool vehicles); any vehicles used for this purpose and past useful life will not be replaced after 2017. As a result, the contribution in Fleet Service Operating Budget for the replacement of these vehicles is no longer required.					
		<b>Service Level Impact:</b>						
		It is anticipated that there will be no impact on the level of service provided by Fleet Services.						
		<b>Service:</b> FL-Fleet Management						
		Preliminary Service Changes	(215.9)	(218.6)	2.7	0.00	(0.0)	0.0
		<b>Service:</b> FL-Fuel Management						
		Preliminary Service Changes	(27.0)	(24.3)	(2.7)	0.00	0.0	0.0
		<b>Total Preliminary Service Changes:</b>	<b>(242.8)</b>	<b>(242.8)</b>	<b>0.0</b>	<b>0.00</b>	<b>0.0</b>	<b>0.0</b>

11206	Fleet Rationalization - Transportation							
51	0	<b>Description:</b>	Through fleet rationalization, Transportation Services is reducing its fleet size by 4 street sweepers, which will result in maintenance cost and fuel savings for these vehicles.					
		<b>Service Level Impact:</b>						
		No change in service level						



## 2017 Operating Budget - Preliminary Service Changes Summary by Service (\$000's)

Form ID		Internal Focused Services  Program - Fleet Services	Adjustments				2018 Plan Net Change	2019 Plan Net Change
Category	Priority		Gross Expenditure	Revenue	Net	Approved Positions		
		<b>Service:</b> FL-Fleet Management						
		Preliminary Service Changes	(151.8)	(151.8)	0.0	0.00	(0.0)	0.0
		<b>Total Preliminary Service Changes:</b>	<b>(151.8)</b>	<b>(151.8)</b>	<b>0.0</b>	<b>0.00</b>	<b>(0.0)</b>	<b>0.0</b>

11207	Fleet Rationalization - Facilities							
51	0	<b>Description:</b>						
		Through fleet rationalization, Facilities is reducing its fleet size by 2 Class 2 vehicles, which will result in maintenance cost and fuel savings for these vehicles.						
		<b>Service Level Impact:</b>						
		No change in service level						
		<b>Service:</b> FL-Fleet Management						
		Preliminary Service Changes	(10.0)	(10.0)	(0.0)	0.00	0.0	0.0
		<b>Total Preliminary Service Changes:</b>	<b>(10.0)</b>	<b>(10.0)</b>	<b>(0.0)</b>	<b>0.00</b>	<b>0.0</b>	<b>0.0</b>

11210	Fleet Rationalization - ECS							
51	0	<b>Description:</b>						
		Through fleet rationalization, Engineering & Construction Services is reducing its fleet size by 10 vehicles (2 Mini vans and 8 Class 2/3 vehicles), which will result in maintenance cost and fuel savings for these vehicles.						
		<b>Service Level Impact:</b>						
		No change in service level						
		<b>Service:</b> FL-Fleet Management						
		Preliminary Service Changes	(29.2)	(29.2)	0.0	0.00	0.0	0.0
		<b>Total Preliminary Service Changes:</b>	<b>(29.2)</b>	<b>(29.2)</b>	<b>0.0</b>	<b>0.00</b>	<b>0.0</b>	<b>0.0</b>

## 2017 Operating Budget - Preliminary Service Changes Summary by Service (\$000's)

Form ID		Internal Focused Services  Program - Fleet Services	Adjustments				2018 Plan Net Change	2019 Plan Net Change
Category	Priority		Gross Expenditure	Revenue	Net	Approved Positions		
11265		Fleet Rationalization - TW						
51	0	<b>Description:</b>						
<p>Through fleet rationalization, Toronto Water is reducing its fleet size by 34 vehicles (12 Class 1, 1 class 6/7, 1 class 8 and 20 off-road vehicles), which will result in maintenance cost and fuel savings for these vehicles.</p> <p><b>Service Level Impact:</b> There will be no impact on the level of service provided.</p> <p><b>Service:</b> FL-Fleet Management</p>								
Preliminary Service Changes			(217.8)	(217.8)	0.0	0.00	0.0	0.0
<b>Total Preliminary Service Changes:</b>			<b>(217.8)</b>	<b>(217.8)</b>	<b>0.0</b>	<b>0.00</b>	<b>0.0</b>	<b>0.0</b>

