



Toronto 2016 BUDGET

OPERATING BUDGET NOTES



Fleet Services

2016 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.

2016 Budget Highlights

The total cost to deliver these services to Toronto residents is \$51.452 million gross and \$0 million net as shown below.

(in \$000's)	2015 Approved Budget	2016 Budget	Change	
			\$	%
Gross Expenditures	50,709.0	51,452.1	743.2	1.5%
Gross Revenues	50,709.0	51,452.1	743.2	1.5%
Net Expenditures				

The 2016 Preliminary Operating Budget of \$51.452 million gross is \$0.743 or 1.5% million over the 2015 Approved Budget of \$50.709 million gross, mainly attributable to an increase in maintenance costs and demand for fuel from client Programs.

Contents

Overview

I: 2016 – 2018 Service Overview and Plan	6
II: 2016 Budget by Service	12
III: Issues for Discussion	20

Appendices:

1. 2015 Performance	26
2. 2016 Operating Budget by Expenditure Category	27
3. 2016 Organization Chart	28
4. Summary of 2016 Service Changes	N/A
5. Summary of 2016 New & Enhanced Service Priorities	29
6. Inflows/Outflows to / from Reserves & Reserve Funds	30
7. 2016 User Fee Rate Changes	N/A

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Fast Facts

- Manage 5,200 vehicles and pieces of equipment for City of Toronto Divisions and Agencies.
- Distribute 14.6 million litres of fuel to City Programs and Agencies.
- Dispense fuel to the City's vehicles throughout 25 fuel sites across the City.
- Enrollment in trades has declined significantly across North America impacting the ability for organizations to attract trained professional staff.
- The City's fleet has maintained a satisfactory Ontario Commercial Vehicle Operators Registration (CVOR) safety rating. The CVOR rating has improved from 75.2% in 2013, to the current 28.1% as of November 2015. A 63% improvement in two years (*a lower number is better*).

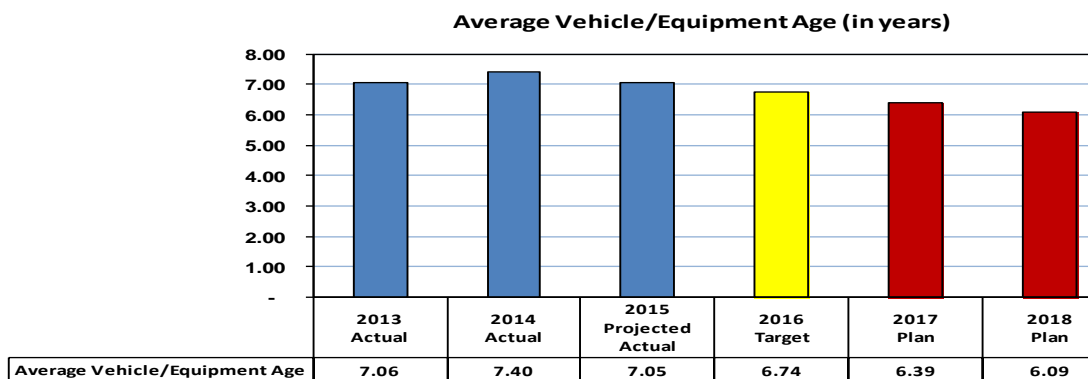
Trends

- The average age of vehicle and equipment over the last 3 years was 7.17 years which is projected to decrease in 2016 to 6.74 years.
- The average Vehicle/Equipment age is decreasing to ensure safety and to reduce the escalating cost of repairs and maintenance.

Our Service Deliverables for 2016

The 2016 Preliminary Operating Budget will:

- Provide a full-range of fleet management services for City of Toronto Divisions and other City funded organizations.
- 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 10,000 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.
- 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.

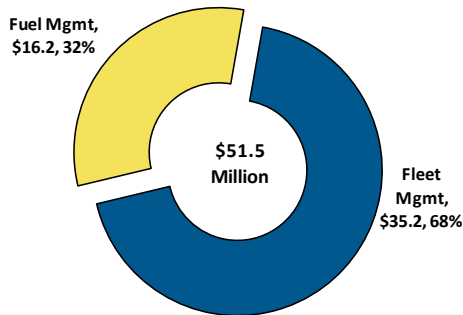


2016 Operating Budget Expenses & Funding

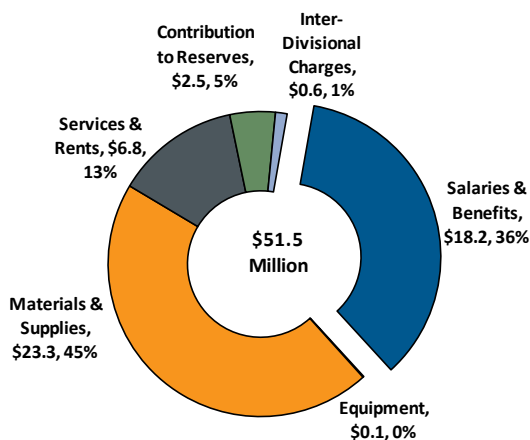
Our Key Issues & Priority Actions

Where the money goes:

2016 Budget by Service

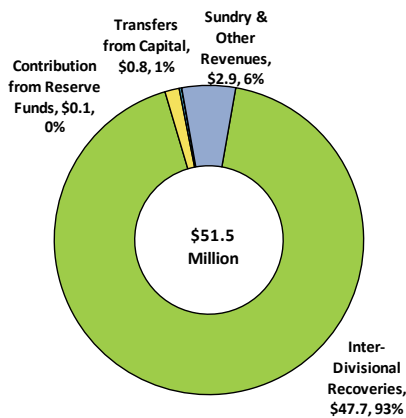


2016 Budget by Expenditure Category



Where the money comes from:

2016 Budget by Funding Source



- **Fuel Hedging Program** to reduce City's exposure to fuel cost volatility and provide budget stability to minimize risks.

 - ✓ The Program will continue to monitor market fuel price trends and adjust hedging strategy to mitigate exposure, provide budget certainty, and maximize savings for the City.
- **Fleet Services Review** to define opportunities for business improvement in all aspects of Fleet Management.

 - ✓ A detailed implementation plan will be prepared on the Fleet Services Strategy to achieve improvement goals as set out in the external consultant report.
- **Consolidated Green Fleet Plan** to address environmental impact with strategies to reduce hazardous emissions from the City's vehicle and equipment fleet operations.

 - ✓ Fleet will continue to implement the plan and monitor progress based on established performance measures.

2016 Operating Budget Highlights

- The 2016 Preliminary Operating Budget for Fleet Services of \$51.5 million in gross expenditures provides funding for two services: Fleet Management and Fuel Management.
- The Program has achieved the budget target of a 1% net decrease from the 2015 Approved Budget through measures taken based on the following criteria:

 - ✓ The identification of sustainable, on-going savings including line by line expenditure reductions;
 - ✓ Target achievement without impacting Council approved Service Levels.

Actions for Consideration

Approval of the 2016 Preliminary Budget as presented in these notes requires that:

1. City Council approve the 2016 Preliminary Operating Budget for Fleet Services of \$51.452 million gross, \$0 million net for the following services:

<u>Service:</u>	Gross <u>(\$000s)</u>	Net <u>(\$000s)</u>
Fleet Management:	35,233.6	46.2
Fuel Management:	16,218.6	(46.2)
Total Program Budget	<u>51,452.1</u>	<u> </u>

2. City Council approve the 2016 preliminary service levels for Fleet Services as outlined on pages 13 and 17 of this report, and associated staff complement of 184 positions.

