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Fleet Services

2014 OPERATING BUDGET OVERVIEW

What We Do

Fleet Services provides responsive and efficient fleet management services to City Programs and Agencies that maximizes safety and environmental sustainability and minimizes lifecycle costs.

2014 Budget Highlights

The total cost to deliver this Program to Toronto residents in 2014 is \$47.789 million and \$0 net as shown below.

(In \$000s)	2013 Budget	2014 Budget	Change	
			\$	%
Gross Expenditures	47,265.8	47,788.9	523.1	1.1%
Gross Revenue	47,101.0	47,788.9	687.9	1.5%
Net Expenditures	164.8		(164.8)	-100%

The 2014 Operating Budget of \$47.789 million gross is \$0.523 million or 1.1% over the 2013 Budget of \$47.266 million gross, mainly attributable to inflationary increases. The 2014 Operating Budget provides \$0.764 million in funding for budget increases which have been offset by \$0.146 million in base expenditure changes and \$0.783 million in revenue changes.

Fast Facts

- Manage 5,000 vehicles and pieces of equipment for City of Toronto Divisions and Agencies.
- Manage the distribution of 13.3 million litres of fuel to City of Toronto Divisions and Agencies.

Trends

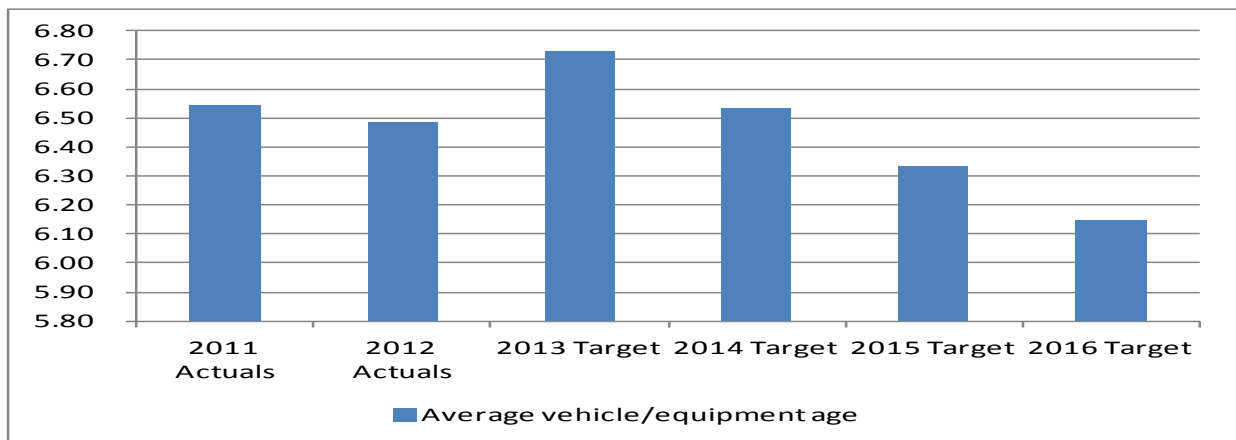
- The average Vehicle / Equipment age is decreasing due to vehicles being replaced on a timely basis.
- Maintain the Ontario Commercial Vehicle Operators Registration safety rating at 70% or less.

Our Service Deliverables for 2014

The 2014 Operating Budget of \$47.789 million gross and \$0 net provides funding to:

- Provide a fleet of 5,000 vehicles and equipment along with 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.
- In order to ensure compliance with Provincial legislation and City policies and guidelines Fleet Services provides 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 Divisions to optimize fleet size through ensuring that all vehicles are required and fully utilized.
- Finalize the City's 2014-2017 Green Fleet Plan to provide leadership in reducing environmental impact of fleet operation.
- Continue to reduce the environmental footprint by making environmentally conscious decisions with respect to vehicles, fuels and operating practices.
- Promote "Eco-Driving" to reduce fuel consumption and greenhouse gas emissions.
- Maintain non-scheduled repairs at 40% of the total vehicle repairs to reduce unscheduled downtime.
- Continue participation in the fuel-hedging program in effort to reduce fuel costs and to minimize the impact of fluctuating fuel market prices.

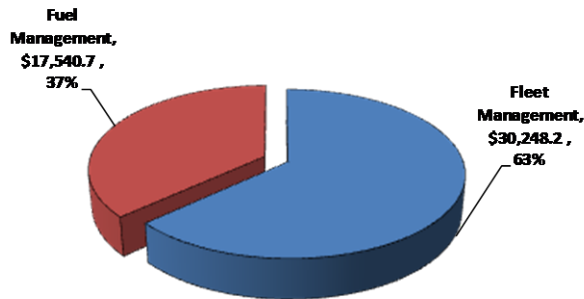
Average Vehicle / Equipment Age



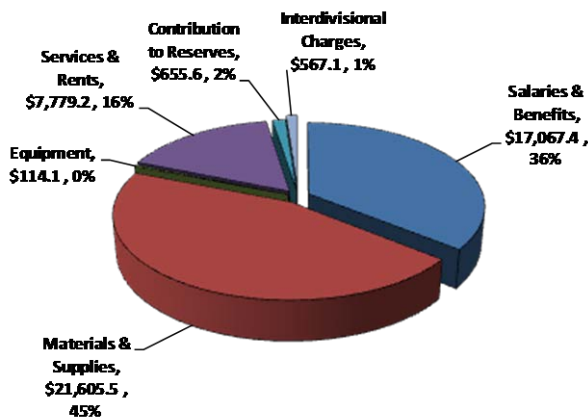
2014 Budget Expenditures & Funding

Where the money goes:

2014 Operating Budget by Service
\$47,788.9 Million

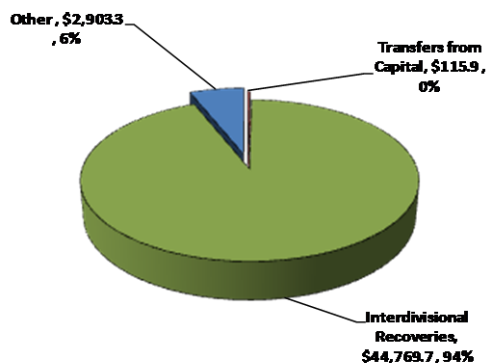


2014 Operating Budget by Expenditure Category



Where the money comes from:

2014 Operating Budget Funding Source
\$47,788.9 Million



Our Key Challenges and Priority Actions

- Review the current fuel program in conjunction with fleet and user requirements to ensure an effective fuel supply and fuel management strategy is in place.
- Review fleet operations and maintenance processes to ensure that operations are effective and that adequate controls are in place.
- Develop the City's 2014-2017 Green Fleet Plan to provide leadership in reducing environmental impacts of fleet operations.
- Continue collaborating with the Executive Fleet Management Coordinating Committee (Police, Fire, EMS, TTC and Fleet), focusing on improving the efficiency, economy and effectiveness of fleet operations as well as developing a common set of fleet standards and measures.

II: Council Approved Budget

City Council approved the following recommendations:

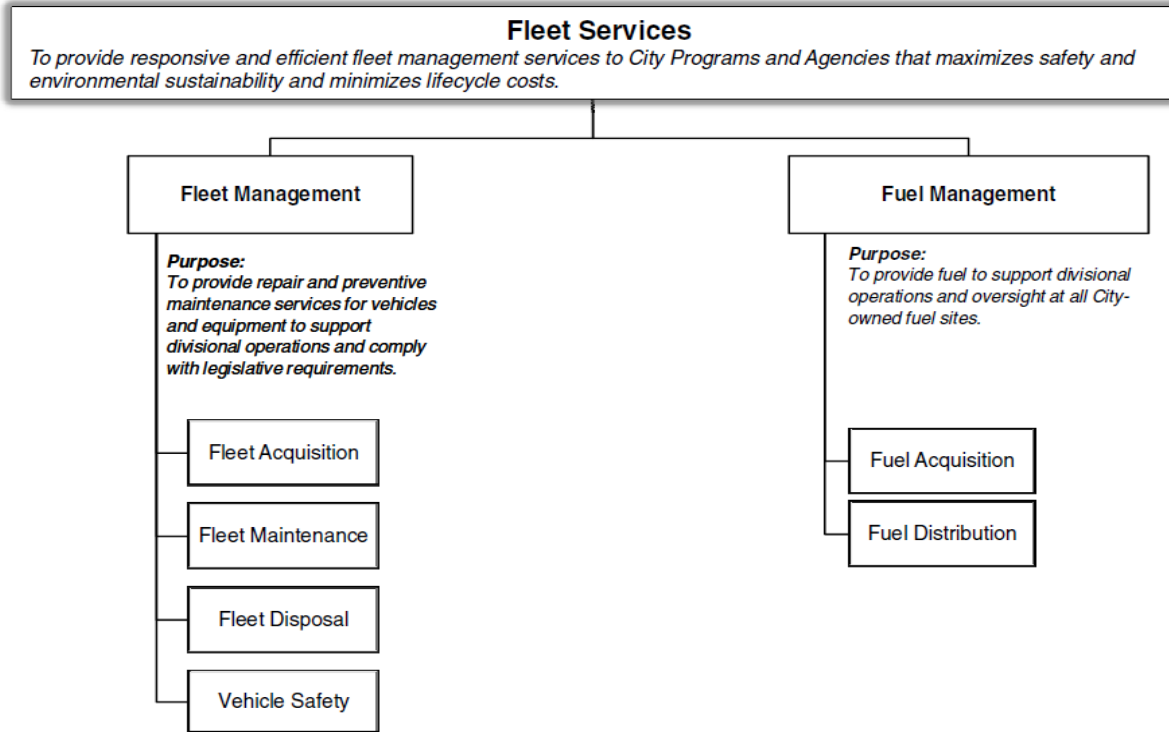
1. City Council approve the 2014 Operating Budget for Fleet Services of \$47.789 million gross and \$0 million net, comprised of the following services:

<u>Service:</u>	<u>Gross</u> <u>(\$000s)</u>	<u>Net</u> <u>(\$000s)</u>
Fleet Management	30,248.2	-25.5
Fuel Management	17,540.7	25.5
 	<hr/>	<hr/>
Total Program Budget	<u>47,788.9</u>	<u>0</u>

2. City Council approve Fleet Services' 2014 service levels, as outlined on page 8, and associated staff complement of 174 positions.
3. City Council authorize the Chief Financial Officer to apply savings realized from fluctuations in fuel prices annually to either the Corporate Vehicle Reserve or the Commodity Price Stabilization Reserve, as he deems appropriate.
4. City Council direct the Director of Fleet Services and the Director of Financial Planning to report to the Budget Committee through the Government Management Committee in time for the 2015 Budget process on a funding strategy for future fleet and equipment requirements that takes into account the following:
 - (a) Utilization and rationalization of current fleet complement;
 - (b) Extending vehicle lifecycle;
 - (c) Increasing reserve contributions; and
 - (d) Current and future service delivery plans that may impact fleet requirements.

