

Analyst Briefing Notes

Budget Committee Review (October 29, 2007)

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November 2, 2007

PART I: CAPITAL PROGRAM**Executive Summary**

- The 2007 Approved Capital Budget of \$8.841 million was 18% spent as at June 30 2007. Expenditures by year-end are projected to be \$8.074 million, or 91% of the 2007 Approved Capital Budget. Of the \$0.767 million under expenditure, \$0.699 million in 2007 cash flow funding will be carried forward into 2008. The projected under expenditure is primarily attributed to project planning and procurement delays for the Toryork Bays Extension Antenna Tower Remediation, Hand-Held Wireless Devices and Mobile Radio Repeater Evaluation.
- The 2008 Recommended Capital Budget; 2009 to 2012 Plan and 2013 to 2017 Estimates total \$84.551 million of which \$29.508 million is for the Program's 5 year capital plan, requiring new debt funding of \$24.709 million, or an average of \$4.942 million per year.
- The 5-Year Capital Plan requires cash flows of \$6.390 million in 2008, \$5.475 million in 2009 & 2010, \$5.334 million in 2011 and \$6.834 million in 2012. Overall, the Program has achieved the recommended debt targets for each of the 5 years.
- The 5-Year Capital Plan reflects all asset needs as presently determined by the Toronto Fire Services. Existing facility maintenance and new facility construction has been determined in consultation with Corporate Facilities and smoothed to meet debt guidelines and readiness to proceed. Starting in 2009, \$1.2 million per year in additional funding has been re-allocated to Asset Management projects (Future Years) in order to proceed with this program priority. This increased funding of \$1.200 million per year for Asset Management projects will result in elimination of the backlog by 2013.
- The 2008 Recommended Capital Budget with a total recommended cash flow of \$6.390 million includes:
 - previously approved project commitments and new/change in scope projects requiring 2008 cash flow of \$5.816 million gross funding with \$5.191 million funded by debt and \$0.625 million funded by reserves. This cash flow combined with carry forward funding of \$0.574 million for 2007 projects brings the total 2008 Capital Budget to \$6.390 million gross;
 - future year commitments of \$1.000 million in 2009 for the Toryork Bays Extension.
- The 2008 Recommended Capital Budget of \$5.816 million is allocated 68% to State-of-Good-Repair projects at \$3.937 million, 27% to Service Improvement at \$1.585 million; and 5% to Legislated projects at \$0.294 million.
 - State-of-Good-Repair projects such as the EMS/Fire Power Upgrade to ensure the integrity of critical hydro systems at headquarters and Asset Management to maintain facilities in a state of good repair. Also included is a new project for the life-cycle replacement of firefighters' portable radios.

- Legislated projects include the HUSAR Equipment projects to ensure effective response in situations requiring Heavy Urban Search and Rescue, Training Facilities Renovations, and Hand-held Wireless Devices for Fire Prevention Inspectors to conduct building and fire/life safety system inspections.
- Health & Safety projects include Portable Radio Additions to ensure all firefighters have access to a radio, Antenna Tower Remediation to dispose of obsolete equipment and Downtown & Waterfront Radio Coverage Enhancements to improve communication between firefighters in the downtown core.
- Service Improvement projects are represented by the Torkyork Bays Extension to enable less down time for repair of fire trucks.
- Approval of the 2008 Recommended Capital Budget will result in:
 - the start of expansion of the Torkyork Fire Vehicle Maintenance Facility to minimize vehicle down-time for \$1.984 million as well as the start of life cycle replacement of portable radios for firefighters for \$0.625 million,
 - ongoing maintenance Fire Station and facilities for \$1.951 million.
 - completion of the EMS / Fire Emergency Power Supply Project for \$1.236 million. The critical upgrades to the EMS/Fire Headquarters Power Supply System with a total 2008 project cost of \$3.116 million is funded by contributions from Fire Services (\$1.236 million), Police Services (0.617 million), and EMS (\$1.263 million) representing their share of the total project cost in 2008.
- The 5-Year Capital Plan reflects incremental net operating costs including:
 - Station C (Sheppard Ave between Leslie/Bayview): \$0.085 million impact in 2008 is the estimated cost for first year maintenance after completion of this project.
 - Torkyork Bays Extension: The \$0.045 million impact in 2010 is the estimated cost for ongoing support & maintenance after completion of this project.
 - Communications Centre - Quality Assurance Study: The \$0.107 million represents the cost of on-going support for the project. This requires an increase of 1 approved position in 2009.
- The Council approved Master Fire Plan details future station requirements and defines the years they are required based on current call volumes, population and growth statistics. As part of developing an affordable plan for station/facility reconstruction, certain facilities have been deferred to the 2013-2017 Capital planning period. The disposition of this issue will be reviewed again in the 2009 budget process.
- The Radio Communication System Replacement Project is classified as a corporate project in conjunction with requirements of EMS and Police Services. This system needs to be replaced for all three services as it will no longer be supported by the manufacturer by 2011. As a result, \$70 million in total project cost, with an initial \$0.250 million in each of 2007 & 2008 for consultant expenses, has been budgeted corporately.