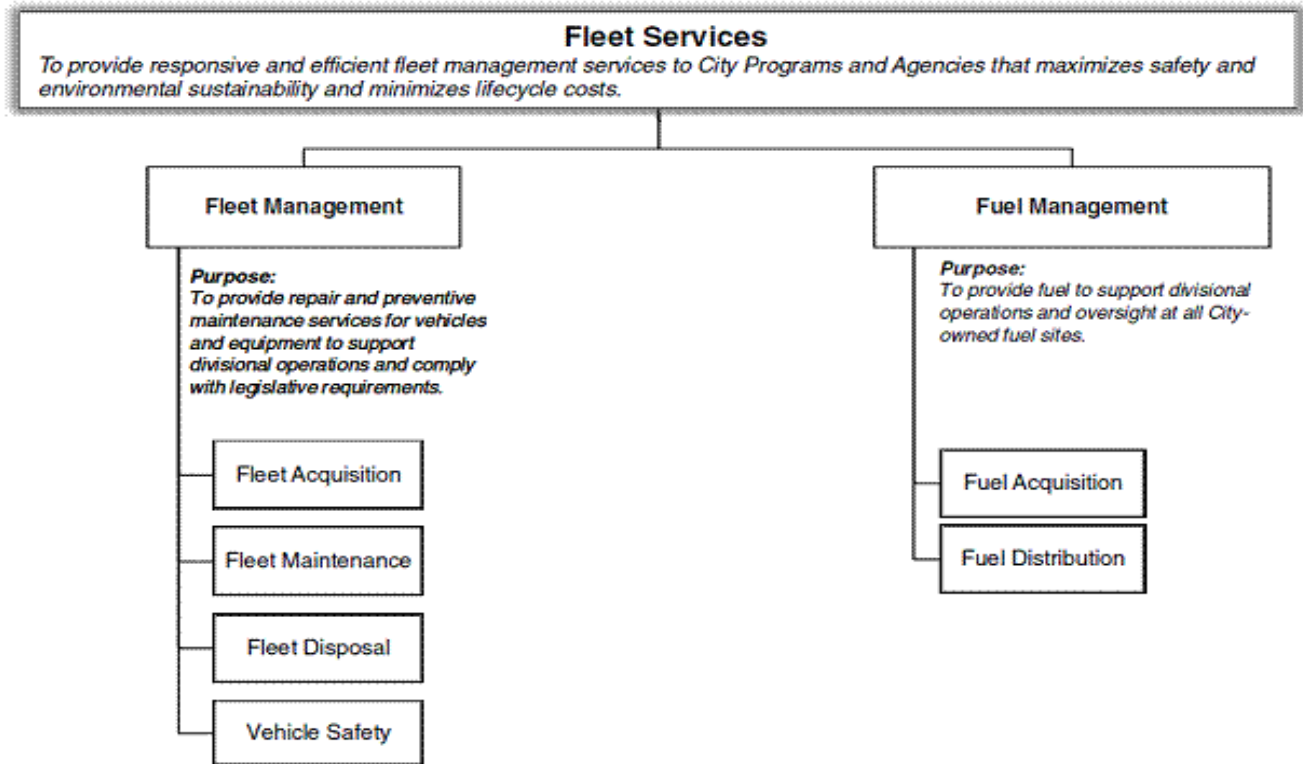


Part I:

2016 – 2018

Service Overview and
Plan

Program Map



Service Customer

Fleet Management

- City Divisions
- Exclusions:
 - Fire
 - EMS
 - Police
 - TTC

Fuel Management

- City Divisions
- Exclusions:
 - TTC
 - Police

Table 1
2016 Preliminary Operating Budget and Plan by Service

(In \$000s)	2015		2016 Operating Budget					Incremental Change 2017 and 2018 Plan				
	Approved Budget	Projected Actual	2016 Base	2016 New/Enhanced	2016 Budget	2016 vs. 2015 Budget Approved Changes		2017		2018		
	\$	\$	\$	\$	\$	\$	%	\$	%	\$	%	
Fleet Management												
Gross Expenditures	33,861.5	35,730.5	35,233.6		35,233.6	1,372.1	4.1%	304.4	0.9%	(569.5)	(1.6%)	
Revenue	33,816.9	35,519.5	35,187.4		35,187.4	1,370.5	4.1%	322.3	0.9%	(556.7)	(1.6%)	
Net Expenditures	44.6	211.0	46.2		46.2	1.6	3.7%	(17.9)	(38.7%)	(12.9)	(45.5%)	
Fuel Management												
Gross Expenditures	16,847.5	17,777.4	15,737.7	480.9	16,218.6	(628.9)	(3.7%)	217.7	1.3%	427.6	2.6%	
Revenue	16,892.1	17,742.5	15,759.6	505.2	16,264.8	(627.3)	(3.7%)	199.8	1.2%	414.8	2.5%	
Net Expenditures	(44.6)	34.9	(22.0)	(24.3)	(46.3)	(1.6)	3.7%	17.9	(38.6%)	12.9	(45.3%)	
Total												
Gross Expenditures	50,709.0	53,507.9	50,971.2	480.9	51,452.1	743.2	1.5%	522.1	1.0%	(141.9)	(0.3%)	
Revenue	50,709.0	53,262.0	50,947.0	505.2	51,452.1	743.2	1.5%	522.1	1.0%	(141.9)	(0.3%)	
Total Net Expenditures		245.9	24.3	(24.3)								
Approved Positions	176.0	171.0	184.0		184.0	8.0	4.5%	(5.0)	(2.7%)	(3.0)	(1.7%)	

The Fleet Services' 2016 Preliminary Operating Budget of \$51.452 million gross and \$0 million net, represents a 0% change from the 2015 Approved Net Operating Budget and is in line with the reduction target as set out in the 2016 Operating Budget Directions and Guidelines.

- Base pressures are mainly attributable to inflationary cost increases in salary and benefits totaling \$0.177 million combined with adjustments to reduce auction proceeds of \$0.132 million to align with actual experience.
- New and enhanced services include TTC non-revenue and Toronto Parking Authority vehicles using Fleet Services fuel sites resulting in \$0.481 million gross and (\$0.024) million net.
- Approval of the 2016 Preliminary Operating Budget will result in Fleet Services increasing its total staff complement by 8 temporary positions from 176 to 184. These 8 temporary positions are funded by the 2016 Preliminary Capital Budget to implement the solution from the Automated Odometer Download pilot project.
- The 2017 and 2018 Plan increases are mainly attributable to changes in anticipated fuel consumption as well as a reduction of temporary capital project delivery positions by 2018 when the capital project will be completed.

**Table 2
Key Cost Drivers**

(In \$000s)	2016 Operating Budget				2016 Base Budget	
	Fleet Mgmt		Fuel Mgmt		Total	
	\$	Position	\$	Position	\$	Position
Gross Expenditure Changes						
Salary and Benefit Changes	206.3		(29.0)		177.3	
Capital Project Delivery		8.0				8.0
Other Base Changes						
Changes to Client fuel demands (606,000 litres net increase)			(16.0)		(16.0)	
Change in maintenance rates (TCHC and TPL)	(94.2)				(94.2)	
Increase in vehicle licensing and capital recoveries for Solid Waste	(149.2)				(149.2)	
Increased Rental units for PFR and reduced units for Transportation	(17.3)				(17.3)	
Adjust contribution to reserve for TCHC to proposed \$650k	(40.0)				(40.0)	
Other (IDR Increases, system maintenance fees, service reallocations)	(13.1)		44.9		31.8	
Total Gross Expenditure Changes	(107.5)	8.0	(0.1)		(107.6)	8.0
Revenue Changes						
Adjustment to Auction Proceeds	108.0		24.0		132.0	
Total Revenue Changes	108.0		24.0		132.0	
Net Expenditure Changes	0.5	8.0	23.9		24.4	8.0

Key cost drivers for Fleet Services are discussed below:

- Salary and Benefit Changes:
 - Increases in salary and benefits include progression pay and associated benefits common across all services. Cost of living allowance is not included as it is subject to collective bargaining.
- Capital Project Delivery:
 - Funding of 8 temporary positions, \$0.465 million gross and \$0.00 net for capital project delivery. The positions are required to:
 - ✓ Perform installations of Vehicle Identification Boxes on an estimated 3,000 City of Toronto units over a 12 month period.
 - ✓ Work with various manufacturers, vendors, I&T and Divisions to ensure successful data flow.
 - ✓ Lead all business related project tasks required for successful completion of various business system upgrades including business process mapping, creating standard operating procedures, coordinating user acceptance testing and developing and delivering training materials.
- Other Base Changes:
 - Changes to fuel demands mainly driven by the following City Programs:
 - ✓ 7 fuel sites at fire stations have had the fuel tanks removed and sites decommissioned. Consequently, Fire Units that would normally fuel at their own stations will utilize fuel sites managed by Fleet Services starting 2016. The estimated fuel consumption reflects an increase of 347,000 litres resulting from the Fire fuel site closures (\$0.009 million net).

