
Building Better Fleet: An Asset Management Plan for Fleet Services

Recommendation

That the Standing Policy Committee on Finance recommend to City Council:

1. That the Asset Management Plan for Fleet Services be received as information;
2. That the Civic Vehicles and Equipment Asset Disposition/Acquisition Reserve be eliminated;
3. That the Civic Vehicles and Equipment Stabilization Reserve be amended as outlined in this report; and
4. That the City Solicitor be requested to amend The Capital Reserve Bylaw No. 6774.

Topic and Purpose

The purpose of this report is to provide information on assets primarily belonging to the Fleet Services Section of the Facilities and Fleet Management Division, Asset and Financial Management Department.

This report is also requesting City Council approval to eliminate the Civic Vehicles and Equipment Asset Disposition/Acquisition Reserve and amend the Civic Vehicles and Equipment Replacement Reserve within Bylaw No. 6774 in order to provide sufficient funding to maintain the City of Saskatoon's (City) fleet in good condition.

Report Highlights

1. The Asset Management Plan for Fleet Services shows the physical condition of the City's fleet. Currently, 49% of the fleet is in good to very good condition.
2. A potential funding plan is illustrated with the goal of bridging the funding gap to enable the assets to reach the desired condition. The funding plan includes elimination of the Acquisition Reserve and amendments to the Capital Replacement Reserve.

Strategic Goal

This report supports the long-term strategy of adopting and implementing an asset management philosophy for the City's fleet, under the Strategic Goal of Asset and Financial Sustainability.

Background

In 2008, Robert Prosser & Associates Inc. conducted an audit which identified that the overall condition of the City's fleet was impacting the City's ability to provide expected service levels.

In order to advance the replacement plan, rental rates were adjusted. This adjustment to rental rates has closed the identified funding gap, and if funding levels remain the same, Fleet Services will be better positioned to replace vehicles in a timely manner.

Report

The Asset Management Plan for Fleet Services (Attachment 1) categorizes the City's fleet into four categories: heavy equipment, civic vehicles, police vehicles and other motorized assets. It is important to note that this Plan does not include either Transit's fleet (previously reported in a separate asset management plan) or Fire apparatus, as these are managed outside of Fleet Services. As shown in the Plan, the estimated replacement value of the entire fleet is \$97.3 million.

Overall, the City's fleet is in good condition and with the replacements planned for 2017, the average condition will continue to fall within the recommended good category level. The fleet has managed to remain in good condition due to one-time transfers from the Acquisition Reserve to the Replacement Reserve. In order to maintain the appropriate funding and condition levels, Table 5 of the Plan provides a funding scenario that would give the Fleet Replacement Reserve a total of \$6.7 million in annual funding over the next 12 years.

Fleet Services' current rental rate charged to its internal customers is sufficient to cover ongoing operations and replacement. Over the past several years, Fleet Services has generated a surplus in its maintenance program which was transferred to the Acquisition Reserve per Bylaw No. 6774. A bylaw amendment would allow for future surpluses to be transferred to the Capital Replacement Reserve.

The Administration recommends that the funding gap be addressed through the following amendments to Bylaw No. 6774:

1. Eliminate the Fleet Acquisition Reserve.
2. Amend Section 22(3) to transfer surpluses to the Civic Vehicles and Equipment Replacement Reserve instead of the Civic Vehicles and Equipment Asset Disposition/Acquisition Reserve.

These revisions would allow the City's fleet to reach its expenditure goal and continue to be replaced in a timely manner by having funds redirected to the Replacement Reserve. The Acquisition Reserve is no longer required, as divisions are responsible for funding their own acquisitions, and Fleet Services is responsible for the maintenance and eventual replacement. This bylaw adjustment aligns current practice with policy and removes the requirement for one-time transfers in the future without any additional property tax impact.

Options to the Recommendation

City Council can choose not to approve the bylaw amendments. This option is not recommended as doing so would not correct the funding gap currently present within Fleet Services. Alternative funding recommendations would be required to ensure the City's fleet is in good condition and able to meet service requirements.

Financial Implications

The Plan summarizes the current expenditure level, identified funding gaps, existing funding, and a bylaw revision to address the funding gap.

Communications Plan

The Asset Management Plan for Fleet Services will be communicated with the City's overarching Corporate Asset Management Plan. Communications support will create awareness for this Plan through information uploaded into a new display within the Finance pages of the City's website.

Other Considerations/Implications

There are no policy, environmental, privacy, or CPTED implications or considerations, and public and/or stakeholder involvement is not required.

Due Date for Follow-up and/or Project Completion

The Administration will report back during the 2018 Business Plan and Budget deliberations with options to address the funding gap. As future replacement schedules and timing can change, an annual update will be provided to make any adjustments as required.

Public Notice

Public Notice pursuant to Section 3 of Policy No. C01-021, Public Notice Policy, is not required.

Attachment

1. Building Better Fleet: An Asset Management Plan for Fleet Services

Report Approval

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