Recommendations

The City Manager and Chief Financial Officer recommend that:

1. the 2008 Recommended Capital Budget for Toronto Fire Services with a total project cost of \$3.420 million and a 2008 cash flow of \$6.390 million and future year commitments of \$1.000 million be approved. The 2008 Recommended Capital Budget consists of the following:
 - a) New Cash Flow Funding for:
 - (i) 5 new sub-projects with a 2008 total project cost of \$3.420 million that requires cash flow of \$3.420 million in 2008 and no future year commitments;
 - (ii) 6 previously approved sub-projects with a 2008 cash flow of \$2.271 million and a future year commitment of \$1.000 million in 2009;
 - (iii) 1 previously approved sub-project with carry forward funding from 2006 requiring 2008 cash flow of \$0.125 million, which forms part of the affordability targets that requires Council to reaffirm its commitment; and
 - b) 2007 approved cash flow for 4 previously approved sub-projects with carry forward funding from 2007 into 2008 totalling \$0.574 million;
2. new debt service costs of \$0.156 million in 2008 and incremental costs of \$0.601 million in 2009 and \$0.110 million in 2010 resulting from the approval of the 2008 Recommended Capital Budget, be approved for inclusion in the 2008 and future year operating budgets;
3. operating impacts of \$0.085 million in 2008, \$0.057 million in 2009 and \$0.045 million in 2010 that emanate from the approval of the 2008 Recommended Capital Budget be considered within the overall scope of Toronto Fire Services' 2008 operating budget;
4. all sub-projects with third-party financing be approved conditionally, subject to the receipt of such funding during 2008 and if such financing is not forthcoming, their priority and funding be reassessed by City Council relative to other City-financed priorities and needs;
5. the 2009-2012 Capital Plan for Toronto Fire Services totalling \$23.118 million in project commitments and estimates, comprised of \$5.475 million in 2009, \$5.475 million in 2010, \$5.334 million in 2011; and \$6.834 million in 2012 be approved;
6. the feasibility of implementing the Master Fire Plan recommendations within the City's debt affordability constraints be addressed as part of the 2009 Capital Budget process including the possibility of co-locating with EMS given that EMS is not presently moving forward with its C-BOS station model;
7. Toronto Fire Services continue to monitor future year projects that are eligible for Development Charge funding and modify the 5-Year Capital Plan to incorporate this financing source;
8. the Chief of Toronto Fire Services, in consultation with the Deputy City Manager and Chief Financial Officer, report back to Budget Committee as part of the 2009 Capital Budget Process on a revised and detailed estimate of the current state-of-good repair backlog;

9. the Steering Committee for the Radio Communication System Replacement project report to Budget Committee on an annual basis starting in July 2008 to update the status of the project including project management costs and infrastructure issues including the disposition of hand-held portable radios once known.

2007 Capital Variance Review

2007 Budget to Actuals Comparison - Total Gross Expenditures (\$000s)					
2007 Approved	Actuals as of June 30 (2nd Qtr Variance)		Projected Actuals at Year End		Balance
\$	\$	% Spent	\$	% Spent	\$ Unspent
8,841	1,615	18	8,074	91	767

Comments / Issues:

- At the end of June 30, 2007, Fire Services spent approximately \$1.615 million or 18% of its 2007 Approved Capital Budget of \$8.841 million. Under spending is mainly due to project and procurement planning delays and is mainly attributable to the following:
 - Asset Management projects are 5% spent out of a total 2007 approved cash flow of \$2.121. Under spending is due to planning delays. The 2007 approved cash flow includes the Headquarters Power System Upgrade project. It is projected, based on the current estimates from Corporate Facilities, that capital project activities and spending will continue in accordance with plans and be 100% complete at year end.
 - Heavy Urban Search and Rescue (HUSAR) projects are 18% spent out of a total 2007 approved cash flow of \$1.379 million. Two projects related to procuring HUSAR equipment are scheduled for 2007: HUSAR/JEPP 05/06 and HUSAR/JEPP 06/07. Spending for the second period was focussed on the HUSAR/JEPP 06/07 project, with 48% spent funding equipment and supplies. After spending only 54% in 2006, the HUSAR/JEPP 05/06 project consists of \$0.870 million in funding that was carried over to 2007 and re-submitted to the Federal Joint Emergency Preparedness Program (JEPP) program for re-approval. Fire Services is projecting 100% spending by year-end once this re-approval is received.
 - The Computer Aided Dispatch/Record Management System (CAD/RMS) project is 2% spent out of a total 2007 approved cash flow of \$0.535 million. Under spending is due to procurement delays. This final phase of the record management component of the CAD/RMS system implementation was deferred to 2007 for the outfitting of the Command Post Vehicle and additional software requirements which will be completed by year-end.
 - The balance of under spending as of the 2nd quarter is attributable to delays in project and procurement planning in the following projects:
 - Portable Radio Additions, Toryork Bays Extension, Training Facilities Renovation, Hand-Held Wireless Devices, Pro Fuel System Installation, Communication Centre Quality Assurance Study, Antenna Tower Remediation, and the Mobile Radio Repeater Evaluation project (Downtown Waterfront Radio Coverage Enhancement).

- Fire Services' projected year-end spending for 2007 approved projects is \$8.074 million or 91% in its June 30, 2007 Variance Report. This represents an improvement over the 74% spending rate achieved in 2006. Cost containment deferrals are for fire vehicle replacement and are part of Corporate Fleet Services Capital Budget and therefore do not affect Fire Services year end Capital variance.
- The total recommended carry forward funding, including 2-year carry forwards, in the 2008 Recommended Capital Budget is \$0.699 million and is lower than the year-end projected actual expenditure variance identified in the 2nd quarter variance report. This difference is due to a lower expected cost for the Toryork feasibility study. Carry forward funding is being recommended for the following projects and the under-spent funding will be returned to its original funding source::
 - \$0.125 million in unspent funding for the Communications Centre Quality Assurance Study has been submitted for re-approval as a two-year carry forward from 2006 into 2008
 - \$0.574 million in funding carried forward to 2008 from 2007 is for the Toryork Bays Extension (\$0.399 million), Antenna Tower Remediation (\$0.050 million), Hand-Held Wireless Devices (\$0.085 million) and the Mobile Radio Repeater Evaluation projects (\$0.040 million).