- ✓ Solid Waste is estimating a decrease in fuel consumption of approximately 214,000 litres (\$0.006 million net).
- ✓ Transportation Services and Toronto Water estimate an increase of approximately 230,000 litres and 243,000 litres respectively for 2016 due to divisional requirements (\$0.013 million net).
- An increase in recoveries of \$0.061 million for Toronto Community Housing Corporation (TCHC) and \$0.033 million for Toronto Public Library (TPL), totaling \$0.094 million due to the harmonization of their maintenance rates to divisional rates.
- Recovery of licensing costs of \$0.149 million from vehicles assigned to Solid Waste Management.
- Parks, Forestry & Recreation (PF&R) requires additional short term vehicle rental units during the summer months resulting in an increase of \$0.223 million gross and (\$0.022) million net. The increase is partially offset by reduced vehicle rental units for Transportation Services.
- Fleet Services makes contributions on behalf of TCHC for their vehicle reserve. The funding is provided by TCHC. In 2015, the contribution was different from the funding of \$0.600 million provided. To balance, an increase of \$0.050 million gross and (\$0.040) net to the operating budget is required.
- Revenue Changes:
 - Auction proceeds aligned to projected auction sales results in a decrease of revenue of \$0.132 million.

**Table 4
2016 Total New & Enhanced Service Priorities**

Description (\$000s)	New and Enhanced				Total Service Changes			Incremental Change			
	Fleet Management		Fuel Management		\$		Position	2017 Plan		2018 Plan	
	Gross	Net	Gross	Net	Gross	Net	#	Net	Pos.	Net	Pos.
Enhanced Services Priorities											
<i>Addition of TTC and TPA for fuel site consumption</i>			480.8	(24.3)	480.8	(24.3)					
Total			480.8	(24.3)	480.8	(24.3)					

Enhanced Service Priorities (\$0.480 million gross & (\$0.024) million net)

- Due to the Auditor General’s report for TTC non-revenue vehicles, a pilot was established with Fleet Services to improve reliability and internal controls for fuel purchases. Since 2015, the TTC non-revenue and Toronto Parking Authority vehicles have been using Fleet Services fuel sites, thus resulting in an increase of \$0.481 million gross and (\$0.024) net in 2016.

Approval of the 2016 Preliminary Budget for Fleet Services will result in a 2017 incremental cost of \$0.521 million gross and a 2018 incremental cost of (\$0.142) million gross to maintain the 2016 service levels, as discussed in the following section:

Table 5
2017 and 2018 Plan by Program

Description (\$000s)	2017 - Incremental Increase					2018 - Incremental Increase				
	Gross Expense	Revenue	Net Expense	% Change	# Positions	Gross Expense	Revenue	Net Expense	% Change	# Positions
Known Impacts:										
Salary and Benefit Changes	14.2		14.2			140.9		140.9		
Temporary Capital Positions for Fleet Mgmt System	240.0	240.0			(5.0)	(705.0)	(705.0)			(3.0)
Adjustment for Proposed Fuel Consumption	266.4		266.4			422.2		422.2		
Changes in IDC/IDR		280.6	(280.6)				563.1	(563.1)		
Total Incremental Impact	520.6	520.6				(141.9)	(141.9)			

Future year incremental costs are primarily attributable to the following:

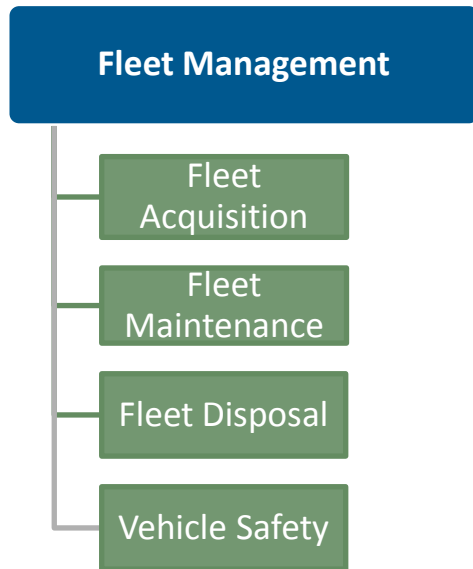
Known Impacts:

- Salary and benefit increases of \$0.016 million and \$0.141 million in 2017 and 2018 respectively.
- Removal of 8 temporary positions for capital delivery upon completion of the project
- Adjustment for future anticipated fuel consumption levels.
- All changes, as noted above, have corresponding inter-divisional recoveries from client Programs and Agencies, thus resulting in \$0 net to Fleet Services.



Part II: 2016 Budget by Service

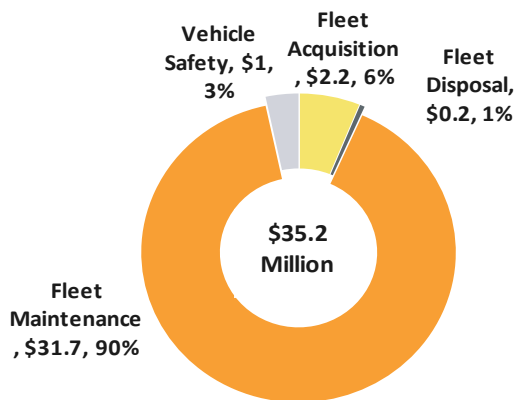
Fleet Management



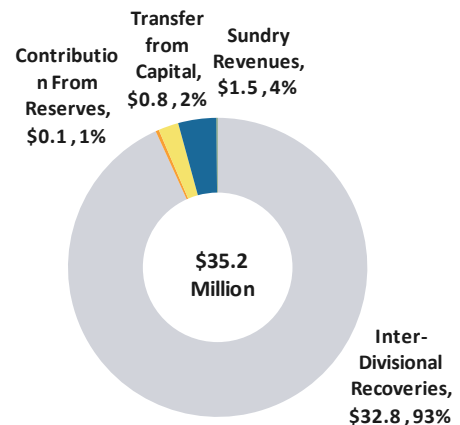
What We Do

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

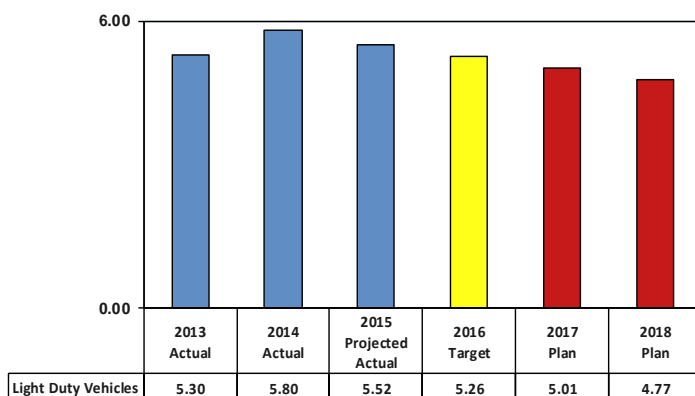
2016 Service Budget by Activity (\$millions)



Service by Funding Source (\$millions)



The Average Age of Light Duty Vehicles (in years)



- The average age of light duty vehicles are an important indicator of the usage and maintenance costs associated with the vehicles.
- The average fleet age of light duty vehicles for the City is decreasing from 5.3 years in 2013 to 4.77 years in 2018 due to the plan to replace older light duty vehicles on a timely basis.

