

# Analyst Briefing Notes

## Budget Committee

(January 28, 2008)

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**2008 OPERATING BUDGET****Executive Summary**

- Fire Services' projected year-end net expenditure of \$330.112 million is expected to be \$2.245 million or 0.7% below the 2007 Approved Budget of \$332.357 million. This favourable variance is largely attributable to savings from cost containment initiatives partially offset by increased WSIB costs and lower realized revenues from false alarm fees.
  - Salaries are projected to be overspent by \$1.4 million at year-end due to the Program not achieving its gapping targets. However, this over expenditure is projected to be offset by under-spending on fringe benefits other than WSIB.
  - Cost containment savings are \$1.205 million comprised of reductions in discretionary spending which includes training, clothing and advertising. In addition, the contribution to vehicle reserves has been reduced by \$2.875 million representing 47% of the annual contribution used to fund fire vehicle replacements in 2007.
  - Offsetting these reduced expenditures are lower revenues of \$0.500 million mainly due to fewer false alarm fees.
- The 3-Year Operating Budget for Toronto Fire Services maintains current service levels. Additional funds are required to support the Master Fire Plan approved by Council in June 2007 which is ultimately based on fulfilling the goals outlined in their Mission Statement. The Master Fire Plan includes providing the citizens of Toronto with the most effective and efficient fire protection and prevention service in order to reduce incidents of preventable death and injury and loss of property. The immediate goals included in the Budget of Fire Services are as follows:
  - A key goal is implementation of the 24 hour shift across the entire Fire Service. As the 24 hour pilot project is pursued, the 24 hour operation will become the future standard of Fire Services beyond 2008/09. While this is still in process, the pilot has been extended for another full year and a report on the future of the 24 hour shift is anticipated in 2008.
  - Perform mandatory building inspections to ensure compliance with the Ontario Building Code and the Ontario Fire Code with emphasis on completing preliminary new building inspections within five (5) working days of notification, and final inspection within two (2) working days of notification. Fire Services will continue to pursue the objective of reducing retrofit inspections of public buildings to zero by 2012.
  - Fire Services will continue to work towards reducing the number of false alarms by working with building owners to make necessary improvements.
  - Efforts to reduce the incidents of preventable deaths and injury will continue through fire safety education, ensuring residential buildings have functioning smoke alarms and promote the use of sprinklers.

- Efforts to work towards achieving the goal of meeting a 4 minute response time 90 percent of the time to fire incidents after receiving calls for assistance will continue. This goal is targeted for 2012. Current response times average approximately 6 minutes.
- Implementation of the Master Fire Plan continues to be difficult given continual cost pressures. On-going salary and non-labour cost pressures continue to be a challenge for the Program as expenditures are expected to increase from collective agreements, higher WSIB costs and not achieving gapping targets.
- Fire Services faces a number of future challenges as follow:
  - The Program has had difficulty in meeting its gapping target as a result of recruitment requirements. Regulations require that a new class of recruits be hired each time there are 40 vacancies. This makes it difficult to attain a consistent gapping level. This budget also continues to grow due to collective agreement and fringe benefit pressures such as WSIB cancer claims.
  - Expenditure Growth – The Program’s Operating Budget has grown due to inflation, ageing facilities and equipment. The Program will be challenged to maintain current service levels while trying to absorb pressures caused by inflation, maintenance and community growth.
  - Diminishing revenues based on continued successful application of the False Alarm By-Law.
  - Future Impacts – Maintaining the Fire Fleet through optimal reserve contributions as well as pursuing objectives as stated within the Master Fire Plan including new fire stations and service enhancements will continue to be challenging.

- The 2008 Recommended Operating Budget for Fire Services is 4.7% or \$15.514 million over the 2007 Approved Operating Budget and 2008 target.