Cost Containment Impact

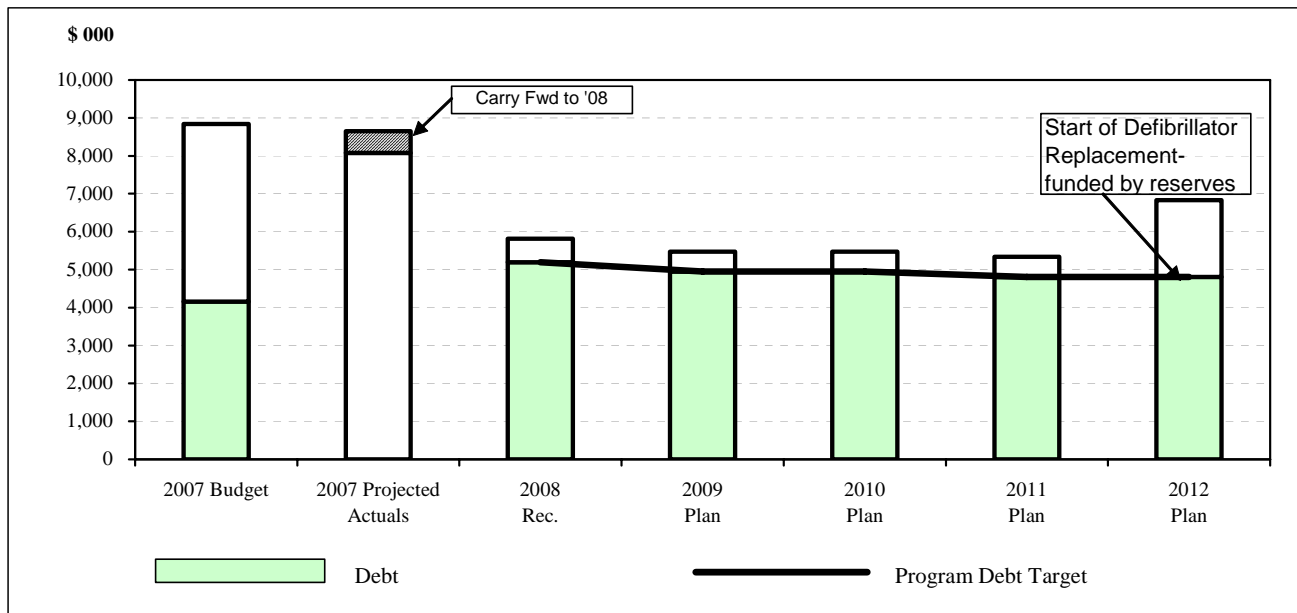
As part of cost containment, Fire Services has deferred \$3.020 million or 50% of its annual (operating) contribution to fleet reserves. This has resulted in deferrals of capital projects in the Corporate Fleet Services Capital Budget.

Cost Containment Summary (Deferral of Capital Projects) \$000s						
	2007	2008	2009	2010	2011	2012
Impact on Capital						
WES-Fire-Fleet Replacement	(3,020)	3,020				
TOTAL	(3,020)	3,020	0	0	0	0
Impact on Operating						
N/A						
TOTAL	0	0	0	0	0	0
Impact on Debt Service Charges Deferred	(91)	(242)	332	0	0	0

\$3.020 million in spending for fire vehicle replacements has been deferred to 2008. These vehicles have been ordered but due to long lead times will not incur cash flow expenditures until 2008. These replacement vehicles include 6 Rescue Trucks (\$2.640 million) and a number of Light Vehicles (\$0.380 million).

Note that as September 30, 2007, Fire Services is reporting that due to the advanced state of manufacturer of the 2007 fire vehicle purchase order, the cost containment originally estimated to be \$3.020 million in 2007 will not be achieved. More vehicles than originally anticipated will be delivered in 2007. The revised cost containment is estimated at \$2.206 million a reduction of \$0.814 million. Fire Services and Cluster B is reviewing options to mitigate this pressure.

5-Year Capital Plan (2008-2012)



		5-Year Plan					
		2008	2009	2010	2011	2012	2008-2012
		Budget	Projected Actual				
Gross Expenditures:							
2007 Capital Budget & Future Year Commitments	8,841	8,074	2,271	1,000			3,271
Recommended Changes to Commitments			125				125
2008 New/Change in Scope and Future Year Commitments			3,420				3,420
2009 - 2012 Plan Estimates				4,475	5,475	5,334	6,834
1-Year Carry Forward to 2008		574					
Total Gross Annual Expenditures & Plan	8,841	8,648	5,816	5,475	5,475	5,334	6,834
Program Debt Target			5,191	4,950	4,950	4,809	4,809
Financing:							
Recommended Debt	4,159		5,191	4,950	4,950	4,809	4,809
Other Financing Sources:							
Reserves/Reserve Funds			625	375	375	375	1,875
Development Charges	1,121						
Federal	1,036			150	150	150	450
Provincial							
Other Revenue	2,525						
Total Financing	8,841		5,816	5,475	5,475	5,334	6,834
By Category:							
Health & Safety	722					1,500	1,500
Legislated	2,248		294		520	260	1,074
SOG	3,629		3,937	4,475	5,475	4,814	5,074
Service Improvement			1,585	1,000			
Growth Related	2,242						
Total By Category	8,841		5,816	5,475	5,475	5,334	6,834
Yearly SOGR Backlog Estimate (not addressed by current plan)	744		2,870	680	(1,400)	(1,050)	(1,024)
Accumulated Backlog Estimate (end of year)	744		3,614	4,294	2,894	1,844	820
Operating Impact on Program Costs			85	57	45	0	0
Debt Service Costs			156	720	693	689	673

* Note that the 1-Year Carry Forward is based on the latest estimate as used in the 2007 2nd Quarter Capital Variance Report.