2016 Service Levels Fleet Management

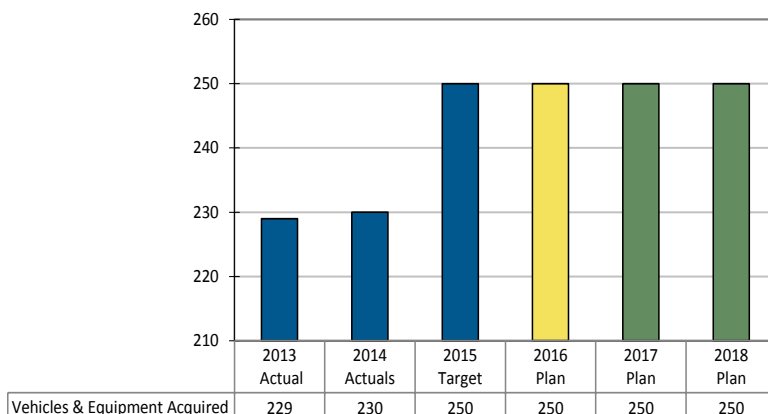
Activity	Sub-Activity/Type	Status				2016
			2013	2014	2015	
Fleet Acquisition	Average Light Duty Vehicle Age (<4500kg)	Approved	4.8	4.8	4.5	4.5
	Average Medium Duty Vehicles Age (4500kg - 9000 Kg)	Approved	6.0	6.0	5.7	5.7
	Average Heavy Duty Vehicle Age (>9000kg)	Approved	6.15	6.15	6.0	6.0
	Average Off-Road Equipment Age	Approved	7.1	7.1	7.0	7.0
Fleet Maintenance	% scheduled repairs to unscheduled repairs	Approved	58% / 42%	58% / 42%	60% / 40%	60% / 40%
Fleet Disposal	Days to Dispose - Light Vehicles (<4500kg)	Approved	42.0	42.0	42.0	N/A
	Days to Dispose - Medium Duty Vehicles (4500kg-9000kg)	Approved	42.0	42.0	42.0	N/A
	Days to Dispose - Heavy Duty Vehicles (>9000kg)	Approved	42.0	42.0	42.0	N/A
	Days to Dispose - Off-Road Equipment	Approved	42.0	42.0	42.0	N/A
	Number of vehicles / equipment disposed	Approved	400.0	250.0	250.0	250
Vehicle Safety	MTO CVOR (Commercial Vehicle Operator's Registration) Safety Rating	Approved	55.0%	55.0%	52.0%	42.0%
	% of Driver / Operator Trained	Approved	100%	100%	100%	100%

Overall, the 2016 Service Levels are consistent with the approved 2015 Service Levels for Fleet Management except for the change in Commercial Vehicle Operator's Registration (CVOR) Safety Rating.

- The Ministry of Transportation mandates a safety rating for all commercial motor vehicles in Ontario. The CVOR safety rating directly affects the City's ability to operate and affects the insurance rate for the City's fleet.
- The City has maintained a satisfactory CVOR Safety Rating over the years and as part of maintaining the satisfactory rating, a CVOR violation rate of 65% or less must be achieved. Fleet Services anticipates continuous improvements can be achieved and has lowered CVOR violations target for 2016 to 42%.

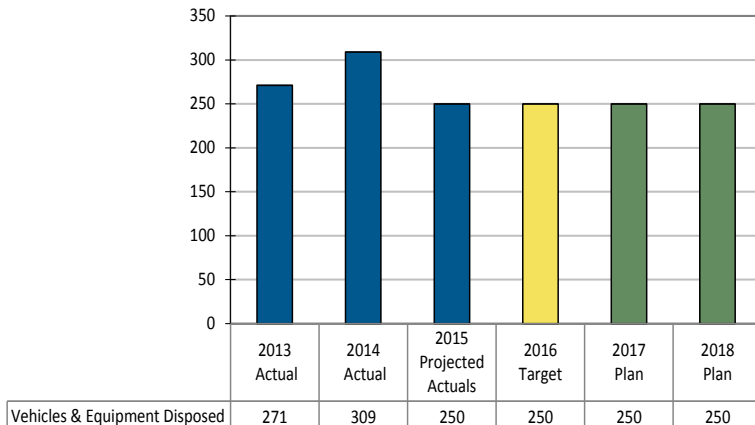
Service Performance

Fleet Acquisition - Number of Vehicles & Equipment Acquired



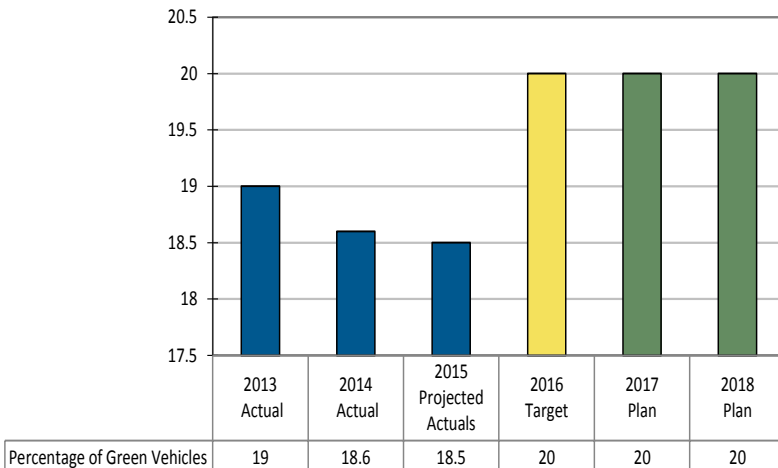
- The number of vehicles acquired affects the timely replacement of vehicles in order to minimize operating costs.
- The number of vehicles and equipment acquired on an annual basis reflects the new additions to the fleet. It is projected that a combined total 250 vehicles and equipment will be purchased in 2016

Fleet Disposal - Number of Vehicles & Equipment Disposed



- Other than years 2013 (271 units) and 2014 (309 units), the 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.

Fleet Acquisition - 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 2016.

Table 6

2016 Preliminary Service Budget by Activity

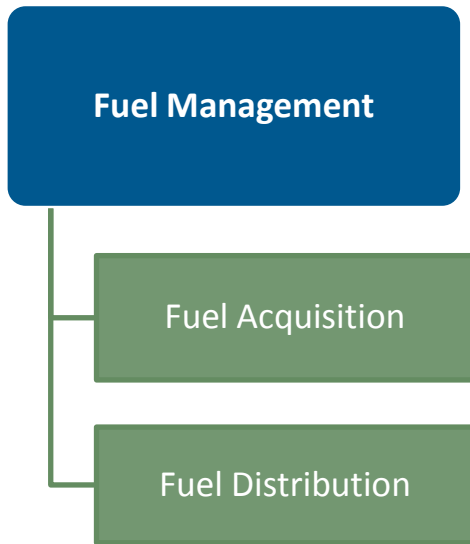
	2015	2016 Operating Budget							2016 Budget vs. 2015 Budget		Incremental Change				
	Approved Budget	Base Budget	Service Changes	2016 Base	Base Budget vs. 2015 Budget	% Change	New/Enhanced	2016 Budget			2017 Plan		2018 Plan		
	(\$000s)	\$	\$	\$	\$	%	\$	\$	\$	%	\$	%	\$	%	
GROSS EXP.															
Fleet Acquisition	1,997.5	2,168.6		2,168.6	171.1	8.6%		2,168.6	171.1	8.6%	34.1	1.6%	9.8	0.4%	
Fleet Disposal	237.2	173.1		173.1	(64.1)	(27.0%)		173.1	(64.1)	(27.0%)	0.1	0.1%	1.4	0.8%	
Fleet Maintenance	30,587.8	31,706.8		31,706.8	1,119.0	3.7%		31,706.8	1,119.0	3.7%	267.6	0.8%	(589.7)	(1.8%)	
Vehicle Safety	1,039.0	1,185.0		1,185.0	146.0	14.1%		1,185.0	146.0	14.1%	2.5	0.2%	9.1	0.8%	
Total Gross Exp.	33,861.5	35,233.6		35,233.6	1,372.1	4.1%		35,233.6	1,372.1	4.1%	304.4	0.9%	(569.5)	(1.6%)	
REVENUE															
Fleet Acquisition	1,568.0	1,269.1		1,269.1	(298.8)	(19.1%)		1,269.1	(298.8)	(19.1%)	198.7	15.7%	(13.0)	(0.9%)	
Fleet Disposal	275.8	275.8		275.8				275.8				0.0%			
Fleet Maintenance	30,721.0	32,050.4		32,050.4	1,329.4	4.3%		32,050.4	1,329.4	4.3%	123.6	0.4%	(543.7)	(1.7%)	
Vehicle Safety	1,252.2	1,592.1		1,592.1	339.9	27.1%		1,592.1	339.9	27.1%		0.0%			
Total Revenues	33,816.9	35,187.4		35,187.4	1,370.5	4.1%		35,187.4	1,370.5	4.1%	322.3	0.9%	(556.7)	(1.6%)	
NET EXP.															
Fleet Acquisition	429.6	899.5		899.5	469.9	109.4%		899.5	469.9	109.4%	(164.6)	-18.3%	22.7	3.1%	
Fleet Disposal	(38.6)	(102.7)		(102.7)	(64.1)	166.0%		(102.7)	(64.1)	166.0%	0.1	-0.1%	1.4	(1.3%)	
Fleet Maintenance	(133.3)	(343.6)		(343.6)	(210.4)	157.9%		(343.6)	(210.4)	157.9%	144.0	-41.9%	(46.0)	23.1%	
Vehicle Safety	(213.2)	(407.0)		(407.0)	(193.9)	90.9%		(407.0)	(193.9)	90.9%	2.5	-0.6%	9.1	(2.2%)	
Total Net Exp.	44.6	46.2		46.2	1.6	3.7%		46.2	1.6	3.7%	(17.9)	-38.7%	(12.9)	(45.5%)	
Approved Positions	171.1	181.0		181.0	9.9	5.8%		181.0	9.9	5.8%	(5.0)	-2.8%	(3.0)	(1.7%)	