III: 2014 SERVICE OVERVIEW AND PLAN

Program Map



Service Customer

Fleet Management

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

Fuel Management

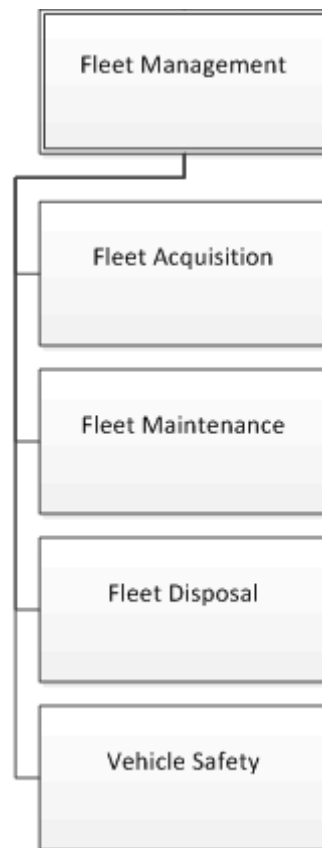
- City Divisions
- Exclusions:
 - TTC
 - Police

2014 Service Deliverables

The 2014 Operating Budget of \$47.789 million gross and \$0 million net will provide funding for Fleet Services to:

- Provide a fleet of approximately 5,000 vehicles and equipment along with 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.
- Provide safety training, testing and certification to 10,000 City employees who are required to operate City vehicles and equipment in order to ensure compliance with Provincial legislation and City policies and guidelines.
- 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 Divisions to optimize fleet size through ensuring that all vehicles are required and fully utilized.
- Finalize the City's 2014-2017 Green Fleet Plan to provide leadership in the advancement of reducing environmental impact.
- Continue to reduce the environmental footprint by making environmentally conscious decisions with respect to vehicles, fuels and operating practices.
- Promote "Eco-Driving" to reduce fuel consumption and greenhouse gas emissions.
- Reduce the average downtime of vehicles to less than 4 hours.
- Maintain non-scheduled repairs at 40% of the total vehicle repairs to reduce unscheduled downtime.
- Continue participation in the fuel-hedging program in effort to reduce fuel costs and to minimize the impact of fluctuating fuel market prices.
- Work effectively with end users to ensure the Ontario Commercial Vehicle Operators Registration (CVOR) safety rating remains at 70% or less, for on-road performance.
- Through the open, fair and competitive bid process, obtain contracts for fuel that will provide approximately 5%-10% discount over market price for both gasoline and diesel.
- Pilot a solution to integrate the Fleet and Fuel management systems to achieve online, real time reporting on fuel usage and odometer readings.
- Measure and benchmark fleet operations to ensure the provision of effective and efficient fleet management.

Service Profile: Fleet Management



What we do

- Provide repair and preventive maintenance services for vehicles and equipment to support divisional operations and comply with legislative requirements.

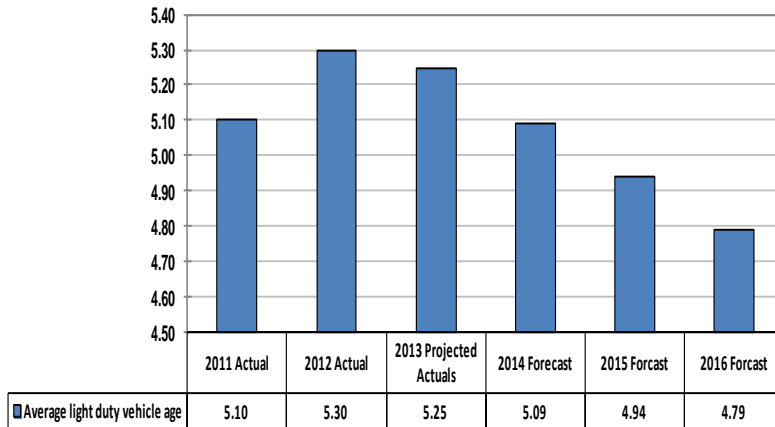
2014 Service Levels

Fleet Management

Activity	Type	Service Levels			
		2011	2012	2013	2014
Fleet Acquisition	Heavy Duty Vehicles (>9000 kg)	Avg Heavy Duty Vehicle Age of 7.19 years			Avg Heavy Duty Vehicle Age of 6.38 years
	Medium Duty Vehicles (4500 kg - 9000 kg)	Avg Medium Duty Vehicle Age of 6.32 years			Avg Medium Duty Vehicle Age of 6.21 years
	Light Vehicles (<4500 kg)	Avg light Duty Vehicle Age of 4.94 years			Avg light Duty Vehicle Age of 5.09 years
	Off-Road	Avg Off-Road Equipment Age of 7.32 years			Avg Off-Road Equipment Age of 7.32 years
Fleet Maintenance		59% scheduled / 41% unscheduled hours	54% scheduled / 46% unscheduled hours	58% scheduled / 42% unscheduled hours	60% scheduled / 40% unscheduled hours
Fleet Disposal	Heavy Duty Vehicles (>9000 kg)	42 days			42 days
	Medium Duty Vehicles (4500 kg - 9000 kg)	42 days			42 days
	Light Vehicles (<4500 kg)	42 days			42 days
	Off-Road	42 days			42 days
Vehicle Safety	Vehicle Certification	20% actively monitored			20% actively monitored
	Driver / Operator Training	100% of all drivers / operators are Certified / Trained			100% of all drivers / operators are Certified / Trained

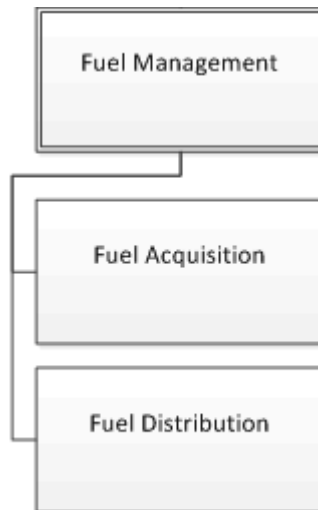
Service Performance Measures
Effectiveness Measure

The Average Age of Light Duty Vehicles



- The average age of light duty vehicles are an important indicator of the usage and maintenance costs associated with the vehicles. The 2014 service level is 5.09 years which ensures safety and escalating costs for repairs and maintenance costs.
- The average fleet age of light duty vehicles for the City is decreasing from 5.25 years in 2013 to 4.79 years in 2016 due to the plan to replace older light duty vehicles on a timely basis.