5-Year Capital Plan Overview

- The 5-Year Capital Plan (2008 Recommended Capital Budget and 2009 to 2012 Capital Plan) requires cash flows of \$5.816 million in 2008, \$5.475 million in 2009, \$5.475 million in 2010, \$5.334 million in 2011 and \$6.834 million in 2012.
- Funding for the 5-Year Capital Plan is composed of 85% debt, 13% Reserves and 2% federal subsidy.
- The 5-Year Capital Plan addresses all asset needs as presently determined by the Toronto Fire Services. Existing facility maintenance and new facility construction have been reviewed and confirmed in consultation with Corporate Facilities and adjusted to meet debt guidelines and spending capacity.
- The ability to proceed with the 5-Year Capital Plan is dependant on the completion of the necessary technical audits and studies. Typically, these projects are currently well into the planning phase. Accordingly, detailed planning by Corporate Facilities for each facility will be synchronized with the 5-Year Capital Plan.
- Health & Safety projects, which represent 5% of the 5-Year Capital Plan, are required for the Replacement of Defibrillators scheduled to begin in 2012 for \$1.500 million and funded from the Vehicle Reserve- Fire Equipment.
- Legislated projects represent 4% of the 5-Year Capital Plan and include Training Facilities Renovations-Equipment for \$0.294 million in 2008 and Training Simulators for \$0.780 million scheduled for 2011/2012.
- State of Good Repair (SOGR) projects comprise 82% of funding in the 5-Year Plan or \$4.755 million excluding the Radio Communication System Replacement project. SOGR expenditures include the Asset Management projects of \$18.989 million, replacement of portable radios of \$2.125 million, replacement of HUSAR equipment of \$0.800 million and fire boat overhauls \$0.500 million.
 - The SOGR backlog which is estimated to increase from \$0.744 million in 2007 to \$3.614 million in 2008, is due mainly to Asset Management needs, which have been deferred to meet debt requirements. Beginning in 2009, increased funding of \$1.200 million per year for Asset Management projects will result in elimination of the backlog by 2013.
- The only Service Improvement project is for the Toryork Bays Extension project for \$2.984 million funded through debt. The cash flow for 2008 is \$1.984 million, including funding of \$0.399 million carried forward from 2007 to 2008, with a final commitment of \$1.000 million in 2009.
- All Growth projects have been deferred for the 5-Year Plan due to debt affordability. The only recent growth project is Station C which is expected to be completed at a remaining cost of \$2.242 million in 2007. The balance of growth projects have been deferred to the 2012-2016 period. This includes stations identified in the Master Fire Plan. The Growth categories are composed of fire station builds and training facilities and are prioritized based on resource/land availability and current assessed need to maintain appropriate response times in the course of providing fire protection services. This was originally based on the 1999 KPMG study regarding optimization of the fire station plan.
 - Included in the period 2013 to 2017 is the Harbourfront Public Education/Training Centre scheduled to start in 2014. This project has been deferred due to unconfirmed funding. The Centre is to be funded utilizing federal/provincial subsidies and reserves funding.

- Major new facilities projects included in the Master Fire Plan have been deferred to the period 2013-2017. Fire Services have identified 10 additional facilities required within the Master Fire Plan which was approved in June 2007. Toronto Fire Services will review facility costing and priority in conjunction with other City priorities in order to serve the needs of the population at a sustainable debt funding level. (please see Issues)
- The \$70 million cost of the Radio Communication System Replacement Project in 2009 to 2011 is included as a separate program and reflects the Toronto Fire Services' requirements together with similar joint requirements of EMS and Police Services. This will be funded through debt but does not affect the debt target of Fire Services' (or Police and EMS) regular capital works.

Multi-Year Debt Affordability Target

The 2008-2012 Capital Plan has met the Council approved debt affordability targets for each of the 5 years. This has been achieved by deferring projects into future years and maximizing available funding sources.

The 2008-2012 Capital Plan includes changes to future year cash flow commitments previously approved by Council, due to accelerating the completion of Station C from 2008 to 2007 in order to meet the contractor's timelines. There is no change to the overall project cost for this project and the changes have been accommodated within the approved debt targets established for this Program.

The debt affordability was also met by deferring projects such as the refurbishment and building of Training Simulators (\$1.040 million) and the Water /Ice Simulator (\$1.101 million) to the period 2011/2012.

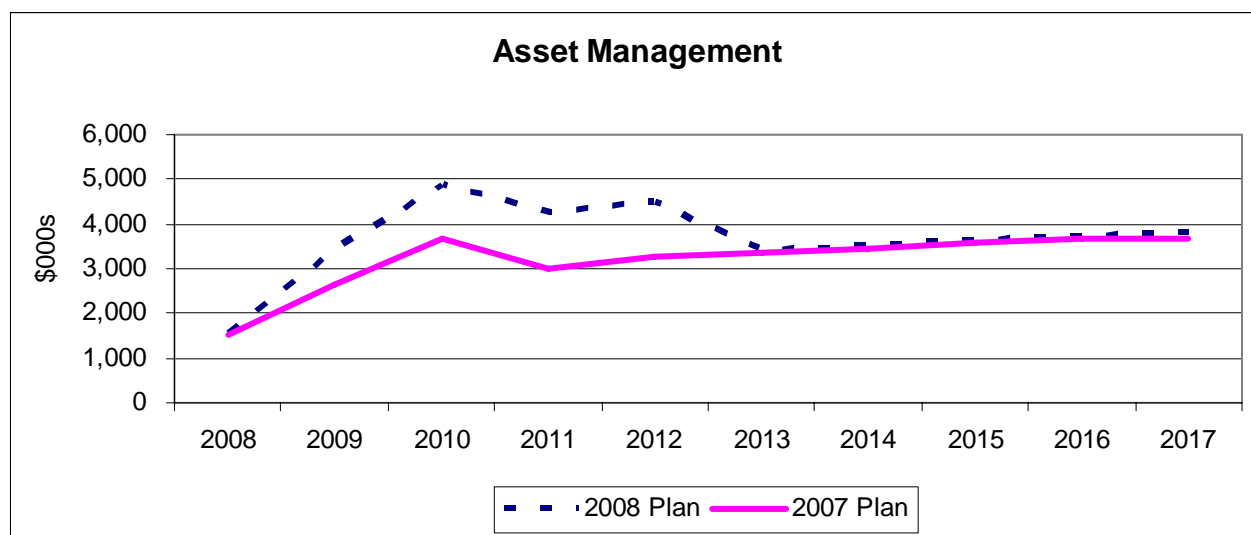
Recommended Changes to the 2007 – 2011 Capital Plan