The Fleet Management's 2016 Operating Budget of \$35.234 million gross and \$0.046 million net is \$0.002 million or 3.7% over the 2015 Approved Net Budget.

Base budget pressures in Fleet Management are primarily attributable to:

- Salary and benefit increases of \$0.206 million net.
- These pressures were offset by adjustments to auction proceeds of \$0.108 million, increase in vehicle licensing and capital recoveries from Solid Waste as well as changes in maintenance rates for TCHC and TPL.
- Increases in fleet maintenance in response to Program needs were offset by corresponding increases in interdivisional recoveries.

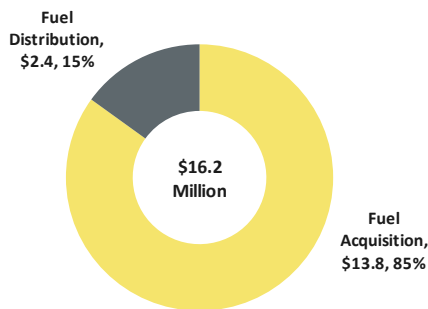
Fuel Management



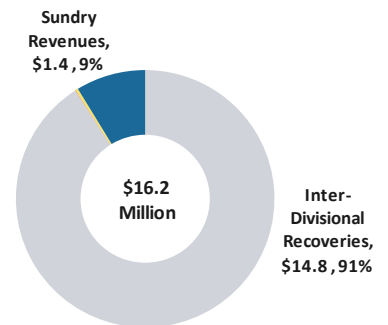
What We Do

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

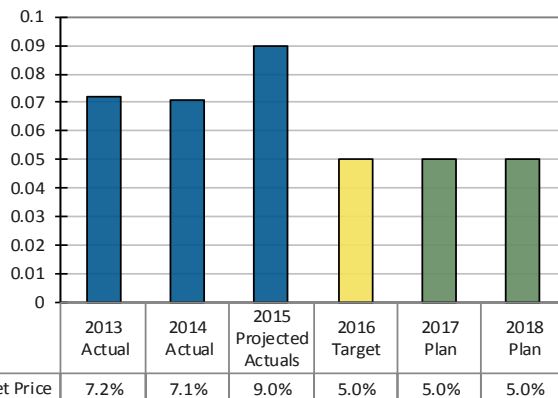
2016 Service Budget by Activity (\$millions)



Service by Funding Source (\$millions)



Discount Over Market Price for Gasoline Fuel



- Discount over market price for gasoline fuel for 2016 to 2018 is forecast at 5% to reflect actual experience in the market place given the amount of fuel purchased by the City.

2016 Service Levels

Fuel Management

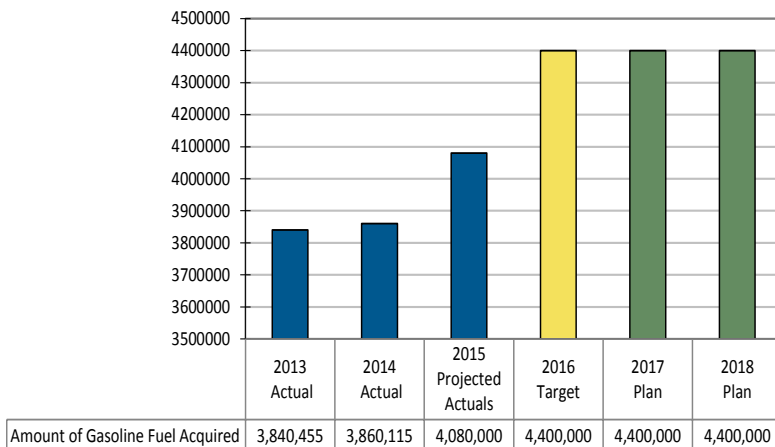
Activity	Sub-Activity/Type	Status	2013	2014	2015	2016
Fuel Acquisition	Gasoline Contract below market price	Approved	5%	5%	5%	5%
		Actual	7%	7%	9%	
	Diesel Contract below market price	Approved	8%	8%	8%	8%
		Actual	7%	9%	9%	
Fuel Distribution	Litres of Gasoline Dispensed (millions)	Approved	3.9	3.9	3.8	4.3
		Actual	3.6	3.8	4.0	
	Litres of Diesel Dispensed (millions)	Approved	10.7	10.7	10.6	10.8
		Actual	9.5	10.6	10.7	

Overall, the 2016 Service Levels are consistent with the approved 2015 Service Levels for Fuel Management.

- Fleet Services will increase the targets for the volume of litres dispensed for both gasoline and diesel to reflect increased demand from City Programs.

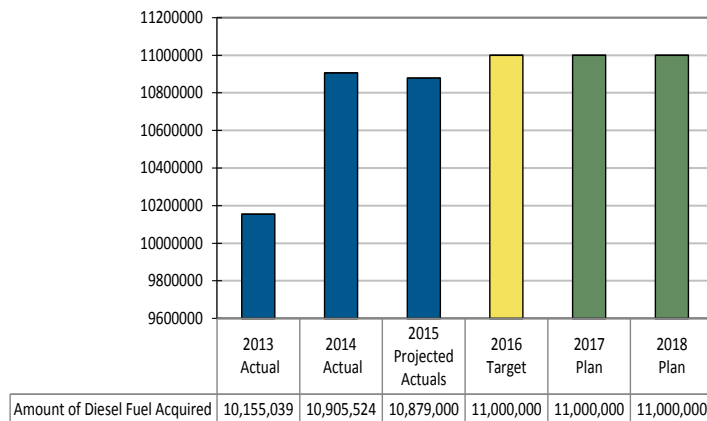
Service Performance

Fuel Acquisition - Amount of Gasoline Fuel Acquired



- An average of 3.9 million litres of gasoline was acquired between 2013 and 2015 and an average 4.4 million litres of gasoline is projected to be acquired in years 2016 through to 2018.

Fuel Acquisition - Amount of Diesel Fuel Acquired



- An Average of 10.6 million litres of diesel fuel was acquired in 2013 and 2014 and an average 10.9 million litres of diesel fuel is projected to be acquired in years 2015 through to 2018.
- Fuel Services continues the Fuel Hedging program to minimize the impacts of fluctuating market fuel prices.