**Table 1: 2008 Recommended Budget**

	2007		2008 Recommended Operating Budget			Change - 2008 Recommended from 2007 Approved Budget		FY Incremental Outlook	
	2007 Approved Budget	2007 Projected Actual	2008 Base	2008 New /Enhanced	2008 Operating Budget			2009	2010
	\$	\$	\$	\$	\$	\$	%	\$	\$
(In \$000s)									
<b>GROSS EXP.</b>	341,023.0	338,277.9	356,046.6	0.0	356,046.6	15,023.6	4.4	7,563.2	614.5
<b>REVENUE</b>	8,666.2	8,166.2	8,176.1	0.0	8,176.1	(490.1)	(5.7)	0.0	0.0
<b>NET EXP.</b>	332,356.8	330,111.7	347,870.5	0.0	347,870.5	15,513.7	4.7	7,563.2	614.5
<b>Approved Positions</b>	3,144.0	3,144.0	3,144.0	0.0	3,144.0	0.0	0.0		
<b>TARGET</b>			<b>332,356.8</b>		<b>332,356.8</b>				
<b>\$ Over / (Under) Program Target</b>			<b>15,513.7</b>		<b>15,513.7</b>				
<b>% Over / (Under) Program Target</b>			<b>4.7%</b>		<b>4.7%</b>				

- The 2008 Recommended Operating Budget for Fire Services is comprised of base funding of \$347.871 million with no recommended new/enhanced service priorities and is \$15.514 million net or 4.7% over the 2008 target. Approval of the 2008 Recommended Operating budget will result in no change to the staff complement of 3,144 approved positions.
  - The 2009 Outlook increase of \$7.563 million includes provision for cost of living (COLA) as stipulated in the 2007 agreement with Firefighters Local 3888. Also included is the 2008 deferred contribution increase of \$0.570 million for fleet as well as \$0.107 million on-going support for the Communications Centre Quality Assurance Study.
  - The 2010 Outlook includes the final \$0.570 million increase for fleet contributions to allow the optimal contribution of \$7.200 million per year. Also included is \$0.045 million for ongoing maintenance for the Toryork Bays Extension.
- The 2008 base budget pressure of \$15.514 million incorporates the Program's key cost drivers including COLA and other non-discretionary expenditures. These cost pressures are partially offset by efficiencies of \$1.632 million (including cost containment savings of \$0.600 million), revenue adjustments of \$0.099 million and service level changes of \$0.870 million.
- The 2008 Recommended Operating Budget provides service levels consistent with 2007 while including funding for salary pressures resulting from established collective agreements that are offset by continuing cost containment measures. The base budget includes \$6.1 million in annual funding in order to replace fire vehicles as well as \$0.375 million for the replacement of portable radios for firefighters.

### Recommendations

The City Manager and Chief Financial Officer recommend that:

1. the 2008 Recommended Operating Budget for Fire Services of \$356.047 million gross and \$347.871 million net, comprised of the following services, be approved:

<u>Service:</u>	Gross <u>(\$000s)</u>	Net <u>(\$000s)</u>
Fire-Operations	289,850.1	283,080.7
Fire Prevention & Public Safety	13,899.3	13,547.8
Communications & Operational Support	24,069.9	23,614.0
Professional Develop. & Mechanical Support	24,579.8	24,080.8
Fire - Headquarters	3,647.3	3,547.0
	<hr/>	<hr/>
Total Program Budget	<u><u>356,046.6</u></u>	<u><u>347,870.5</u></u>

## Section A: 2007 Budget Variance Analysis

**Table 2: 2007 Budget Variance Review**

	2006 Actuals	2007 Approved Budget	2007 Projected Actuals*	2007 Appvd. Budget vs Projected Actuals Variance	
(In \$000s)	\$	\$	\$	\$	%
<b>GROSS EXP.</b>	338,831.5	341,023.0	338,277.9	2,745.1	0.8
<b>REVENUES</b>	11,085.3	8,666.2	8,166.2	500.0	5.8
<b>NET EXP.</b>	327,746.2	332,356.8	330,111.7	2,245.1	0.7
<b>Approved Positions</b>	3,143.0	3,144.0	3,144.0	0.0	0.0

Source: \*Projected Actuals Based on the September 30, 2007 Variance Report.

### 2007 Experience

Fire Services' projected year-end net expenditures are expected to be \$330.112 million and are \$2.245 million or 0.7% below the 2007 Approved Operating Budget of \$332.357 million, as per the 3<sup>rd</sup> quarter variance report.

The net favourable variance of \$2.245 million net is attributed to the following:

- Cost containment savings of \$4.080 million net, due to reduced training and mechanical support of \$3.400 million, lower Communications and Operational Support of \$0.620 million and lower Fire Prevention and Public Safety expenses of \$0.060 million. (Please see table on next page for details).