Service Profile: Fuel Management



What we do

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

2014 Service Levels

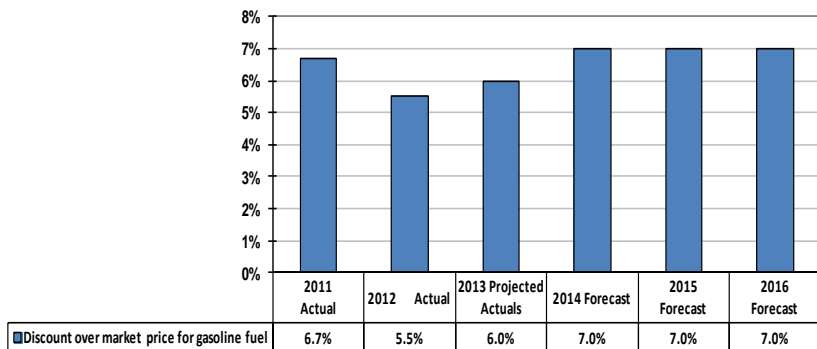
Fuel Management

Activity	Type	Service Levels			
		2011	2012	2013	2014
Fuel Acquisition	Gasoline contract	7.0% below market prices	8.0% below market prices		7% below market prices
	Diesel contract	9.0% below market prices	10.0% below market prices		7% below market prices
Fuel Distribution	Gasoline	3.665 million litres dispensed per year meeting 100% of demand	3.070 million litres dispensed per year meeting 100% of demand	4.6 million litres dispensed per year meeting 100% of demand	4.6 million litres dispensed per year meeting 100% of demand
	Diesel	10.472 million litres dispensed per year meeting 100% of demand	10.143 million litres dispensed per year meeting 100% of demand	8.6 million litres dispensed year meeting 100% of demand	8.7 million litres dispensed per year meeting 100% of demand

Service Performance Measures

Effectiveness Measure

Discount Over Market Price for Gasoline Fuel



- Discount over market price for gasoline fuel for 2014 to 2016 is forecast at 7% to reflect actual experience in the market place given the amount of fuel purchased by

IV: 2014 Total Operating Budget

2014 Operating Budget (In \$000s)

(In \$000s)	2013		2014 Operating Budget			2014 vs. 2013 Budget Changes		Incremental Change 2015 and 2016 Plan			
	Budget	Projected Actual	2014 Base	2014 New/Enhanced	2014 d Budget			2015		2016	
By Service	\$	\$	\$	\$	\$	\$	%	\$	%	\$	%
Fleet Management											
Gross Expenditures	29,920.4	32,042.6	30,248.2		30,248.2	327.8	1.1%	170.8	0.6%	387.3	1.3%
Revenue	29,735.1	32,086.3	30,273.7		30,273.7	538.6	1.8%	(579.9)	-1.9%		
Net Expenditures	185.3	(43.7)	(25.5)		(25.5)	(210.8)	-113.7%	750.7		387.3	
Fuel Management											
Gross Expenditures	17,345.4	17,609.7	17,540.7		17,540.7	195.3	1.1%	21.2	0.1%	13.3	0.1%
Revenue	17,365.9	17,629.7	17,515.2		17,515.2	149.3	0.9%	(1.1)	0.0%		
Net Expenditures	(20.5)	(20.0)	25.5		25.5	46.0	-224.1%	22.3		13.3	
Total											
Gross Expenditures	47,265.8	49,652.3	47,788.9		47,788.9	523.1	1.1%	192.0	0.4%	400.5	0.8%
Revenue	47,101.0	49,716.0	47,788.9		47,788.9	687.9	1.5%	(581.0)	-1.2%		
Total Net Expenditures	164.8	(63.7)				(164.8)	-100.0%	773.0		400.5	
Approved Positions	174.0	164.0	174.0		174.0						

The 2014 Operating Budget for Fleet Services of \$47.789 million gross and \$0 million net is comprised of the following services:

- **The Fleet Management** service's 2014 Operating Budget of \$30.248 million gross reflects a year over year increase of \$0.328 million or 1.1% over the 2013 Budget gross expenditures.
 - Base pressures are due to inflationary increases in salaries and benefits (\$0.128 million), economic factors on non-payroll costs (\$0.171 million) and increase in tools and equipment budget (\$0.032 million).
- **The Fuel Management** service's 2014 Operating Budget of \$17.541 million gross reflects a year over year increase of \$0.195 million or 1.1% over the 2013 Budget gross expenditures.
 - Base pressures are due to inflationary increases in salaries and benefits (\$0.079 million) and economic factors on non-payroll items (\$0.105 million).
- Future year incremental costs are mainly attributable to increases in salaries and benefits.