11371		Contracting Out Preventive Maintenance & Repairs						
51	0	<b>Description:</b>						
<p>The preventative maintenance and repairs of non-specialized class 1-2 vehicles will be contracting out effective Q2 2017, so that internal capacity can be more focused on preventative maintenance and repairs on heavy duty and specialized vehicles. As a result, 2 net permanent/vacant positions will be eliminated.</p> <p><b>Service Level Impact:</b> There will be no impact on the level of service provided.</p> <p><b>Service:</b> FL-Fleet Management</p>								
Preliminary Service Changes			0.0	0.0	0.0	(2.00)	(0.0)	0.0
<b>Total Preliminary Service Changes:</b>			<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>(2.00)</b>	<b>(0.0)</b>	<b>0.0</b>

11411		Transfer of Compress Natural Gas Fuel Sites to SWM					
51	0	<b>Description:</b>					
<p>Solid Waste Management will assume the management of 2 Compressed Nature Gas (CNG) fuel sites, including invoice payment and site maintenance and management with Enbridge. Solid Waste is currently managing most of the CNG fuel sites, it is more cost efficient to leverage on their current resources and expertise. As a result, this will generate savings of \$1.776 million.</p>							

## 2017 Operating Budget - Preliminary Service Changes Summary by Service (\$000's)

Form ID		Internal Focused Services  Program - Fleet Services	Adjustments				2018 Plan Net Change	2019 Plan Net Change
Category	Priority		Gross Expenditure	Revenue	Net	Approved Positions		
<b>Service Level Impact:</b>		Following this transfer, SWM will assume management of CNG fuel sites.						
<b>Service:</b> FL-Fleet Management								
Preliminary Service Changes		(77.6)	0.0	(77.6)	0.00	0.0	0.0	
<b>Service:</b> FL-Fuel Management								
Preliminary Service Changes		(1,698.1)	(1,775.7)	77.6	0.00	(0.0)	0.0	
<b>Total Preliminary Service Changes:</b>		<b>(1,775.7)</b>	<b>(1,775.7)</b>	<b>(0.0)</b>	<b>0.00</b>	<b>(0.0)</b>	<b>0.0</b>	

11638	Savings from the ASD Implementation							
51	0	<b>Description:</b>						
The implementing of the Alternate Service Delivery Model by contracting out of all preventative maintenance and repairs of Non-Specialized Class 1-2 vehicles will result in savings of \$0.172 million in 2017. The savings will be reallocated to the impacted non-rate programs after the approval of the 2017 budget.								
<b>Service Level Impact:</b>		By contracting out these services, an improvement in turnaround time of 33% at the end of the 5-year phased implementation will be achieved.						
<b>Service:</b> FL-Fuel Management								
Preliminary Service Changes		(172.0)	0.0	(172.0)	0.00	(424.9)	(185.2)	
<b>Total Preliminary Service Changes:</b>		<b>(172.0)</b>	<b>0.0</b>	<b>(172.0)</b>	<b>0.00</b>	<b>(424.9)</b>	<b>(185.2)</b>	

<b>Summary:</b>							
<b>Total Preliminary Service Changes</b>		<b>(3,503.5)</b>	<b>(3,331.5)</b>	<b>(172.0)</b>	<b>(8.00)</b>	<b>(424.9)</b>	<b>(185.2)</b>
<b>Total Preliminary Base Budget:</b>		<b>53,906.9</b>	<b>54,078.9</b>	<b>(172.0)</b>	<b>181.00</b>	<b>(428.1)</b>	<b>(188.9)</b>