Cost containment savings are offset by:

- higher costs for WSIB cancer claims of \$0.750 million due to changes in the Provincial legislation.
- higher salaries cost due to not achieving gapping targets by \$1.4 million. This represents the difference between actual gapping of approximately 1.69% gapping rate achieved and the budgeted gapping rate of 2.02%. This over expenditure is projected to be offset by under-spending on non-WSIB fringe benefits.
- lower revenues of \$0.500 million due mainly to lower call volume of false alarms. This has resulted from the successful implementation of changes to the False Alarm By-law in 2006 that tightened the criteria for non-chargeable calls.

### 2007 Cost Containment Savings

Cost containment savings of \$4.080 million for 2007 and \$0.600 million for 2008 are detailed in the table below. The difference between the cost containment projected at September 30<sup>th</sup> of \$3.411

million and the current projection of \$4.080 million is due to the later than expected delivery of fire vehicles scheduled for 2007 resulting in higher savings.

Net Cost Containment Savings	2007 (\$000s) Savings	2008 (\$000s) Continued Savings	Comments
<b>Service Level Adjustments:</b>			
Lower contributions to Fire Vehicle Reserve	2,875.0		One-time
<b>Sub-total</b>	<b>2,875.0</b>	<b>0.0</b>	
<b>Discretionary Savings:</b>			
Reduce training/HUSAR equipment.	275.0	100.0	
Reduce training supplies, uniforms & protective	550.0	360.0	
Reduction in printing and advertisement materials	180.0		Reduces 2008 material for recruitment.
Various line items (including external training)	200.0	140.0	
<b>Sub-total</b>	<b>1,205.0</b>	<b>600.0</b>	
<b>TOTAL COST CONTAINMENT</b>	<b>4,080.0</b>	<b>600.0</b>	

## Impact of 2007 Operating Variance on the 2008 Recommended Budget

- Fire Services is currently projecting to be under spent in 2007 mainly due to cost containment measures of \$4.080 million. However, these cost containment measures are not all recommended to continue in 2008 primarily due to fleet and operational requirements (see table on cost containment on page 3). Cost containment savings of \$0.600 million in 2008 will continue but as the reduction in fleet contributions is one-time and as the contracted manufacture of specialized fire vehicles proceeds, fleet contributions will have to increase as vehicles are delivered in 2008.
- Gapping targets set for 2007 are not expected to be achieved. Based on year-to-date actuals, this shortfall will likely be offset by lower fringe benefits. The 2008 Recommended Budget includes an increase in gapping of \$0.477 million based on maintaining the gapping rate of 2%. Fire Services will attempt to manage salary pressures to achieve the gapping target by finding offsets wherever possible.
- Revenue shortfalls in 2007 from false alarm fees are expected to continue and have been adjusted in the 2008 Recommended Base Budget. Total revenue has dropped from \$8.666 million budgeted in 2007 to \$8.176 million recommended in 2008 resulting in a net pressure of \$0.490 million. This, in large part, is driven by the lower volume of chargeable calls for false alarms experienced in 2007.

**Section B: 2008 Operating Budget Overview****3-Year Operating Budget Overview**

The 3 Year Operating Budget for Toronto Fire Services maintains current service levels. Additional funds are required to support the Master Fire Plan which was approved in June 2007 which is ultimately based on fulfilling the goals outlined in their Mission Statement. Implementation of the Master Fire Plan has been deferred due to affordability. Implementation of the Master Fire Plan would include providing the citizens of Toronto with the most effective and efficient fire protection and prevention service in order to reduce incidents of preventable death and injury and loss of property.

The immediate goals of Fire Services are as follows:

- The implementation of the 24 hour shift across the entire Fire Service. As the 24 hour pilot project is pursued, the 24 hour operation will become the future standard of Fire Services in 2008. Upon completion of the pilot project, all activities within Fire Services will be reviewed with respect to hours of work, to ensure the most efficient operation. While this is still in process, the pilot has been extended for another full year and a report on the future of the 24 hour shift is anticipated in 2008.
- Continue to perform mandatory building inspections with emphasis on completing preliminary new building inspections within five (5) working days of notification, and final inspection within two (2) working days of notification, and eventually reduce retrofit inspections of public buildings to zero by 2012. It should be noted that Toronto Buildings resources will be assigned to building plan reviews. This function is currently being performed by Fire Services. 6 positions within Fire Services will then be re-assigned to physical building inspections.
- Continue to work towards reducing the number of false alarms by working with building owners to make necessary improvements.
- Efforts to reduce the incidents of preventable deaths and injury will continue through fire safety education and ensuring residential buildings have functioning smoke alarms.
- Implementation of the Master Fire Plan expected to begin in 2008/09. (Please see Challenges & Issues on next page).
- HUSAR and CBRN teams will continue to be trained and equipped to be ready to respond to major disasters.
- Promote the use of sprinklers in residential developments in the City to reduce the incidence of residential fire deaths.