Approval of the 2014 Budget will result in no change from the 2013 staff complement, as highlighted in the table below:

2014 Total Staff Complement

Changes	2014 Budget	2015 Plan	2016 Plan
Opening Complement	174.0	174.0	174.0
In-year Adjustments			
Adjusted Staff Complement	174.0	174.0	174.0
Change in Staff Complement			
- Temporary Complement - capital project delivery			
- Operating impacts of completed capital projects			
- Service Change Adjustments			
- New / Enhanced			
Total	174.0	174.0	174.0
% Change over prior year			

2014 Base Budget (In \$000s)

(In \$000s)	2013 Budget	2014 Base	Change 2014 Base vs. 2013 Budget		Incremental Change			
			\$	%	2015 Plan		2016 Plan	
By Service	\$	\$	\$	%	\$	%	\$	%
Fleet Management								
Gross Expenditures	29,920.4	30,248.2	327.8	1.1%	170.8	0.6%	387.3	1.3%
Revenue	29,735.1	30,273.7	538.6	1.8%	(579.9)	-1.9%		
Net Expenditures	185.3	(25.5)	(210.8)	-113.7%	750.7		387.3	
Fuel Management								
Gross Expenditures	17,345.4	17,540.7	195.3	1.1%	21.2	0.1%	13.3	0.1%
Revenue	17,365.9	17,515.2	149.3	0.9%	(1.1)	0.0%		
Net Expenditures	(20.5)	25.5	46.0	-224.1%	22.3		13.3	
Total								
Gross Expenditures	47,265.8	47,788.9	523.1	1.1%	192.0	0.4%	400.5	0.8%
Revenue	47,101.0	47,788.9	687.9	1.5%	(581.0)	-1.2%		
Net Expenditures	164.8		(164.8)	-100.0%	773.0		400.5	
Approved Positions	174.0	174.0						

The 2014 Base Budget of \$47.789 million gross is \$0.523 million gross or 1.1% over the 2013 Budget of \$47.266 million gross. The 2014 Base Budget provides \$0.764 million in funding for base budget increases which have been offset by \$0.146 million in base expenditure changes and \$0.783 million in revenue changes.

Key cost drivers resulting in the base budget pressures of \$0.523 million are detailed in the table below:

**Key Cost Drivers
(In \$000s)**

(In \$000s)	2014 Rec'd Base Budget
Gross Expenditure Changes	
Economic Factors	
Economic factors - non-payroll	276.9
COLA and Progression Pay	
Labour economic factors (COLA)	222.6
Other Base Changes	
Increase in Labour Related Costs (Gapping, Benefits Increase, Position Reclassification)	130.5
Increase in Non-Labour Costs (IDCs, Training, Tools)	134.1
Total Changes	764.1
Net Expenditures	764.1

- In order to offset the above pressures, base expenditure changes of \$0.146 million and revenue changes of \$0.783 million are identified below:

**2014 Service Change Summary by Program
(In \$000s)**

Description (\$000s)	2014 Service Changes				Net Incremental Impact			
	Position Change	Gross Exp.	Net Expense	% Change over 2013 Budget	2015		2016	
					Net Expense	Pos. #	Net Expense	Pos. #
	#	\$	\$	%	\$	#	\$	#
Base Changes:								
Base Expenditure Changes								
<i>Salaries and benefits adjustment</i>		(146.2)	(146.2)	-0.3%				
Base Expenditure Change		(146.2)	(146.2)	-0.3%				
Base Revenue Changes								
<i>Increase in IDR's to reflect increase in Client demand Fleet Maintenance</i>			(305.0)	-0.6%				
<i>Increase in IDR's to reflect increase in Fleet Maintenance rates by 2%</i>			(477.7)	-1.0%				
Base Revenue Change			(782.7)	-1.7%				
Sub-Total		(146.2)	(928.9)	-2.0%				
Service Efficiencies								
Sub-Total				0.0%				
Revenue Adjustments								
Sub-Total				0.0%				
Service Changes								
Sub-Total				0.0%				
Total Changes		(146.2)	(928.9)	-2.0%				

The 2014 service changes consist of base expenditure changes of \$0.146 million, and base revenue changes of \$0.783 million net. In total, the Program has achieved reductions of \$0.929 million net bringing the 2014 Base Budget to \$0.165 million below the 2013 Budget of \$0.165 million net.

There is no net incremental impact on the 2015 and 2016 Operating budget.

The 2014 service changes are discussed below:

Base Expenditure Changes: (Savings of \$0.146 million gross, \$0.146 million net)

Salaries and benefit adjustment

- Reductions in the salaries and benefits budget to reflect actuals in 2014 results in savings of \$0.146 million.

Base Revenue Changes: (\$0.783 million net)

Increased Interdivisional recoveries

- Increase in interdivisional recoveries to reflect increase in fleet maintenance due to volume (\$0.305 million) and 2% inflationary increases (\$0.478 million) results in \$0.783 million increase in net revenues.

**2015 and 2016 Plan
(In \$000s)**

Description (\$000s)	2015 - Incremental Increase					2016 - Incremental Increase				
	Gross Expense	Revenue	Net Expense	% Change	# Positions	Gross Expense	Revenue	Net Expense	% Change	# Positions
Known Impacts:										
Progression Pay	70.7			0.1%		71.5			0.2%	
COLA and Fringe Benefits	414.2			0.9%		66.1			0.1%	
Economic Factors	270.3			0.6%		262.8			0.6%	
Other (IDC)	17.8			0.0%						
Sub-Total	773.0			1.6%		400.4			0.8%	
Anticipated Impacts:										
Other - TTC fare increase, inflation adj. etc..										
Sub-Total										
Total Incremental Impact	773.0			1.6%		400.4			0.8%	

Approval of the 2014 Budget for Fleet Services will result in a 2015 incremental cost of \$0.773 million and a 2016 incremental increase of \$0.401 million to maintain the 2014 level of service.

Future year incremental costs are primarily attributable to the following:

Known Impacts

- Progression pay increases of \$0.071 million and \$0.072 million in 2015 and 2016 respectively.

- Negotiated annual increases and fringe benefit adjustments for of \$0.414 million in 2015 and \$0.066 million in 2016. The 2016 COLA increase is excluded as 2016 is subject to collective bargaining.
- Inflationary increases on non-payroll expenses for \$0.270 million and \$0.263 million in 2015 and 2016 respectively.
- IDC increases of \$0.018 million in 2015.