## Appendix 6

### Inflows/Outflows to/from Reserves & Reserve Funds

#### Program Specific Reserve / Reserve Funds

Reserve / Reserve Fund Name (In \$000s)	Reserve / Reserve Fund Number	Projected Balance as of Dec. 31, 2016 *	Withdrawals (-) / Contributions (+)		
			2017	2018	2019
<b>Projected Beginning Balance</b>		<b>5,664.2</b>	<b>7,006.7</b>	<b>5,461.2</b>	<b>5,491.8</b>
Vehicle and Equipment Replacement	XQ0003				
<i>Proposed Withdrawals (-)</i>		(183.9)	(2,763.0)	(1,187.0)	(400.0)
<i>Contributions (+)</i>		1,526.4	1,217.5	1,217.5	1,217.5
<b>Total Reserve / Reserve Fund Draws / Contributions</b>		<b>7,006.7</b>	<b>5,461.2</b>	<b>5,491.8</b>	<b>6,309.3</b>
<b>Other Program / Agency Net Withdrawals &amp; Contributions</b>					
<b>Balance at Year-End</b>		<b>7,006.7</b>	<b>5,461.2</b>	<b>5,491.8</b>	<b>6,309.3</b>

\* Based on 9-month 2016 Reserve Fund Variance Report

Reserve / Reserve Fund Name (In \$000s)	Reserve / Reserve Fund Number	Projected Balance as of Dec. 31, 2016 *	Withdrawals (-) / Contributions (+)		
			2017	2018	2019
<b>Projected Beginning Balance</b>		<b>536.5</b>	<b>768.5</b>	<b>668.5</b>	<b>240.5</b>
Fleet Services - Fleet Replacement	XQ1503				
<i>Proposed Withdrawals (-)</i>		(7.8)	(100.0)	(428.0)	(240.5)
<i>Contributions (+)</i>		239.9	-	-	-
<b>Total Reserve / Reserve Fund Draws / Contributions</b>		<b>768.5</b>	<b>668.5</b>	<b>240.5</b>	<b>-</b>
<b>Other Program / Agency Net Withdrawals &amp; Contributions</b>					
<b>Balance at Year-End</b>		<b>768.5</b>	<b>668.5</b>	<b>240.5</b>	<b>-</b>

\* Based on 9-month 2016 Reserve Fund Variance Report

Reserve / Reserve Fund Name (In \$000s)	Reserve / Reserve Fund Number	Projected Balance as of Dec. 31, 2016 *	Withdrawals (-) / Contributions (+)		
			2017	2018	2019
<b>Projected Beginning Balance</b>		<b>641.5</b>	<b>200.1</b>	<b>380.1</b>	<b>(93.1)</b>
Toronto Community Housing Corp.-Fleet Replacement	XQ1707				
<i>Proposed Withdrawals (-)</i>		(1,041.4)	(620.0)	(1,273.1)	(1,245.7)
<i>Contributions (+)</i>		600.0	800.0	800.0	800.0
<b>Total Reserve / Reserve Fund Draws / Contributions</b>		<b>200.1</b>	<b>380.1</b>	<b>(93.1)</b>	<b>(538.8)</b>
<b>Other Program / Agency Net Withdrawals &amp; Contributions</b>					
<b>Balance at Year-End</b>		<b>200.1</b>	<b>380.1</b>	<b>(93.1)</b>	<b>(538.8)</b>

#### Corporate Reserve / Reserve Funds

Reserve / Reserve Fund Name (In \$000s)	Reserve / Reserve Fund Number	Projected Balance as of Dec. 31, 2016 *	Withdrawals (-) / Contributions (+)		
			2017	2018	2019
<b>Projected Beginning Balance</b>		<b>23,896.6</b>	<b>24,006.6</b>	<b>24,116.7</b>	<b>24,226.7</b>
Insurance Reserve Fund	XR1010				
<i>Proposed Withdrawals (-)</i>					
<i>Contributions (+)</i>		110.0	110.0	110.0	110.0
<b>Total Reserve / Reserve Fund Draws / Contributions</b>		<b>24,006.6</b>	<b>24,116.7</b>	<b>24,226.7</b>	<b>24,336.7</b>
<b>Other Program / Agency Net Withdrawals &amp; Contributions</b>					
<b>Balance at Year-End</b>		<b>24,006.6</b>	<b>24,116.7</b>	<b>24,226.7</b>	<b>24,336.7</b>