Fire Services will continue to meet and improve on services in the following key areas in the next three years:



- Work towards achieving a 4 minute response time 90 percent of the time to fire incidents after receiving calls for assistance. Emergency calls include the following:
  - Responding to fire alarms (35,000 annually)
  - Putting out fires (8,500 per year)
  - Responding to medical emergencies (73,000 annually)
  - Attending vehicle incidents and rescues (15,000 yearly)
- Fire inspections of existing and rehabilitated buildings (40,000 inspections yearly) and all new developments (6,000 inspections yearly) to ensure that they have adequate safety measures and protections as required by the Fire Code.
- Conduct public education forums (1,000 events annually) to promote fire safety through schools, special events and advertising.
- As part of the City's management and accountability framework, a Fire Services' and EMS' program review of administration and management support services functions is on-going. The review includes the following:
  - A roadmap for improvements within the administration of two high profile divisions by building on current industry best practices and the introduction of a new efficiency model;
  - Identify opportunities for better coordination of information and use of common data sources across administrative functions;
  - Increase efficiency of administration and where administrative and support processes in the two divisions could be shared, realigned or streamlined; and,
  - Recommendations from the study will take into consideration impact on service delivery to the public and will be included as part of every recommendation.

## **Challenges and Issues**

In seeking funding for new initiatives included in the Master Fire Plan, Toronto Fire Services has identified service gaps that should be addressed in the areas of Fire Cause Determination, Mechanical Maintenance, South District reorganization and Community Outreach staff. However, given the Program's significant base pressures (\$15.514 million or 4.7% over the 2007 Approved Operating Budget) that include rising salary costs of \$15.9 million and decreasing revenues of \$0.5 million, no new/enhanced service priorities are recommended in 2008. Maintaining service in 2008 will be a challenge. The 2008 Recommended Operating Budget includes a number of reduction options totalling \$2.601 million to offset base pressures and the Program will continue to manage and maintain current levels of service to the citizens of Toronto within existing resources.

In the absence of incremental revenues, service efficiencies and/or major cost cutting measures, Fire Services will continue to be challenged to meet the City's affordability targets in the future.

**Strategic Priorities**

The 2008 Recommended Operating Budget for Fire Services directly addresses, through a number of initiatives, the following strategic priorities outlined in Council's policy agenda:

- ***A Greener City:***

Implementing the remaining components of the City's smog plan and developing a new, aggressive clean air action plan that will reduce smog-causing pollutants will have cross-divisional impacts. Fire Services' initiative will focus on the reduction of hazardous materials associated with fire fighting. This will mostly be accomplished through procurement of new environmentally friendly fire suppression chemicals, such as foam.

- ***Affordable Housing and Homelessness:***

Fire Services will continue to work with the Affordable Housing Office to integrate the use of residential fire sprinklers in proposed buildings to deal with limited road width and fire route access issues. Residential fire sprinklers are a key to promoting life safety and reducing property damage.

- ***Make a Safe City Safer***

Fire Services will continue to work towards making Toronto a safer City by responding to fire incidents promptly, by advocating for the inclusion residential sprinklers in new development and by continuing with efforts to reduce the incidence of fire fatalities. Also included in this goal would be continuing to move forward in future years with the construction of new fire stations as indicated in the Master Fire Plan.