V: ISSUES FOR DISCUSSION

2014 Issues

Accuracy of Vehicle Meter Data

The Auditor General's Report entitled 'Reliable Data is Needed for Effective Fleet Management' dated April 18, 2013 included a requirement for the Director of Fleet Services to report to Government Management Committee by December 31, 2013 on steps that can be implemented to significantly improve the accuracy of vehicle odometer readings including any revisions necessary to odometer reading criteria for identifying unusual meter readings.

Odometer and hour meter (used in heavy equipment and vehicles) data is important to effective fleet management because the information is used for maintenance scheduling, utilization monitoring and replacement planning. The accuracy of this data has suffered over the years because of an older fuel information system and manual inputting which is highly subject to errors. Based on current methods, establishing an equivalent level of fuel security and data integrity is predominantly manual and time consuming. Additional effort would be required to develop and review monthly exception reports and manually input records and corrections for both fuel management and meter readings. Based on touch-time analysis, conservative estimates indicate that requirements for the City's Divisions and Agencies, including Fleet Services to manage and administer the manual processes are equivalent to 7.0 FTEs, which currently do not exist.

Fleet Services investigated several options that could be implemented to improve odometer accuracy. The criteria for selecting a solution included compatibility with the Fleet Management Information System (FMIS), cost effective, elimination of manual inputting and ability to strengthen controls at the fuel pump. The only option meeting all these criteria was a fully integrated module that provided an automated odometer download solution included in the FMIS called Fuel Focus. The automated download solution works seamlessly because as the driver approaches the fuel island, the onboard black box talks to the FMIS system in real-time to verify the unit number, fuel type and tank capacity. These checks strengthen security at the fuel pump because it will not activate without verification. In addition, odometer data is transmitted wirelessly and eliminates manual inputting completely. Finally, this solution was cost effective based on all the features provided.

Subsequently, Fleet initiated the automated odometer download pilot at the City's fuel site located at 1026 Finch Avenue West in August 2013. By the end of Q2 2015, there should be sufficient data to evaluate a 300-vehicle pilot and report back to the Government Management Committee on the results of this initiative. If the pilot project is successful, Fleet Services will at that time, seek authority to proceed with full implementation at a minimum of 17 fuel sites by the end of 2016. As Fleet Services upgrades and retrofits older fuel sites to Super Sites, hardware/software replacements are a required aspect of the upgrade process which has been factored into the capital plan. With 17 fuel sites having automated odometer capture capability over the next four years, Fleet Services estimates that over 80% of the city's vehicles will have

their meter readings captured automatically. For the remaining less than 20% of the units, manual recording/inputting will continue.

The 2014 Fleet Capital Budget includes a recommendation for \$0.300 million, funded through the Fleet Services Corporate Vehicle Replacement Reserve to provide funding for full implementation of the pilot, in addition to the \$0.050 million spent in 2013 to initiate the project. If the pilot project is successful, the cost to rollout the solution to nine (9) fuel sites and 3,500 vehicles and pieces of equipment between 2013 and 2016 is estimated at \$1.7 million.

The report entitled "Improving the Accuracy of Vehicle Meter Data" was considered at the November 21, 2013 Government Management Committee. The following was recommended:

1. City Council request the Director, Fleet Services, to implement a Monthly Odometer Submission process on a pilot basis with the division(s) for units not being captured by the Automated Odometer Download solution.
2. City Council request the Director, Fleet Services, to report the results of the Automated Odometer Download solution to the Government Management Committee by the end of the second quarter of 2015.

The report can be viewed in the link below:

<http://www.toronto.ca/legdocs/mmis/2013/gm/bgrd/backgroundfile-63523.pdf>

Issues Referred to the 2014 Operating Budget Process

Standing Committee Service Level Review Impacts

Description (\$000s)	2014			Net Incremental Impact			
	Gross Expenditure	Net Expenditure	New Positions	2015 Plan		2016 Plan	
				Net Expenditure	# Positions	Net Expenditure	# Positions
Service Level Changes							
Vehicle Capital Reserve Contribution and Shortfalls		2.6		25.4		7.5	
Total		2.6		25.4		7.5	

Vehicle Capital Reserve Contributions and Shortfalls

The impact of Divisions contributing sufficient capital reserves to fund their replacement of vehicles is \$2.619 million in 2014, \$25.356 million in 2015 and \$7.518 million in 2016.

As indicated in the table above, forecast contributions in 2013 and 2014 are below the cost of vehicle replacement requirements included in the 10-Year Capital Plan. These shortfalls will be funded by Reserve balances.

At its meeting held on September 9, 2013, the Government Management Committee, in considering item GM24.15 – 2014 Service Level Review – Government Management Committee Programs, adopted a recommendation requesting that "the Chief Corporate Officer report back to the Government Management Committee on which divisions have not been committing

sufficient capital reserve contributions for vehicle replacements and also what the replacement/sustainability concerns and increased costs are."

The report decision can be accessed at:

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2013.GM24.15>

Fleet Services manages the vehicle and equipment replacement for 20 City Programs and Agencies. In order to continuously provide safe and reliable vehicles and equipment in a cost efficient manner, the timely and ongoing replacement of vehicles and equipment which strikes the optimum balance between depreciating asset value/re-sale value and rising repair costs/decreased reliability is essential. In 2005, City Council directed all programs to commit to the policy of contributing to the Vehicle Equipment Replacement Reserve (the Reserve) for all new purchases commencing in 2006 to sustain the ongoing replacements. As part of the annual budget process, Fleet Services recommends and provides estimates on the minimal amount of contributions to the Reserve to the Divisions to include in their operating budgets for the submission year. The recommended contributions are based on the difference between the future replacement cost and the end of life salvage value, divided by the projected useful life (in years or months).

