Region of Waterloo

Corporate Services

Facilities and Fleet Management

Treasury Services (Procurement)

To:	Administration and Finance Committee
Meeting Date:	August 15, 2023
Report Title:	Pre-Budget 2024 Vehicle Procurement Approval

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1. Recommendation

That the Regional Municipality of Waterloo approve the pre-budget procurement of vehicles and equipment scheduled for replacement in 2024 as set out in report COR-FFM-23-002 dated August 15, 2023.

2. Purpose / Issue:

To facilitate the acquisition and timely delivery in 2024 of 36 Corporate Fleet vehicles and equipment that require replacement due to high kilometers, heavy off road usage, and higher than normal operating and maintenance requirements.

3. Strategic Plan:

This report meets the following 2023-2032 Corporate Strategic Plan objectives: 3.1 Reduce greenhouse gas emissions and 5.4 Ensure the Region provides value for money and long term financial sustainability.

4. Report Highlights:

- The Region has a long-standing practice of providing pre-budget approval to procure vehicles and equipment scheduled for replacement in the following year – this ensures timely delivery and allows operations to continue uninterrupted. Delivery of most vehicles occurs during the January-May timeframe of the following year.

- The 2023-2032 Capital Plan identified the need to consider replacement of 58 vehicles in 2024 at an estimated cost of $9,552,000 (Appendix A).

- After the most recent evaluation of vehicle performance indicators, the forecast has been adjusted to defer 22 proposed replacements beyond 2024 and to prioritize the most at-risk 36 replacement vehicles. Six (6) of the 2024

replacement vehicles are ambulances were approved for pre-order in 2022 due to COVID supply chain issues (estimated cost of $1.78M).

- The remaining planned 18 vehicles will be deferred by at least one year for a total deferred expenditure of $2.05M. Four vehicles have been permanently deleted from ROW Fleet resulting in a capital cost reduction of $110,000. (Appendix C)

5. Background:

The Region has a long-standing practice of providing pre-budget approval to procure vehicles and equipment scheduled for replacement in the following year – this ensures timely delivery and allows operations to continue uninterrupted. Delivery of most vehicles occurs during the January-May timeframe of the following year. Specialized vehicles with longer delivery times will be delivered over the course of the year. This approach ensures that vehicles are delivered in a timely manner to meet operational requirements in the year they are due for replacement, to reduce costs and to enable vehicle deliveries and conversions to be scheduled to fit the availability of staff resources.

Fleet Management staff completed a detailed evaluation of the vehicles, including mechanical and body condition inspections, operating cost and operational requirements, annual utilization, and fuel and greenhouse gas analysis. The information was gathered to determine which of the vehicles should be replaced, deferred or deleted from the fleet. Fleet Management, in consultation with program areas, ensures the solutions selected best align with functional requirements and corporate objectives. In some program areas, the consultation process is ongoing and, as appropriate, procurement of specific vehicles may be delayed, deferred or cancelled as a result of that consultation.

In order to achieve the Region’s greenhouse gas (GHG) reduction target initiatives, there will be a need to significantly decrease emissions from its Fleet and Equipment. This can be achieved by making investments in zero emission vehicle/equipment solutions (e.g. electric vehicles –EVs), which will also require new and/or upgraded charging infrastructure. The 2024 plan includes the purchase of seven (7) electric transit vans for several Regional program areas including Water Services, Transportation and Facilities. Wherever available, EV options will be added to the Fleet. It is important to note that while the desired technology from a climate change perspective is a zero emission vehicle, there are additional market opportunities which help to reduce fuel consumption and, by extension, GHG emissions (e.g. hybrids, anti-idling technologies, telematics, etc.). The electrification of the Region’s fleet and equipment will be phased in over time to allow time for the vehicle acquisition, and implementation of the charging infrastructure required to support the vehicle charging needs.

Fleet Management staff engaged all program areas in the vehicle and equipment evaluation process. This consultation process includes the review and validation of functional requirements to assist in identifying replacement solutions that best align with operational requirements and corporate objectives.

6. Area Municipality Communication and Public/Stakeholder Engagement

Nil

7. Financial Implications:

The 2023-2032 Fleet Management Capital Forecast included $7,391,000 in 2024 related to the 36 replacement vehicles. Due to price increases and supply chain issues, it is estimated that the purchase cost will increase to $8,451,000. Funding for the purchase of 36 replacement vehicles will be provided from the Corporate Fleet Replacement Vehicle and Equipment Reserve ($6,873,000) and from the Ambulance Vehicle Reserve ($1,578.000) The draft 2024-2033 capital plan will be prepared to reflect the recommended vehicles and equipment for 2024 valued at $8,451,000 and the deferral of 18 vehicles valued at $2,051,000 to 2025 and future years.

Investment in zero-emission and lower emission technologies to align with the GHG reduction initiatives will impact capital expenditure requirements in the coming years as the capital plan is currently based on standard vehicle and equipment replacement solutions unless a viable technology solution has been identified. Based on the 7 Electric vehicles purchased in 2022, the premiums for these vehicles range between 30 and 90 percent. Based on this experience and information available in the industry, climate and energy transition technologies on average could increase Corporate Fleet budget requirements by 50% or more, depending on the type and availability of solutions that meet the corporate Fleet climate and energy transition needs. In addition to the climate transition cost impacts, recent information received from vendors indicate that supply chain issues may impact both pricing and availability for 2024 acquisitions.

8. Conclusion / Next Steps:

Subject to Council approval and additional consultation with program areas, replacements for the vehicles listed in Appendix A will be procured as required in 2023 for delivery in 2024.

9. Attachments:

Appendix A - Summary – 2024 Vehicle Procurement Plan (Replacements)

Appendix B - Summary – 2024 Vehicle Procurement Plan (Deferrals)

Appendix C - Summary – 2024 Vehicle Procurement Plan (Deletions)

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Approved By: **Craig Dyer**, Commissioner, Corporate Services/Chief Financial Officer