### Section C: 2008 Recommended Base Budget

**Table 3: 2008 Recommended Base Budget**

(In \$000s)	2007 Approved. Budget	2008 Recommended Base	Change 2008 Recommended Base vs. 2007 Approved Budget		FY Incremental Outlook	
					2009	2010
	\$	\$	\$	%	\$	\$
<b>GROSS EXP.</b>	341,023.0	356,046.6	15,023.6	4.4	7,563.2	614.5
<b>REVENUE</b>	8,666.2	8,176.1	(490.1)	(5.7)	0.0	0.0
<b>NET EXP.</b>	332,356.8	347,870.5	15,513.7	4.7	7,563.2	614.5
<b>Approved Positions</b>	3,144.0	3,144.0	0.0	0.0		
<b>NET TARGET</b>		<b>332,356.8</b>			<b>0.0</b>	<b>0.0</b>
<b>\$ Over / (Under) Program Target</b>		<b>15,513.7</b>			<b>7,563.2</b>	<b>614.5</b>
<b>% Over / (Under) Program Target</b>		<b>4.7%</b>			<b>2.3%</b>	<b>0.2%</b>

### 2008 Recommended Base Budget

- The 2008 Recommended Base Budget of \$347.871 million net represents a \$15.514 million (4.7%) increase over Fire Services' 2007 Approved Budget and target. The 2008 Recommended Base Budget will maintain service levels consistent with 2007. The recommended base budget addresses requirements of:
  - Cost-of-living adjustments (COLA) that average 3.25% for 2008 (\$13.327 million) based on the second year impact of the wage and benefit settlement reached with Firefighters Local 3888 in 2007. Merit and step increases as well as continuing Recognition Pay (\$3.739 million). In addition, adjustments for actual salary scale movements with associated gapping and fringe benefits have reduced the base budget by \$3.127 million.
  - Reduced revenue for 2008 \$0.490 million is mainly due to reduced revenues from false alarm fees based on declining call volumes as well as an increase in requests for reimbursement of fees in recognition of work undertaken to reduce the occurrence of false alarms.
  - The 3,144 approved position complement will remain unchanged from 2007. The 2007 Approved Operating Budget incorporates the reduction of 41.9 positions that were transferred in-year back to Policy, Planning, Finance and Administration from Fire Services. The transfer of positions from Fire Services aligns with the current reorganization of Policy, Planning, Finance and Administration.

**2008 Key Cost Drivers and Reduction Strategies**

The following is a summary of the key cost drivers and reduction strategies in 2008:

- The full year impact for COLA adjustment for Firefighters' Local 3888 has increased the 2008 Operating Budget by \$13.327 million, in addition, salary adjustments have been made to reflect net reductions due to retirement and staff turnover of (\$3.192) million and for increased gapping (\$0.477 million).
- Recognition pay of \$1.825 million net; the impact of this wage provision is expected to diminish with a stabilization in the rate of movement between the pay levels, which are based on length of service and a return to normal annual retirement levels in the service, however, it is likely to continue being a requirement in the short term. Merit and step increases and a provision for the leap year with associated fringe benefit and gapping adjustments will drive costs up by \$2.831 million net in 2008. Also included is an annualization of 2007 increased fringe benefits & increased alternate rate provisions totaling \$0.805 million.
- Other base budget cost drivers are for facility maintenance increases and fleet fuel interdivisional charges of \$0.415 million, a diesel fuel price increase of \$0.366 million as well as increases for footwear/protective clothing/uniforms of \$0.205 million.
- Annual contributions to reserves for portable radio replacement increase by \$0.125 million to \$0.500 million. This is based on reaching a funding level of \$0.500 million annually which would allow the replacement of 75 of the existing 450 portable radios each year, achieving full replacement over a 6-year lifespan.
- Continuing success with changes to the False Alarm By-law implemented in 2006 which were meant to reduce the volume of false alarms has resulted in declining revenues from false alarm fees of \$0.500 million.
- As part of a reduction strategy, the increased alternate rate provision of \$0.364 million has been deferred. The reduction strategy recommended also includes absorbing inflationary increases where possible by \$0.318 million as well as reducing diesel fuel price increases by \$0.175 million, reducing the facilities maintenance increase by \$0.300 million and continuing cost containment measures for \$0.600 million.
- Also included as part of a reduction strategy, no change in contributions to reserves is recommended. This is due to price discounts on the bulk purchase of portable radios. This will still allow a replacement rate of 75 portable radios a year.
- After reducing the fleet reserve contribution by \$0.570 million, this annual budgeted contribution is unchanged from 2007 at \$6.061 million. This reduction strategy allows the Program to achieve a vehicle replacement rate of every 15 years by 2010.
- Remaining cost reduction strategies include transferring the \$0.050 million cost of furnishings for the new Station C to the Capital Budget as well as continuing to sustain funding from the Office of Emergency Management for an emergency preparedness position for \$0.099 million.