- Communication Centre Quality Assurance Study: Under-spending in 2007 due to procurement and planning delays results in project funding of \$0.125 million being carried forward into 2008.
- Station D (\$3.299 million), Training Simulators (\$1.040 million), the Water/Ice Simulator (\$1.101 million), replacement of HUSAR equipment (\$1.800 million) have been partially or totally deferred to the period 2013 to 2017 and beyond due to debt affordability.
- The Recommended 5-Year Capital Plan reflects \$1.2 million of additional funding re-allocated to Fire Services for its Asset Management projects from 2009 to 2012 in order to proceed with this Program priority.

Program Capacity and Readiness to Proceed

Cash flows set out in each year of the 5-Year Plan are generally consistent with historical spending experience. A review of the last eight years of spending including the latest projection for 2007, would indicate an average yearly capacity of \$13.9 million representing a spending rate of 77%. Similarly, focusing only on the last three years, the corresponding amounts show an average capacity of \$8.5 million with a spending average of 75%. 2007 projections indicate an improvement on this trend with spending approximating 91%.

The Asset Management project has been reviewed to ensure readiness to proceed. Current Asset Management projects are based on the needs assessment done in consultation with Corporate Facilities. This on-going program has been deferred in the past due to spending capacity and debt affordability. While the total spending capacity of Fire Services has improved over 2006 by some 15%, increased debt funding has been provided for Asset Management projects in order to address SOGR backlog. 2006 spending in for Asset Management projects was 85% while the current year-end projection for 2007 assumes 100%. Future year estimates are achievable and the projects ready to proceed.



It should be noted that this 5-Year Capital Plan includes \$2.984 million for the Toryork Bays Extension project. Funding was approved in 2007, conditional on the Program reporting back on the results of the feasibility study in time for the 2008 Capital Budget process. The Program has confirmed the feasibility of this project in a Briefing Note to Budget Committee. It is now estimated that \$0.032 million will be spent in 2007 on the study. The Recommended 5-Year Plan includes carry forward funding of \$0.399 million from 2007 to 2008, with previous project commitments of \$1.585 million in 2008 and funding of \$1.000 million in 2009 to complete the project. It is anticipated that Toronto Fire Services will complete this project as planned in 2009.

Backlog of Projects – Unmet Needs

Backlog of projects represents SOGR work deferred from past years as well as items requested for 2008 to 2012 which cannot be accommodated in the budget given the established debt targets and capacity to spend.

As part of the (SOGR) backlog for Fire Services, the ongoing planned Asset Management projects for the maintenance of stations and facilities had been deferred which, as shown at the bottom of the 5-

Year Capital Plan Table on page 5, created the backlog of work that will be addressed. The debt targets have been increased by \$1.200 million per year starting in 2009 to specifically address SOGR backlog. As a result, the estimated SOGR backlog would be eliminated by 2013.

In order to ensure this additional funding for Asset Management projects is allocated effectively, it is recommended that the Chief of Toronto Fire Services, in consultation with the Deputy City Manager and Chief Financial Officer, report back to Budget Committee as part of the 2009 Capital Budget Process on a revised and detailed estimate of the current state-of-good repair backlog.

An unmet need can also apply to and is composed of other categories of capital works such as Service Improvement and Growth. The Program has deferred the refurbishment and building of Training Simulators (\$1.040 million) and the Water /Ice Simulator (\$1.101 million) to the period 2011/2013 due to affordability. The deferral of the Water/Ice Simulator may impair the Program's ability to source revenue from other municipalities and organizations by making this simulator available for their training needs.

Service Improvement/Growth projects related to facility construction have been rescheduled into the period 2013-2017 in order to meet debt affordability guidelines. The updated Master Fire Plan, approved in 2007, sets out priorities, timelines and cash flow requirements for the replacement of up to 10 stations. The approved time frame for implementation was 2008 to 2017 and has been deferred due to affordability. *Please see PART II: ISSUES FOR DISCUSSION 5-Year Capital Plan Issues.*

Capital Project Highlights

Strategic Priorities

As strategic priorities, existing facility maintenance and new facility construction has been determined in consultation with Corporate Facilities and have been included in the 5-Year Capital Plan based on debt affordability and the readiness to proceed. Starting in 2009, \$1.2 million per year in additional funding has been re-allocated to Asset Management projects in order to proceed with this program priority. This increased funding of \$1.200 million per year for Asset Management projects will result in elimination of the SOGR backlog by 2013.

The Council approved Master Fire Plan details future station requirements and defines the years they are required based on current call volumes, population and growth statistics. As part of developing an affordable plan for station/facility reconstruction, certain facilities have been deferred to the 2013-2017 Capital planning period. The Master Plan will be reviewed in the 2009 budget process.

Summary of Major Capital Initiatives

	\$000s						
	2008 Rec. Budget	2009 Plan	2010 Plan	2011 Plan	2012 Plan	Total 2008 -2012	Total 2013 -2017
Facilities Projects: New and Expanded							
Toryork Bays Extension	1,984	1,000				2,984	
New Fire Stations						0	54,689
IT sub-projects						0	
Total	1,984	1,000	0	0	0	2,984	54,689
Other Major City Initiatives:							
Total	0	0	0	0	0	0	0

Over the next five years, \$2.984 million is allocated for the construction of the Toryork Bays Extension. This expansion in capacity will allow the maintenance work to be performed more efficiently and thus minimize the 'out-of-service' time for emergency vehicles. The estimates identified for the period 2013 to 2017 include 9 new fire stations identified in the Master Fire Plan for a total cost of \$54.689 million.