Due to constraints in order to meet budget targets, some divisions have recently been decreasing their budgeted contributions to the Reserve. It also indicated that each Division's and Agencies' reserve accounts will have projected negative reserve balances in future years. By the end of 2017, the total balance of the City Vehicle and Equipment Replacement Reserves will be in a deficit position of \$5.004 million. At the end of 2023, assuming no corrective action taken, the total vehicle and equipment reserves will be in a deficit position of \$54.868 million.

The following table provides the continuity schedule of the breakdown of the Vehicle and Equipment Replacement Reserves:

Corporate Vehicle & Equipment Reserve Summary (000's)					
Year	Projected Opening Balance	Estimated Contribution	Estimated Capital Plan	Net Contribution (Deficit)	Projected Closing Balance
2013	59,437	32,548	(51,779)	(19,532)	40,206
2014	40,206	33,335	(35,954)	(2,619)	37,587
2015	37,587	33,616	(58,972)	(25,356)	12,231
2016	12,231	33,376	(40,894)	(7,518)	4,713
2017	4,713	34,873	(44,589)	(9,716)	(5,004)
2018	(5,004)	34,416	(40,636)	(6,220)	(11,224)
2019	(11,224)	34,121	(42,926)	(8,805)	(20,029)
2020	(20,029)	33,790	(42,382)	(8,592)	(28,621)
2021	(28,621)	33,776	(39,575)	(5,779)	(34,420)
2022	(34,420)	34,019	(46,253)	(12,234)	(46,654)
2023	(46,654)	34,069	(42,283)	(8,214)	(54,868)
Total	59,437	371,939	(486,243)	(114,605)	(54,868)

The impacts of not replacing vehicles at their recommended time or end of their useful life include:

- Increased maintenance repair costs resulting from deferring the replacement of vehicles and equipment past the optimum life cycle.
- Increased vehicle downtime resulting in lost productivity.
- The cost of a temporary rental unit, if available resulting from the unit being deemed beyond economical repair or if unavailable, may result in disruptions to City services.
- Substantial financial pressure on future year operating budgets to fund the backlog on the replacement program.

Fleet Services will explore options in consultation with Financial Planning and the Divisions to ensure that there is sufficient funding for the replacement activities. Options may include:

- The utilization and rationalization of the current fleet complement;
- Extending vehicle life cycles;
- Increasing reserve contributions; and
- A combination of the above.

It should be noted that current and future service delivery plans will also impact fleet requirements. Part of the funding strategy must take these into account and determine whether the forecasted requirements are still appropriate.

The agreed upon and confirmed strategy will be included in the 2015 Budget Process.

In the meantime, Fleet Services continues to provide training and education to client Divisions on proper use and maintenance of vehicles and equipment. Through effective vehicle and lifecycle management, Fleet Services in conjunction with the Divisions have been able to extend asset lifecycles, which has mitigated the incurrence of any increased costs while meeting safety standards. Going forward, timely replacement of assets must continue in effort to ensure that increased operating costs are not recognized as a result of delayed replacement due to a shortage of capital funds.

A report providing further details of the above entitled "Vehicle Capital Reserve Contributions and Shortfalls" has been submitted to Government Management Committee on November 21, 2013. The report can be viewed in the link below.

<http://www.toronto.ca/legdocs/mmis/2013/gm/bgrd/backgroundfile-63521.pdf>

Appendix 1

2013 Service Performance

2013 Key Accomplishments

In 2013, Fleet Services achieved the following results:

- ✓ Implemented changes in Fleet Maintenance Operations to improve productivity and customer service levels.
- ✓ Managed the corporate contracts for external leased vehicles, including coordinating and providing short term rental vehicles to City Divisions (Fleet Services manages approximately 120 external rental vehicles and 80 internal fleet vehicles to Divisions for short term use).
- ✓ Upgraded two and closed five City-owned fuel sites to reduce environmental risks and to improve operational efficiencies.
- ✓ Implemented the Fuel Hedging Program as a strategy to mitigate the impacts of fluctuating market fuel prices and to reduce fuel costs.
- ✓ Extended Fleet and Fuel Management services with the addition of Toronto Community Housing Corporation and Solid Waste Management Haulage Services.
- ✓ Maintained the Provincial Commercial Vehicle Operators Registration (CVOR) safety rating in good standing below 70%.
- ✓ Provided fleet safety training, testing and certification to 10,000 employees / job applicants who are required to operate City vehicles and equipment, and to ensure compliance with various Provincial legislations and City policies and guidelines.
- ✓ Worked with Solid Waste Management Services to finalize the transfer of maintenance operations on haulage and heavy equipment to Fleet Services.
- ✓ Implemented new tool tracking module within the current Fleet Maintenance IT Systems.

2013 Financial Performance

**2013 Budget Variance Analysis
(In \$000s)**

(\$000s)	2011 Actuals	2012 Actuals	2013 Budget	2013 Projected Actuals*	2013 Budget vs. Projected Actual Variance	
	\$	\$	\$	\$	\$	%
Gross Expenditures	49,040.7	47,043.0	47,265.8	49,652.3	2,386.5	5.0
Revenues	49,009.6	47,984.1	47,101.0	49,716.0	2,615.0	5.6
Net Expenditures	31.1	(941.1)	164.8	(63.7)	(228.5)	(138.7)
Approved Positions	192.0	174.0	174.0	155.0	(19.0)	(10.9)

* Based on the 3rd Quarter Operating Budget Variance Report

2013 Experience

- The projected year-end net variance for Fleet Services as at September 30, 2013 is anticipated to be \$0.229 million under the 2013 Net Operating Budget.
- This variance is mainly attributable to savings from delayed hiring for vacant positions.

Impact of 2013 Operating Variance on the 2014 Budget

- There is no impact of the 2013 operating variance on the 2014 Operating Budget, and the Program plans to fill all vacancies for 2014.