**2009 and 2010 Outlook: Net Incremental Impact**

The 2009 and 2010 Outlook maintains the 2008 service level which includes the 2009 impact of the cost of living allowance (COLA). The major increase currently provided for in 2009 is the COLA adjustment as per the agreement with Firefighters Local 3888. This increase totals \$6.887 million and includes the impact of reversing the cost of one extra day for the leap year (\$0.916 million). Also included is the 2008 deferred fleet contribution increase of \$0.570 million.

The 2010 Outlook includes the final \$0.570 million increase for fleet contributions to allow the optimal contribution of \$7.200 million per year. The outlook for 2010 does not include a provision for COLA, as the increase is subject to future negotiations, nor is there an allowance for merit/step increases, since these amounts are yet to be determined.

The 2009 and 2010 Outlook also includes the incremental net operating impact of capital projects as follows:

- 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.
- Toryork Bays Extension: The \$0.045 million impact in 2010 is the estimated cost for ongoing maintenance after completion of this project.

**Section D: 2008 Recommended Service Priorities**

***New / Enhanced Service Priorities Recommended***

There are no New / Enhanced Program Service Priorities recommended for 2008.

**Section E: Issues for Discussion****2008 Operating Budget Issues****2008 Recommended Operating Budget vs. Guideline**

Toronto Fire Services' 2008 Recommended Operating Budget is \$347.871 million net which is \$15.514 million or 4.7% over target. This increase is mainly due to COLA and fringe benefit impacts of \$13.327 million from the collective agreement in 2007 with Firefighters Local 3888. In order to achieve the target of 0% over 2007, Fire Services would have to reduce the number of fire crews, trucks in service and service locations. This proposal would equate to 250 positions or 12 trucks and was not recommended as it was determined that the service level impact was too severe.

While other reduction options are recommended totaling \$2.601 million there are no further options for reduction without impacting essential services. Reduction options recommended include absorbing general inflationary pressures for 2008 and deferring increases for alternate rate provisions, fuel price increases and facility maintenance charges. In addition, the planned reserve contribution increases of \$0.570 million for the fleet (see Future Years' Issue below) and \$0.125 million for fire equipment (portable radios) for 2008 have been deferred to 2009. In an effort to further mitigate base pressures for 2008, some cost containment measures have been recommended to continue to 2008 to realize savings of \$0.600 million.

**Gapping Rates**

Historically, gapping has been used as a reduction option to offset Operating Budget pressures since 2005. The 2005 gapping target of \$5.654 million or 2.0% of salaries and benefits was not achieved. The 2005 actual gapping rate experience was 1.4% of salaries and benefits. The budgeted gapping level for 2006 of 1.9% was unachievable as actual gapping for 2006 was \$5.104 million or 1.7%. For 2007 the gapping target was set to \$6.179 million on total salary and benefits of \$311.3 million or 2.0% to offset budget pressures. For 2008, gapping is currently recommended at \$6.656 million on total salary and benefits of \$327.6 million or 2.0%. The Program continues to be generally constrained in attempts to achieve gapping targets due to the requirements of firefighter contract provisions that maintain a defined staffing level throughout the year. As of the 3rd quarter, the gapping % is projected to be again in the range of 1.7% of salary and benefits. It is projected that general under-spending on fringe benefits in 2007 will offset the impact of unachieved gapping.

**Future Year Issues****Contribution to the Fleet and Equipment Reserve**

During the 2005 Budget deliberations, Council committed to making increased vehicle replacement reserve contributions, in the amount of \$1.000 million, a priority for 2006. The 2006 Recommended Budget included an initial reduction of \$0.600 million due to budgetary constraints and the deferral of \$1.000 million as a commitment to 2007. However, the 2006 vehicle acquisition was partially funded by an Ontario Fire Services Grant received in 2005 which allowed the Program to purchase two more pumpers in 2006.

Plans for 2007 were to increase the contribution by \$1.000 million; but, in the absence of other reduction options to offset pressures, a recommended reduction of 50% of the requested contribution level was approved for 2007. As a result, the 2007 Approved Budget included an increase to fleet contributions of \$0.500 million bringing the total contribution from \$5.561 million in 2006 to \$6.061 million for 2007.