The 5-Year Capital Plan also includes \$1.236 million for Fire Services's contribution towards the EMS/Fire Headquarters Power Supply Upgrade, urgent operational upgrades for \$0.500 million for the fire boat cabin and electrical upgrades and dedicates \$4.800 million in additional funding to address Asset Management issues at existing facilities.

Approval of the 2008 Recommended Capital Budget will result in:

- i. the start of expansion of the Toryork Fire Vehicle Maintenance Facility to minimize vehicle down-time for \$1.984 million as well as the start of life cycle replacement of portable radios for firefighters for \$0.625 million,
- ii. ongoing maintenance Fire Station and facilities for \$1.951 million.
- iii. completion of the EMS / Fire Emergency Power Supply Project for \$1.236 million. The critical upgrades to the EMS/Fire Headquarters Power Supply System with a total 2008 project cost of \$3.116 million (includes one-year carry forward funding) is funded by contributions from Fire Services (\$1.236 million), Police Services (0.617 million), and EMS (\$1.263 million) representing their share of the total project cost in 2008. This project will ensure that the integrity of all power feeds, linkages and back-up systems are maintained and that all primary or back up power feeds to the facility in the event of power disruptions are operational.

Operating Budget Impact – 5-Year Plan

Incremental Operating Impact Summary

Incremental Operating Budget Impact	2008	2009	2010	2011	2012
2008 Recommended Capital Budget					
Program Costs (net) (\$000s)	85.0	57.0	45.0	0.0	0.0
Approved Positions		1.0			
Debt Service Charges (\$000s)	155.7	601.0	110.0	0.0	0.0
Recommended 2009-2012 Capital Plan					
Program Costs (net) (\$000s)					
Approved Positions					
Debt Service Charges (\$000s)	0.0	118.5	583.0	688.8	673.3
Total					
Program Costs (net) (\$000s)	85.0	57.0	45.0	0.0	0.0
Approved Positions		1.0			
Debt Service Charges (\$000s)	155.7	719.5	693.0	688.8	673.3
<i>Debt service cost of repayment of principal and interest is calculated according to corporate guidelines, in the following manner: 3.0% Year 1, and 14% for subsequent years.</i>					

Program Operating Impacts

The 2008 Recommended Capital Budget will result in an increase future year Operating Budgets by a total of \$0.187 million net from 2008 to 2010.

The Operating Budget net impacts are the result of the following capital projects/sub-projects:

Capital Projects/Sub-Projects	2008	2009	2010	2011	2012
Station C	85.0	(50.0)			
Toryork Bays Extension			45.0		
Communication Centre QA Study		107.0			
Total Program Costs	85.0	57.0	45.0	0.0	0.0

The incremental net operating costs outlined above include the following:

- Station C (Sheppard Ave between Leslie/Bayview): The \$0.085 million impact in 2008 is the estimated cost for first year maintenance costs after completion of this project. This is reduced by \$0.050 million to an ongoing \$0.035 million operating cost beginning in 2009.
- Toryork Bays Extension: The \$0.045 million impact in 2010 is the estimated cost for ongoing maintenance after completion of this project.
- Communications Centre - Quality Assurance Study: The \$0.107 million represents the cost of on-going support for the project. This requires an increase of 1 approved position in 2009.

Total 2008 Recommended Cash Flow & Future Year Commitments (\$000s)

	2006 & Prior Year Carry Forwards	2008 Previously Approved Cash Flow Commitments	2008 New Cash Flow Recommended	2008 Total Cash Flow Recommended	2008 Debt Target	2007 Carry Forwards	Total 2008 Cash Flow (Incl 2007 C/Fwd)	2009	2010	2011	2012	2013-2017	Total Cost
Expenditures													
Previously Approved	125	2,271		2,396		574	2,970	1,000					3,970
Change in Scope													0
New			3,420	3,420			3,420						3,420
New w/Future Year				0			0						0
Total Expenditure	125	2,271	3,420	5,816		574	6,390	1,000	0	0	0	0	7,390
Financing													
Debt	125	2,271	2,795	5,191	5,191	449	5,640	1,000					6,640
Subsidy (SCPI)													0
Prov. Subsidy/Grant													0
Development Charges													0
Other						125	125						125
Federal Grants													0
Reserves/Res Funds			625	625			625						625
Total Financing	125	2,271	3,420	5,816		574	6,390	1,000	0	0	0	0	7,390

Comments / Issues:

- Approval of the 2008 Recommended Capital Budget of \$6.390 million will result in future year commitments of \$1.000 million in 2009 which will encumber the following year's spending. For 2008, these projects are funded by debt of \$5.640 million, other funding of \$0.125 million (1 year carry forward of CFC funding) and reserves of \$0.625 million.
- Previously Approved projects require cash flow of \$2.970 million in 2008 and a future year commitment of \$1.000 million in 2009. Projects for 2008 include the Toryork Bays Extension for \$1.984 million, Asset Management for \$0.392 million, Training Facilities Renovations for \$0.294 million. The 2009 commitment of \$1.000 million is for the Toryork Bays Extension.
- New projects require a cash flow of \$3.420 million in 2008 and include funding for Asset Management of \$1.559 million, the EMS/Fire Power Upgrade of \$1.236 million and Replacement of Portable Radios of \$0.625 million.

2008 Recommended Capital Budget

2008 Recommended Capital Budget versus Debt Target

The 2008 debt affordability guideline for Toronto Fire Services is set at \$5.191 million. This target represents a 3% increase from the \$5.051 million in new debt that was approved for 2007 and includes provision for the EMS/Fire Power Upgrade. The 2008 Recommended Capital Budget meets the debt target.