Appendix 2

2014 Total Operating Budget by Expenditure Category

Program Summary by Expenditure Category (In \$000s)

Category of Expense	2011	2012	2013	2013	2014	2014 Change from		2015	2016
	Actual	Actual	Budget	Projected	Budget	2013 Budget	%	Plan	Plan
	\$	\$	\$	\$	\$	\$	%	\$	\$
Salaries and Benefits	17,899.3	15,586.2	16,983.3	16,338.9	17,067.4	84.1	0.5%	17,552.3	17,690.0
Materials and Supplies	24,479.0	23,028.1	21,367.4	20,924.0	21,605.5	238.1	1.1%	21,711.5	21,814.6
Equipment	59.6	87.8	80.4	80.4	114.1	33.7	41.9%	115.9	117.5
Services & Rents	5,775.9	5,600.8	7,615.0	8,191.0	7,779.2	164.3	2.2%	7,941.8	8,099.8
Contributions to Capital									
Contributions to Reserve/Res Funds	427.3	2,160.7	695.6	3,582.9	655.6	(40.0)	-5.8%	85.6	85.6
Other Expenditures		69.5							
Interdivisional Charges	399.6	509.8	524.1	535.1	567.1	42.9	8.2%	573.8	573.8
Total Gross Expenditures	49,040.7	47,043.0	47,265.8	49,652.3	47,788.9	523.1	1.1%	47,980.9	48,381.4
Interdivisional Recoveries	47,685.3	46,596.7	43,873.8	46,549.1	44,769.7	896.0	2.0%	44,758.7	44,758.7
Provincial Subsidies									
Federal Subsidies									
Other Subsidies									
User Fees & Donations									
Transfers from Capital Fund	158.7	115.0	138.5	138.5	115.9	(22.6)	-16.3%	115.9	115.9
Contribution from Reserve Funds	257.4		150.4	150.4		(150.4)	-100.0%		
Contribution from Reserve									
Sundry Revenues	908.2	1,272.4	2,938.3	2,878.0	2,903.3	(35.0)	-1.2%	2,333.3	2,333.3
Required Adjustments									
Total Revenues	49,009.6	47,984.1	47,101.0	49,716.0	47,788.9	687.9	1.5%	47,207.9	47,207.9
Total Net Expenditures	31.1	(941.1)	164.8	(63.7)		(164.8)	-100.0%	773.0	1,173.5
Approved Positions	192.0	174.0	174.0	164.0	174.0		0.0%	174.0	174.0

2014 Key Cost Drivers

Materials and Supplies are the largest expenditure category and account for 45.2% of total expenditures, followed by salaries and benefits at 35.7%.

Materials and Supplies

- The 2014 Budget for materials and supplies of \$21.606 million is \$0.238 million or 1.1% higher than the 2013 Operating Budget. Materials and supplies costs are comprised of gasoline and diesel fuel costs as well as vehicle and equipment parts, lubricants, and office supplies.
- The increase is mainly attributable to an increase of \$0.158 million in fuel.

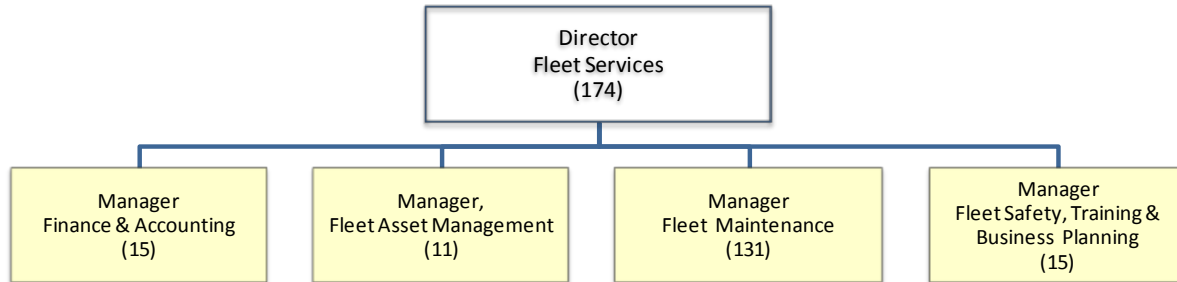
Salaries and Benefits

- The 2014 Budget for salaries and benefits of \$17.067 million, reflects an increase of \$0.084 million or 0.5% higher than the 2013 Budget of \$16.983 million, due to:

- Negotiated annual increases account for \$0.226 million of pressures in salaries and benefits.
- Gapping, fringe benefit increase and salary adjustment due to restructuring of 2 positions results in an increase of \$0.130 million in salaries and benefits.
- These pressures are partially offset by the reversal of the 2013 one-time union lump sum payment for \$0.150 million and a salaries and benefits adjustment of \$0.146 million to reflect 2014 operational requirements.

Appendix 2 - Continued

2014 Organization Chart



2014 Full and Part Time Staff

Category	Senior Management	Management	Exempt Professional & Clerical	Union	Total
Full-Time	1.0	22.0	11.0	140.0	174.0
Part-Time					
Total	1.0	22.0	11.0	140.0	174.0

Appendix 5

Inflows/Outflows to/from Reserves & Reserve Funds

Corporate Reserve / Reserve Funds (In \$000s)

Reserve / Reserve Fund Name	Reserve / Reserve Fund Number	Projected Balance as of Dec. 31, 2013 \$	Proposed Withdrawals (-) /		
			2014 \$	2015 \$	2016 \$
Projected Beginning Balance					
Insurance Reserve	XR1010	18,307.1			
<i>Proposed Withdrawals (-) Contributions (+)</i>			85.6	85.6	85.6
Total Reserve / Reserve Fund Draws / Contributions		18,307.1	85.6	85.6	85.6
Other program / Agency Net Withdrawals & Contributions			18,369.5	14,569.4	15,004.9
Balance at Year-End		18,307.1	36,762.2	51,417.2	66,507.7