Table 6

2016 Preliminary Service Budget by Activity

(\$000s)	2015	2016 Operating Budget							2016 Budget vs. 2015		Incremental Change				
	Approved Budget	Base Budget	Service Changes	Base Budget vs. 2015			New/Enhanced	2016 Budget	Budget		2017 Plan		2018 Plan		
	\$	\$	\$	2016 Base	Budget	% Change	\$	\$	\$	%	\$	%	\$	%	
GROSS EXP.															
Fuel Acquisition	15,985.1	13,347.1		13,347.1	(2,638.0)	(16.5%)	432.3	13,779.4	(2,205.7)	(13.8%)	262.5	1.9%	425.2	3.0%	
Fuel Distribution	862.4	2,390.6		2,390.6	1,528.2	177.2%	48.6	2,439.2	1,576.7	182.8%	(44.8)	-1.8%	2.4	0.1%	
Total Gross Exp.	16,847.5	15,737.7		15,737.7	(1,109.8)	(6.6%)	480.9	16,218.6	(628.9)	(3.7%)	217.7	1.3%	427.6	2.5%	
REVENUE															
Fuel Acquisition	16,338.8	13,072.2		13,072.2	(3,266.6)	(20.0%)	432.3	13,504.5	(2,834.2)	(17.3%)	267.9	2.0%	563.1	4.1%	
Fuel Distribution	553.3	2,687.4		2,687.4	2,134.1	385.7%	72.9	2,760.2	2,207.0	398.9%	(68.1)	-2.5%	(148.3)	(5.5%)	
Total Revenues	16,892.1	15,759.6		15,759.6	(1,132.5)	(6.7%)	505.2	16,264.8	(627.3)	(3.7%)	199.8	1.2%	414.8	2.5%	
NET EXP.															
Fuel Acquisition	(353.7)	274.9		274.9	628.6	(177.7%)	(0.0)	274.9	628.6	(177.7%)	(5.4)	-2.0%	(137.9)	(51.2%)	
Fuel Distribution	309.2	(296.8)		(296.8)	(605.9)	(196.0%)	(24.3)	(321.1)	(630.2)	(203.8%)	23.3	-7.3%	150.8	(50.6%)	
Total Net Exp.	(44.6)	(21.9)		(21.9)	22.7	(50.9%)	(24.3)	(46.2)	(1.6)	3.7%	17.9	-38.7%	12.9	(45.5%)	
Approved Positions	3.9	3.0		3.0	(0.9)	(23.1%)		3.0	(0.9)	(23.1%)					

The Fuel Management's 2016 Preliminary Operating Budget of \$16.219 million gross and (\$0.046) million net is (\$0.002) million or 3.7% under the 2015 Approved Net Budget.

Base budget pressures in Fuel Management resulting from salary and benefit changes were offset by increased recovery from client Programs and Agencies including Fire Services, Transportation Services, Toronto Water, TTC and Toronto Parking Authority.

- Increases in Fuel Distribution costs were offset by equivalent increases in interdivisional recoveries from client Programs and Agencies.



Part III:

Issues for Discussion

Issues for Discussion

Issues Impacting the 2016 Budget

Fuel Hedging Program

- Fleet Services, with support from Energy & Environment Services has executed fuel hedging transactions for 2015, 2016 & 2017. Fuel hedging is used to reduce the exposure to volatile and potentially rising fuel costs and therefore provide budget certainty.
 - A hedge is a financial contract whereby the City of Toronto reviews bids from a number of counterparties for a pre-determined volume of fuel. Through the selection of the lowest bid, the City pays a fixed price for the volumes hedged regardless of market fluctuations. The counterparty (typically a bank) pays the floating / index price. Fleet Services is required to pay for the total volume of fuel hedged regardless of the amount of actual fuel consumed.
- If prices rise above the hedge, the City continues to pay the hedged price and the bank or counterparty is responsible for paying the difference between the lower hedged price and the higher market or 'spot' price. Alternately, if the prices fall below the hedged price, the City continues to pay the hedged price but is then also responsible to pay the difference between the set hedged price and the lower market or 'spot price' to the bank.
- The budget certainty of hedging can be offset by the potential risk of additional losses incurred through hedging excess volumes, or through the unremitting risk of market uncertainty that may result in hedging at a higher price, when the market continues to fall. The opposite can also prove true, as hedging can also produce significant budget certainty and savings through locking in larger volumes and hedging at a lower price in a bull market situation, where prices continue to rise.
- Surpluses and overages are currently managed through the Commodity Price Stabilization Reserve which is used to offset fuel prices in excess of budget. As of October, 2015, Fleet Services has reimbursed the bank almost \$0.700 million as a result of the weighted hedged price being higher than the floating index or spot price.
- Savings realized in 2015 as a result of the City's hedging strategy were passed along to Programs. For 2016, the hedged price remains at \$1.04 per litre based on the total estimated consumption of 15.1 million litres. Fleet Services recovers fuel costs from other City divisions based on their actual usage using the annual budgeted rate. The budgeted rate includes a 10 cent per litre contribution to the Corporate Vehicle Reserve to address the funding of SOGR of fuel sites as well as capital projects such as the automated odometer download pilot project.

Issues Impacting Future Year Budgets

Fleet Services Review

- Fleet Services' mission is to provide professionally managed fleet services to clients in a fiscally and environmentally responsible manner to maximize safety and environmental sustainability and minimize lifecycle costs.
- In January 2014, Fleet Services engaged an external fleet consultant (Mercury Associates Inc.) to evaluate its business practices in an effort to define opportunities for business improvement to achieve their vision and demonstrate leadership and expertise in all aspects of Fleet Management.
- A staff report entitled "*Fleet Services Review – Strategy for the Fleet Services Division (GM6.1)*" summarized the findings provided by Mercury Associates, Inc. and was presented to the Government Management Committee at its meeting on September 17, 2015. The report identified, significant deficiencies related to the organizational structure, people, processes, and effective communication and provided improvement goals and associated strategies to address those deficiencies. Attached is the link to the staff report for details:
<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2015.GM6.1>
- At the same meeting, the Government Management Committee requested the Director, Fleet Services to:
 - Report back in the third quarter of 2016 with a detailed implementation plan for the Fleet Services Strategy; and
 - Consider outsourcing as part of the detailed implementation plan for the Fleet Services Strategy.
- As identified in the report, the following improvement goals will be instrumental to transforming the business while increasing transparency and improving accountability:
 - Staff development and organizational and transition to establish a leading, efficient and scalable fleet organization with sufficient capacity and capability.
 - Re-defining operational and business processes to improve data collection; performance-based reporting; as well as the establishment of behavior-based approach to fleet safety and training and the development of a transparent chargeback method to drive improved fleet related decisions while ensuring for full cost recovery.
 - Improving corporate partnership and supplier management to elevate performance standards, while assessing different business practices that may provide increased effectiveness. Continue to demonstrate leadership of the City-wide fleet shared services model.
 - Improve client service delivery excellence by adopting or developing leading fleet practices, including; effective fleet lifecycle management, client service level agreements and regular business reviews.
 - Ensure program sustainability through the continued development of a long-term multi-faceted asset replacement and requirement plan, in connection with a long-term plan to address aging infrastructure, space adequacy and enhanced environmental stewardship.

- The chart below provides an approximate timeline for the improvement goals. Some initiatives, such as organization transition, staff recruiting, and process improvement have been initiated. These objectives represent a major transformation for Fleet Services and as such, intense focus and resources are required to achieve the identified initiatives and the desired steady state.

Chart 1: Improvement Goals Implementation Time Line

	2015				2016				2017				2018			
	Q 1	Q 2	Q 3	Q 4	Q 1	Q 2	Q 3	Q 4	Q 1	Q 2	Q 3	Q 4	Q 1	Q 2	Q 3	Q 4
Staff Development and Organization Transition																
Operational and Business Process Improvement																
Corporate Partnership and Supplier Management																
Client Service Delivery Excellence																
Program Sustainability																

- To achieve the goal of being a leading fleet organization, Fleet Services must improve services to its clients while demonstrating leadership and expertise in all aspects of fleet management. This significant transformation has already begun with foundational changes to leadership, structure, staff and processes. Improvement initiatives have been prioritized, with key objectives, next steps and a defined work plan.
- The report entitled "*Operating Variance Report for the Nine-Month Period Ended September 30, 2015*" presented to Council at its meeting on December 9, 2015, included a budget adjustment for Fleet Services to reclassify three existing positions to more senior roles to address the critical business acumen and technical expertise that is required.

- The cost of restructuring has been offset by under-spending in non-salary expenditures, thus resulting in no financial impact in 2015. The annualized impact of these budget changes totaling \$0.120 million is included in the 2016 Preliminary Operating Budget for Fleet Services.
- Any future financial impact will be determined and submitted through the annual budget process for consideration.