To meet the debt target, the 2008 Recommended Capital Budget accommodates the Program's highest priority needs. Of the \$5.191 million in new debt funding recommended, 60% (\$3.090 million) is slated for SOGR projects, 31% (\$1.585 million) is allocated to one Service Improvement project, while the remaining 6% (\$0.294 million) is provided for the one Legislated initiative for the Training Facilities Renovation-Equipment.

Recommended Capital Budget by Category

Funding for State of Good Repair projects represents 60% of the 2008 Recommended Capital Budget. The 2008 requirement for Asset Management capital work, as specified in the Master Fire Plan, has been funded (\$1.559 million) and \$1.236 million has been provided for the EMS / Fire Emergency Power Supply Project.

Legislated projects represent 6% of the 2008 Recommended Capital Budget and , as previously mentioned, funding for the Training Facilities Renovation-Equipment project which will supply fire training props at a cost of \$0.294 million.

Service Improvement project funding represents 27% of the 2008 Recommended Capital Budget and is for the Toryork Bays Extension project which will provide more vehicle servicing capacity at a cost of \$1.585 million.

PART II: ISSUES FOR DISCUSSION

2008 Capital Budget Issues

EMS / Fire Emergency Power Supply Project

EMS' 2007 Capital Budget included a 2007 cash flow of \$0.330 million (\$0.180 million funded by debt and \$0.150 million funded from Fire Services) for the design and planning of the critical upgrade required to the power supply and support systems at the EMS/Fire Headquarters.

The engineering firm that conducted a needs analysis estimated that \$3.1 million (in addition to the \$0.330 million approved in 2007) is required to upgrade the power supply system. The table below summarizes the cash flow funding in 2007 and 2008 with contribution from the three emergency services. Funding is included in EMS, Fire and Police Services' 2008 Recommended Capital Budget.

	2007 Approved Budget	2008 Cash Flow
	<i>\$000s</i>	
EMS	180	863 *
Provincial Subsidy		400
Sub-total (EMS)		1,263
Fire Services	150	1,236
Police Services		617
Grand Total	330	3,116
*Includes Carry Forward Funding from 2007 to 2008		

Background:

The EMS and Fire Headquarters at 4330 Dufferin Street houses the EMS Central Ambulance Communication Centre, the Fire Communication Centre and the Toronto Police 911 Back-up Call Centre (which is also used for special event coordination, e.g. Caribana).

Two separate incidents in 2006 raised serious concerns about the integrity of the power systems, and their ability to maintain primary or even back up power feeds to the facility in the event of power disruptions. These incidents made it necessary for staff from EMS and Fire to decide that a more comprehensive assessment of the integrity of all the power feeds, linkages and back-up systems is required.

The firm of Morrison Hershfield was retained to undertake a critical power engineering audit of the power supply and support systems at the EMS-Fire Headquarters and it was determined that a major overhaul of the systems has to be undertaken as soon as possible. The site investigation and analysis of the existing electrical and mechanical systems revealed several major deficiencies two of which were significant as it would place the EMS-Fire facility in a high-risk situation.

5-Year Capital Plan Issues

Master Fire Plan

City Council on June 19, 20 and 22, 2007, adopted the following recommendations:

1. The Toronto Fire Services Fire Master Plan 2007 document be adopted as the guiding principles for the development of the Service over the next five years.
2. Funding for implementation of the Master Fire Plan recommendations be addressed as part of the TFS annual Operating and Capital budget submissions.

The Council approved Master Fire Plan includes a Fire Station Development Plan that addresses future fire station needs for the period 2008-2017. These operational needs are based on future growth projections. However, as part of developing an affordable plan for station/facilities builds the facilities are currently deferred to 2013-2017.

The total additional impact to the 5-Year Capital Plan is estimated at \$22.766 million which would be approximately 77% or \$17.530 debt funded with the balance funded through development charges. The approved updated Master Fire Plan has resulted in a confirmation of the future station requirements and identifies the years they are required based on current call volumes, population and growth statistics. There are also infill developments in the City which will require additional stations in areas such as the Portlands which is estimated at \$5.074 million and scheduled for 2017. City Planning is working with Fire Services to help identify these areas and the timing for when these stations are required.

The Master Fire Plan does not consider the possibility of sharing facilities with EMS. As TFS locates fire stations based on call volume and future projected growth EMS will be consulted on the location of TFS station proposed sites. EMS deployment model is not static as the vehicles are on the road. It is recommended that Fire Services explore the possibility of co-locating with EMS given that EMS has is not moving forward with its C-BOS station model. The following table shows the stations as specified in the Master Fire Plan: (note: excludes the proposed Portlands Fire Station on Commissioner's Street to support Waterfront development scheduled for 2017).

Project (\$000s)	2008	2009	2010	2011	2012	Total 5 Yr Program	2013-2017
New Station Development							
Station D (New Station 221) (Eglinton Ave & Midland Ave)	3,299	1,745				5,043	
Station G (New Station 124) - Sunnybrook		4,352	1,635			5,988	
Station B (New Station 144) (Keele St between Sheppard/Wilson)			3,798	1,913		5,710	
Station A (New Station 414) (Hwy 27 & Rexdale Blvd)				2,042	1,811	3,853	
Chaplin Fire and Ambulance Station (Station 135)					2,171	2,171	2,904
Co-location Stations 323 & 324 (Pape/Jones) ²							6,464
Co-location 424 & 425 (Bloor West) ²							8,025
Station 141 - Relocation for York University/York Region Subway							7,092
New Station - (King Street between Dufferin & Bathurst)							7,438
Total New Station Development	3,299	6,097	5,433	3,955	3,982	22,766	31,923

Given debt affordability levels, Fire Services staff must review how the Master Fire Plan can be implemented within available debt. It is therefore recommended that the feasibility of implementing the Master Fire Plan recommendations within the City's debt affordability constraints be addressed as part of the 2009 Capital Budget process.

