



## STAFF REPORT ACTION REQUIRED

### **Amendments to Fleet Services' 2013 Recommended Operating & Capital Budgets – Council Approved Transfer of Toronto Community Housing Corporation Fleet Management Responsibilities to Toronto Fleet Services**

<b>Date:</b>	January 7, 2013
<b>To:</b>	Budget Committee
<b>From:</b>	Acting Deputy City Manager and Chief Financial Officer
<b>Wards:</b>	All
<b>Reference Number:</b>	P:2013\Internal Services\Fleet\Bc13001Fleet

#### **SUMMARY**

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The purpose of this report is to request amendments be made to the Fleet Services' 2013 Recommended Operating and Capital Budgets, currently before the Budget Committee, to include the Council approved transfer of the ownership and management of all vehicles from the Toronto Community Housing Corporation (TCHC) to the City of Toronto commencing January 1, 2013 or as soon thereafter.

#### **RECOMMENDATIONS**

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**The Acting Deputy City Manager & Chief Financial Officer recommends that:**

1. Fleet Services' 2013 Recommended Operating Budget be amended to include the required funding of \$0.892 million gross and \$0 million net for fleet management expenses due to the transfer of ownership and management of all vehicles from the Toronto Community Housing Corporation to the City of Toronto.
2. Fleet Services' 2013 Recommended Capital Budget be amended to include the required funding for the Toronto Community Housing Corporation 2013-2022 Vehicle Replacement Program:

#### New Cash Flow Funding for:

- (i) 1 new project with 2013 project cost of \$0.830 million for the Toronto Community Housing Corporation 2013 Vehicle Replacement Program that requires cash flow of \$0.415 million in 2013 and a future year cash flow commitment of \$0.415 million in 2014, and
- (ii) 2014-2022 Recommended Capital Plan totalling \$3.775 million in project estimates for the Toronto Community Housing Corporation 2014-2022 Vehicle Replacement Programs, comprised of \$0.470 million in 2014; \$0.510 million in 2015; \$0.060 million in 2016; \$1.235 million in 2017; \$0.810 million in 2018; \$0.450 million in 2019; \$0.120 million in 2020; \$0.060 million in 2021; and \$0.060 million in 2022.

### **Financial Impact**

As a result of the Council approved transfer of fleet ownership and management of TCHC vehicles to Fleet Services on November 27, 2012, amendments to the Fleet Services' 2013 Recommended Operating and Capital Budgets, currently before the Budget Committee, are required to include the associated funding:

#### Fleet Services' 2013 Recommended Operating Budget

Fleet Services' 2013 Recommended Operating Budget be adjusted to reflect an increase of \$0.892 million in gross expenditures; an increase of \$0.892 million in gross revenues; and \$0 million net.

#### Fleet Services' 2013 Recommended Capital Budget

Fleet Services' 2013 Recommended Capital Budget be adjusted to include a new project cost of \$0.830 million for the TCHC 2013 Vehicle Replacement Program and total project estimates of \$3.775 million for the 2014-2022 Vehicle Replacement Programs.

The 10-Year Recommended Capital Plan for TCHC Vehicle Replacement Program is fully funded from the TCHC Vehicle Reserve, and does not require the City's debt as a funding source.

### **DECISION HISTORY**

City Council, at its meeting on June 6, 7 and 8, 2012, in consideration of the Auditor General's report, entitled "Toronto Community Housing Corporation (TCHC) – Response to three Auditor General's Reports (a) Procurement and Payment Functions at TCHC Subsidiary - Housing Services Inc.; (b) Strengthening of TCHC Oversight of Subsidiaries and Other Business Interests; and (c) Fleet Management Control Deficiencies" (Executive Committee Report 20, Clause 21), requested the Director of Fleet Services and the Chief Executive Officer of the Toronto Community Housing Corporation

(TCHC) to report to the Government Management Committee on a process to integrate TCHC's automotive fleet into the City's fleet.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2012.EX20.21>

City Council, at its meeting on November 27, 2012, adopted the recommendations contained in the staff report, entitled "Toronto Community Housing Corporation (TCHC) Vehicle Reserve – Transferring Fleet Management Responsibilities to Toronto Fleet Services" (Government Management Committee Report 18, Clause 5). Among others, City Council directed the Fleet Services Division to include the required funding and its associated recovery for assuming ownership and management responsibilities of the Toronto Community Housing Corporation and its subsidiary – Housing Services Inc. fleet in its annual operating and capital budgets.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2012.GM18.5>

## **COMMENTS**

As of January 1, 2013 or as soon thereafter, the ownership and management of all Toronto Community Housing Corporation vehicles will be transferred to the City of Toronto Fleet Services. With the transfer of ownership and management of TCHC fleet to the City of Toronto, the financial analysis reveals that TCHC could realize savings of approximately \$2.6 million in Operating and Capital expenses over a five-year period.

Fleet Services will manage the current TCHC fleet of 153, of which 31 are leased vehicles. Currently, Fleet Services and TCHC are finalizing a service level agreement, which includes the roles and responsibilities of each party. The service level agreement will also include, but not limited to, vehicle purchases, repair, maintenance, disposal, short-term rentals, disposal, fuel, license renewals, operators' training and overall fleet management.

The transfer of fleet management responsibilities will not impact Fleet Services' approved complement. Fleet Services' existing organizational structure will address TCHC fleet deficiencies such as internal controls and management oversight as identified in the Auditor General's review (February 6, 2012) and provide access to lower prices for vehicles, fuel, parts and insurance as well as established policies and procedures.

As a result of the transfer of fleet ownership and management of TCHC vehicles to Fleet Services, amendments to the Fleet Services' 2013 Recommended Operating and Capital Budgets, currently before the Budget Committee, are required to include the associated funding in 2013:

## **2013 Recommended Operating Budget**

Fleet Services' 2013 Recommended Operating Budget be adjusted to reflect an increase of \$0.892 million in gross expenditures; an increase of \$0.892 million in gross revenues; and \$0 million net. The gross expenditure of \$0.892 million provides funding of \$0.327 million for fuel; \$0.463 million for maintenance; \$0.085 million for leases; and \$0.017 million for permits renewal. The gross revenue of \$0.892 million reflects the recoveries from TCHC.

## **2013 Recommended Capital Budget and 2014 – 2022 Capital Plan**

Fleet Services' 2013 Recommended Capital Budget be adjusted to include 2013 new project cost of \$0.830 million for TCHC 2013 Vehicle Replacement Program and total project estimates of \$3.775 million for the 2014-2022 Vehicle Replacement Programs.

The 2013 Recommended Capital Budget for TCHC Vehicle Replacement Program will provide funding for purchase of 30 replacement vehicles in 2013.

The 10-Year Recommended Capital Plan for TCHC Vehicle Replacement Program is fully funded from the TCHC Vehicle Reserve, and does not require the City's debt as a funding source. TCHC will make annual contributions to the TCHC Vehicle Reserve from its operating budgets. This Vehicle Reserve will also include sale proceeds of vehicles.

## **CONTACT**

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