Consolidated Green Fleet Plan

- To support the City's overall environmental sustainability goal as outlined in the City of Toronto Strategic Actions 2014 – 2018, the City of Toronto Consolidated Green Fleet Plan provides an overview of the City's objectives in addressing environmental impact with strategies that aim to reduce hazardous emissions from the City's vehicle and equipment fleet operations.
- This consolidated plan is the product of cooperation between the five City Programs and Agencies including Fleet Services, Toronto Paramedic Services, Toronto Fire Services, Toronto Police Services and Toronto Transit Commission. By working collaboratively, the City's total fleet can more efficiently and effectively meet emissions reduction targets.
- The goal of the Consolidated Green Fleet Plan through 2018 is to choose vehicles, equipment, fuels, and practices that consume less fuel, emit less GHGs and air pollution, meet the City's operational requirements and ensure the total fleet is sustainable and economically viable. This includes looking at fleet rightsizing, reducing vehicle size, weight, and fuel consumption, alternative fuels, and reviewing different modes of transportation for City staff such as vehicle pooling, car sharing, use of public transit, bicycles and more.
- A staff report entitled "*City of Toronto Consolidated Green Fleet Plan 2014 – 2018 – Performance Measures (GM6.3)*", was presented to the Government Management Committee on September 17, 2015 providing performance measures established to monitor the Green Plan's results. Please refer to the link of the staff report for details:
<http://www.toronto.ca/legdocs/mmis/2015/gm/bgrd/backgroundfile-83117.pdf>
- A new Green Fleet Project Manager, hired in 2015, will enable coordinated implementation, analysis, and progress reporting required for achieving the Consolidated Plan's objectives. With new developments in technologies, funding opportunities, and continued challenges, every effort will be made to take advantage of the best opportunities available to green our fleet, while meeting the operational needs of City Programs and Agencies, and maintaining economic viability.
- Fleet Services will submit an initial progress report to the Government Management Committee in Q2 2016 providing an update on the Green Fleet implementation plan including status, trends, performance measures, and rate of progress.

Issues Referred to the 2016 Operating Budget Process

New/Enhanced Priorities

- At its meeting of September 18, 2015, the Parks and Environment Committee considered the report (PE5.3) entitled “Parks, Forestry and Recreation Service Levels” which was in response to a previous request made to the Deputy City Manager, Cluster A to report with business cases for proposed service standard changes by Parks and Forestry and in doing so, recommended to City Council that sufficient funding be included in the Staff Recommended 2016 Budget to fully fund in 2016 the service standards as below:

 - Daily Grooming of all swimming beaches;
 - Horticultural bed rejuvenation being conducted on a five year cycle;
 - Implementation of the Parks Service Plan;
 - The protection of Environmentally Sensitive Areas and parks from invasive species;
 - A 10 year capital plan which would provide for parks sufficiency in all wards;
 - Park path clearing in the winter;
 - Establishment of five new community gardens per year;
 - Twice-yearly inspections and debris removal from ravines and watercourses;
 - Parks, Forestry and Recreation staff review of all development applications that require tree removal or injury prior to those applications being considered by Committee of Adjustment; and
- The above new and enhanced initiatives would require associated fleet and fuel budget increases. The fleet leasing and fuel consumption costs total \$0.160 million as itemized below and would be managed by Fleet Services with costs recovered from Park, Forestry and Recreation.

New / Enhanced Service Description (\$000s)	2016 Impact				Net Incremental Impact			
	Gross	Revenue	Net	Positions	2017 Plan		2018 Plan	
					Net	Positions	Net	Positions
Not Included								
Referred to the Budget Process								
Parks Plan - Parks Ranger Program	41.4	41.4						
Enhanced Winter Maintenance for Parks Path	6.9	6.9						
Committee Adjustment Review Enhancement	23.1	23.1						
Re-established Service Plan to Achieve Original Tree Canopy Goal	88.8	88.8						
Total New/Enhanced Services (Not Included)	160.2	160.2						

- The above listed initiatives are not included in the 2016 Preliminary Budget for Fleet Services, however they are included for Council’s consideration as part of the list of New/Enhanced requests referred to the Budget process to be distributed for Budget Committee’s consideration in the 2016 Budget process.



Appendices:

Appendix 1

2015 Service Performance

2015 Key Service Accomplishments

In 2015, Fleet Services accomplished the following:

- ✓ Completed the upgrade of 3 fuel sites, installed the Fuel Focus automated wireless fuel and data management systems at 5 sites and achieved the closure of 12 sites to significantly improve City-wide fuel management from 37 in 2014 to 25 at the end of 2015. The upgraded sites have aboveground fuel storage tanks that reduce the risk of soil contamination, while the new technology implemented as part of the upgrade allows for secure, real-time, fuel and data management.
- ✓ Established a Service Level Agreement with Toronto Parking Authority and implemented the provision of fuel to TPA vehicles at City fuel sites.
- ✓ Changes to the FSD management team have been initiated to better align team members' functional responsibilities and accountabilities with management skills.
- ✓ Successfully completed the Sweeper rehabilitation program on time for the spring clean-up season.
- ✓ Successfully transitioned the Preventative Maintenance Program from Toronto Paramedic Services to Fleet (200 units).
- ✓ In order to ensure compliance with Provincial legislation and City policies and guidelines, Fleet Services continues to provide safety training, testing and certification to approximately 10,000 City employees who are required to operate City vehicles and equipment.
- ✓ Continued to make significant improvements to the Provincial Commercial Vehicle Operators Registration (CVOR) plan, to maintain a safety rating below 70%. Currently rating achieved at -28.1%.
- ✓ Successfully expanded training for licence renewal and upgrades to Toronto Fire Service and Toronto Paramedic Services (approximately 500 interactions).
- ✓ Completed implementation and evaluation of the City's first Car Share pilot program and obtained Council approval for full scale implementation.
- ✓ Continued to implement the Fuel Hedging Program as a strategy to mitigate the impacts of fluctuating fuel market prices and to reduce fuel costs. The Program enables the City to hedge its fuel from a roster of pre-qualified parties, thereby providing the ability to obtain competitive price quotes on an ongoing basis. Currently Fleet has hedged 90% of its estimated 2015 diesel fuel consumption.

Appendix 2

2016 Operating Budget by Expenditure Category

Program Summary by Expenditure Category

Category of Expense (\$000's)	2013	2014	2015	2015	2016	2016 Change from		Plan	
	Actual	Actual	Budget	Projected	Budget	2015 Approved		2017	2018
	\$	\$	\$	\$	\$	\$	%	\$	\$
Salaries and Benefits	15,538.2	16,088.7	17,472.8	18,437.2	18,224.6	751.9	4.3%	18,478.9	17,914.8
Materials and Supplies	23,986.9	25,792.6	24,234.1	25,571.7	23,280.3	(953.8)	(3.9%)	23,548.2	23,970.4
Equipment	88.4	83.0	116.4	122.9	58.7	(57.7)	(49.5%)	58.7	58.7
Services & Rents	6,798.8	8,216.2	7,643.3	8,065.2	6,781.3	(862.0)	(11.3%)	6,781.3	6,781.3
Contributions to Capital									
Contributions to Reserve/Res Funds	3,361.9	2,335.1	660.0	696.5	2,476.3	1,816.3	275.2%	2,476.3	2,476.3
Other Expenditures									
Interdivisional Charges	483.9	586.6	582.3	614.5	630.8	48.5	8.3%	630.8	630.8
Total Gross Expenditures	50,258.1	53,102.2	50,709.0	53,507.9	51,452.1	743.2	1.5%	51,974.3	51,832.4
Interdivisional Recoveries	48,815.9	51,020.7	47,687.2	50,088.1	47,661.5	(25.8)	(0.1%)	47,943.6	48,506.7
Provincial Subsidies									
Federal Subsidies									
Other Subsidies									
User Fees & Donations	1.7								
Transfers from Capital Fund	153.7	108.0	116.5	122.3	770.3	653.8	561.3%	1,010.3	305.3
Contribution from Reserve/Reserve Funds	150.4		121.0	127.1	140.0	19.0	15.7%	140.0	140.0
Sundry Revenues	2,563.6	2,003.6	2,784.3	2,924.5	2,880.4	96.1	3.5%	2,880.4	2,880.4
Total Revenues	51,685.3	53,132.3	50,709.0	53,262.0	51,452.1	743.2	1.5%	51,974.3	51,832.4
Total Net Expenditures	(1,427.2)	(30.1)	0.0	245.9	0.0	(0.0)	(33.3%)	(0.0)	(0.0)
Approved Positions	174.0	174.0	176.0	171.0	184.0	8.0	4.5%	(5.0)	(3.0)

For additional information regarding the 2015 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, 2015*" approved by City Council at its meeting on December 9, 2015.