Radio Communication System Replacement

The Radio Communication System Replacement project is a corporate initiative involving three Programs: Fire Services, Police Services and Emergency Medical Services and does not form part of these individual Programs' Capital Plans. This project will be fully funded by debt at a total cost of \$70.0 million for the replacement of the joint radio communication system infrastructure. As confirmed by a consultant's study and Motorola, the current equipment and system infrastructure will be unsupported and in need of replacement by 2011.

Initial cash flow funding of \$0.250 million in both 2007 and 2008 for system consultants and project management are followed by project cash flows of \$28.0 million in each of 2009 and 2010 and \$13.5 million in 2011. In 2007, \$0.250 million was allocated for consulting and educational/training initiatives. Spending to year-end is estimated to be \$0.050 million with \$0.200 million being carried forward into 2008. In 2007, \$0.025 million was committed for consulting services to establish project governance among the three emergency services. A Governance Agreement did not exist between the Services and is the first step in the process. The agreement will provide a framework to cover issues related to system administration, including, for example, sharing of the system, change management and new members. As well, it is required that an additional \$0.025 million will be spent in 2007 on training/educational initiatives for the technical subcommittee in order to enhance their knowledge of current industry standards for radio communication related to Project 25 protocols.

In 2008, a Request for Proposals will be issued to identify a preferred system solution that meets requirements to be developed by the three emergency services. A Project Manager will be hired to oversee the project on behalf of the three emergency services. Significant expenditures on the project are not anticipated until 2009 and beyond, following the selection of a vendor and awarding of a contract.

The following is a preliminary assessment of cost drivers:

FY	ITEM	ESTIMATED COST (\$M)
2007	Development of Governance Agreement, technical subcommittee training	\$0.050
2008	Development of Infrastructure Functional Specifications & System Supplier RFP	\$0.450
2009-2011	Infrastructure Replacement (Approx.)	\$62.470
2009-2011	Portable Radio Replacement (Contingency)	\$7.000
2011	Overseeing Assembly, Installation and Test	\$0.030
2012	Costs Associated with Transition	TBD
2007-2012	Total Project Cost	\$70.000

This radio infrastructure project includes costing for the replacement of Fire mobile (in-vehicle) radios and a contingency for Fire handheld radios. This is estimated to be \$7 million and also includes upgrade costs for existing radios from all three agencies. However there are also replacement and/or additional radios budgeted within each of the Police, Fire, and Emergency Medical Services Capital Budgets. These radios are currently being purchased as required. The contingency within the Radio Communication project will only be used if, by the time the new system is implemented, the recently purchased portable radios are ultimately discontinued and available models are incompatible with existing portable radios. This is not likely to be the case however it is too early to assume a budget reduction at this point. The Steering Committee is recommended to report back on the disposition of this issue once it is determined.

Over 2005, 2006 and 2007, Toronto Fire Services has budgeted \$1.440 million for 200 additional portable radios. In 2007, it is projected that \$0.522 million will be spent for the last 75 of these additional portable radios. As well, \$0.060 million will be spent evaluating mobile repeater technology and procedures. Any equipment purchased from this initiative will be compatible with the new radio infrastructure system to be commissioned in 2011. Toronto Fire Services also plans for timely replacement of their portable radios through their Operating Budget. This is achieved through yearly contributions to the Vehicle Reserve - Fire Equipment.

In order to provide replacement radios to firefighters on a timely basis a new capital project has been established for this purpose to be funded through the Vehicle Reserve - Fire Equipment XQ1020. As these acquisitions can be phased, Toronto Fire Services should ensure the replacements are compatible with the Radio Communication System Replacement. This should ultimately lead to a lower estimated project cost for the system replacement.

The Steering Committee for the Radio Communication System Replacement project consists of Deputy Chiefs from the 3 Services and has been formed in consultation with the City Manager's Office. It is recommended that the Steering Committee report to Budget Committee on an annual basis starting in July 2008 to update the status of the project including project management costs and infrastructure issues.

Issues Referred to the Budget Process

There are no issues referred to the budget process for Toronto Fire Services.

Appendix 1

2008 Recommended Capital Budget; 2009 to 2012 Plan and 2013 to 2017 Estimates

Appendix 2

2008 Recommended Cash Flow and Future Year Commitments

Appendix 3
2008 Recommended Capital Projects
with Financing Details

Appendix 4

Reserve / Reserve Fund Review (\$000s)

Reserve / Reserve Fund Name	Project / SubProject Name and Number	Projected Balance as of December 31, 2007	Proposed Cash Flows				
			2008	2009	2010	2011	2012
XR2023 Development Charges RF Fire	Beginning Balance	1,709	\$1,709	\$2,155	\$2,614	\$3,088	\$3,575
	Contributions (Estimated DC inflows)		\$446	\$459	\$473	\$487	\$487
	Total Proposed Contributions (Withdrawals)		\$446	\$459	\$473	\$487	\$487
XR2023 Development Charges RF Fire BALANCE AT YEAR-END		\$1,709	\$2,155	\$2,614	\$3,088	\$3,575	\$4,061

Reserve / Reserve Fund Name	Project / SubProject Name and Number	Projected Balance as of December 31, 2007	Proposed Cash Flows				
			2008	2009	2010	2011	2012
XQ1020 Vehicle Reserve Fire Equipment	Beginning Balance	1,250	\$1,250	\$1,067	\$1,135	\$1,202	\$1,270
	Contributions (Operating)		\$442	\$442	\$442	\$442	\$442
	Replacement of Defibrillators						(\$1,500)
	Replacement of Portable Radios		(\$625)	(\$375)	(\$375)	(\$375)	(\$375)
	Total Proposed Contributions (Withdrawals)		(\$183)	\$67	\$67	\$67	(\$1,433)
XQ1020 Vehicle Reserve Fire Equipment BALANCE AT YEAR-END		\$1,250	\$1,067	\$1,135	\$1,202	\$1,270	(\$163)