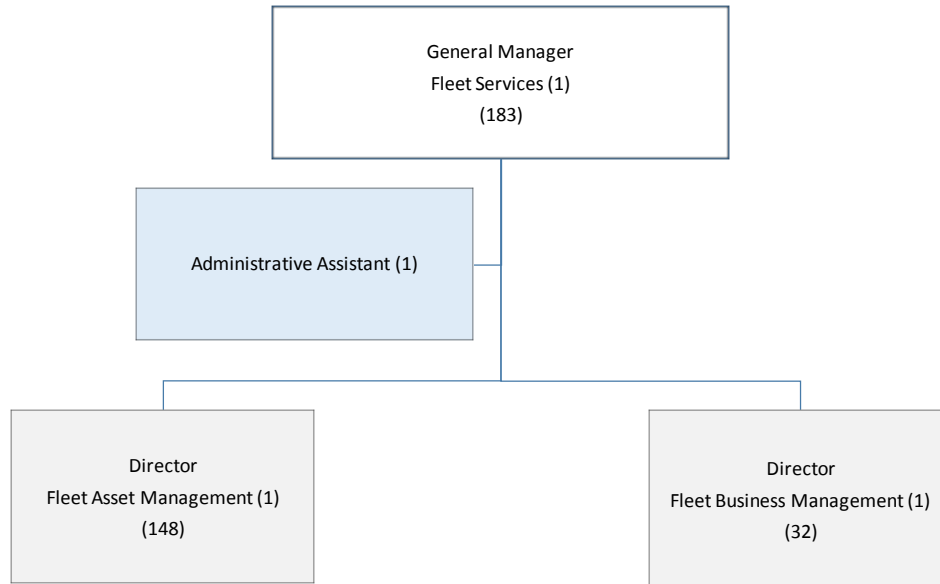
<http://www.toronto.ca/leqdocs/mmis/2015/ex/bqrd/backgroundfile-85887.pdf>

Impact of 2015 Operating Variance on the 2016 Preliminary Budget

There is no impact to the 2016 Preliminary Operating Budget as vacancies, excluding those budgeted for gapping, will be filled by the end of 2015.

Appendix 3

2016 Organization Chart



2016 Complement

Category	Senior Management	Management	Exempt Professional & Clerical	Union	Total
Permanent	1.0	21.0	9.0	144.0	175.0
Temporary		4.0		5.0	9.0
Total	1.0	25.0	9.0	149.0	184.0

Appendix 5

Summary of 2016 New / Enhanced Service Priorities

2016 Operating Budget - Preliminary New and Enhanced Services Summary by Service (\$000's)

Form ID		Internal Focused Services Program - Fleet Services	Adjustments				2017 Plan Net Change	2018 Plan Net Change
Category	Priority		Gross Expenditure	Revenue	Net	Approved Positions		
7039		Addition of TTC and TPA for fuel site consumption						
72	1	Description:						
<p>Due to the Auditor General's report for TTC non-revenue, a pilot was established with Fleet Services to improve reliability and internal controls for fuel purchases. It is estimated that for the 12 units, they will fuel once a week which is estimated annually at 85,000 litres. Toronto Parking Authority has begun using Fleet Fuel sites to fuel their vehicles in order to achieve savings with City of Toronto's bulk purchase of fuel. Fleet's estimate of fuel is 460,000 litres based on the last Toronto Parking Authority's fuel submission into PMMD.</p>								
Service Level Impact:								
By having TTC non-revenue and Toronto Parking Authority use Fleet Service's fuel sites, there will be additional controls and savings in budgets of TTC and TPA.								
Service: FL-Fuel Management								
		Preliminary New / Enhanced Services	480.9	505.2	(24.3)	0.00	0.0	0.0
		Total Preliminary New/Enhanced Services:	480.9	505.2	(24.3)	0.00	0.0	0.0
<hr/>								
Summary:								
		Total Preliminary New / Enhanced Services	480.9	505.2	(24.3)	0.00	0.0	0.0

Category:

71 - Operating Impact of New Capital Projects

74 - New Services

72 - Enhanced Services-Service Expansion

75 - New Revenues

Appendix 6

Inflows/Outflows to/from Reserves & Reserve Funds

Corporate Reserve / Reserve Funds

Reserve / Reserve Fund Name (In \$000s)	Reserve / Reserve Fund Number	Projected Balance as of Dec. 31, 2015 *	Withdrawals (-) / Contributions (+)		
			2016	2017	2018
		\$	\$	\$	\$
Projected Beginning Balance		25,335.2	25,335.2	12,018.1	2,712.1
Insurance Reserve Fund	XR1010				
<i>Proposed Withdrawals (-)</i>					
<i>Contributions (+)</i>			110.0	110.0	110.0
Total Reserve / Reserve Fund Draws / Contributions		25,335.2	25,445.2	12,128.1	2,822.1
Other Program / Agency Net Withdrawals & Contributions			(13,427.1)	(9,416.0)	(4,622.5)
Balance at Year-End		25,335.2	12,018.1	2,712.1	(1,800.4)

* Based on 9-month 2015 Reserve Fund Variance Report

Program Specific Reserve / Reserve Funds

Reserve / Reserve Fund Name (In \$000s)	Reserve / Reserve Fund Number	Projected Balance as of	Withdrawals (-) / Contributions (+)		
			2016	2017	2018
		\$	\$	\$	\$
Projected Beginning Balance		3,257.1	3,257.1	4,643.5	6,029.9
Vehicle and Equipment Replacement	XQ0003				
<i>Proposed Withdrawals (-)</i>			(140.0)	(140.0)	(140.0)
<i>Contributions (+)</i>			1,526.4	1,526.4	1,526.4
Total Reserve / Reserve Fund Draws / Contributions		3,257.1	4,643.5	6,029.9	7,416.3
Other Program / Agency Net Withdrawals & Contributions					
Balance at Year-End		3,257.1	4,643.5	6,029.9	7,416.3

* Based on 9-month 2015 Reserve Fund Variance Report

Reserve / Reserve Fund Name (In \$000s)	Reserve / Reserve Fund Number	Projected Balance as of	Withdrawals (-) / Contributions (+)		
			2016	2017	2018
		\$	\$	\$	\$
Projected Beginning Balance		1,025.0	1,025.0	1,814.9	2,604.7
Fleet Services - Fleet Replacement	XQ1503				
<i>Proposed Withdrawals (-)</i>					
<i>Contributions (+)</i>			789.9	789.9	789.9
Total Reserve / Reserve Fund Draws / Contributions		1,025.0	1,814.9	2,604.7	3,394.6
Other Program / Agency Net Withdrawals & Contributions					
Balance at Year-End		1,025.0	1,814.9	2,604.7	3,394.6

* Based on 9-month 2015 Reserve Fund Variance Report

Reserve / Reserve Fund Name (In \$000s)	Reserve / Reserve Fund Number	Projected Balance as of	Withdrawals (-) / Contributions (+)		
			2016	2017	2018
		\$	\$	\$	\$
Projected Beginning Balance		38.0	38.0	88.0	138.0
Toronto Community Housing Corp. - Fleet Replacement	XQ1707				
<i>Proposed Withdrawals (-)</i>					
<i>Contributions (+)</i>			50.0	50.0	50.0
Total Reserve / Reserve Fund Draws / Contributions		38.0	88.0	138.0	188.0
Other Program / Agency Net Withdrawals & Contributions					
Balance at Year-End		38.0	88.0	138.0	188.0

* Based on 9-month 2015 Reserve Fund Variance Report