Cost containment measures in June 2007 included spending deferrals of \$2.875 million which resulted in a total 2007 spending of \$3.186 million. The contribution to fleet reserves for 2008 is recommended to be maintained at \$6.061 million as in 2007. A \$7.2 million annual contribution level is required to replace fire trucks every 15 years and is to be phased-in by 2010. However, due to the longer than anticipated time frame to achieve this optimal reserve contribution per year, it may now be necessary to review this required contribution level. Fire Services will report in 2008 on the possible re-evaluation of fleet reserve contribution levels and the impact on the Fire Services fleet.

## **Outstanding Issues from 2007 and Prior Years**

### **WSIB Charges for Occupational Disease Claims Settlements**

Changes to the Workplace Safety and Insurance Board's (WSIB's) handling of occupational disease claims adjudication involving diseases such as cardiovascular disease and cancer will result in increased approvals and subsequent cost increases to the Fire Services budget.

An amendment to the Workplace Safety and Insurance Act, 1997, received Royal Assent on May 4, 2007 allowing the government to make regulations affecting Ontario's full-time, part-time and volunteer firefighters and fire investigators. The government has now introduced a regulation for full-time firefighters that identifies eight types of cancer and sets out the conditions and restrictions for each, as well as heart injuries suffered within 24 hours of fighting a fire or participating in a training exercise involving a simulated fire emergency, in order to be presumed to be work-related, unless shown otherwise.

Prior to 2006, the annual cost for WSIB pension claims and associated administration costs charged against the Fire Services Operating Budget was less than \$1.5 million and was covered by the fringe benefit provision in the budget. Current estimates of the impact of the settlement of outstanding appeals have resulted in a further \$0.750 million pressure in 2007.

Available statistics indicate that a potential 158 claims exist, as detailed below:

<b>Type of Claim</b>	<b># of Claims</b>
Settled claims for cancer	40
Pending claims for cancer	4
Claims for cancer that are under appeal	65
Settled claims for other disease	2
Pending claims for disease	9
Claims for other disease that are under appeal	38
<b>Total</b>	<b>158</b>

Note: Other Diseases include neurological, cardiac, Parkinson's disease, Sarcoidosis, asthma, chronic lung disease and chronic obstructive pulmonary disease.



The above chart represents the total number of known claims as far back as 1987. Of this total only a certain quantity will be charged to Fire Services' Operating Budget. Those that will impact Fire Services' Operating Budget directly are: settled claims 20, potential claims (including pending and under appeal) 34. The claims where Fire Services is liable is determined by when the claim was filed. Claims prior to amalgamation were charged to former municipalities / non-program accounts. As well, any new claims to be submitted beyond this list will also be charged to Fire Services. As such, this is an unknown variable and may even include claims dating back to occurrences prior to amalgamation.

Further potential claims not yet settled are estimated at \$7.7 million. It is not yet clear as to when these further payments may be required. As such, pending further corporate direction, this increased potential obligation is currently not provided for within Fire Services' 2008 Recommended Operating Budget.

# Appendix 1

## Summary of Recommended Base Budget Changes

### From 2007 Approved Budget

(In \$000s)	Summary of 2008 Base Budget Adjustments				Net Incremental Outlook	
	Approved Positions	Gross Expenditures	Revenues	Net	2009	2010
		\$	\$	\$	\$	\$
<b>2007 Council Approved Operating Budget</b>	<b>3,185.9</b>	<b>344,750.7</b>	<b>8,666.2</b>	<b>336,084.5</b>		
In-year approvals and technical adjustments	(41.9)	(3,941.7)	0.0	(3,941.7)		
COLA Adjustments		0.0	0.0	0.0		
Corporate adjustments (insurance)		214.0	0.0	214.0		
<b>2007 Approved Operating Budget</b>	<b>3,144.0</b>	<b>341,023.0</b>	<b>8,666.2</b>	<b>332,356.8</b>	<b>0.0</b>	<b>0.0</b>
Prior year impacts		4,086.1	0.0	4,086.1	107.0	45.0
Zero base items		0.0	0.0	0.0		
Economic factors (Salary & Benefits)		13,327.1	0.0	13,327.1	7,803.0	
Economic factors (Non-Salary)		318.3	0.0	318.3		
<b>Adjusted Base Budget</b>	<b>3,144.0</b>	<b>358,754.5</b>	<b>8,666.2</b>	<b>350,088.3</b>	<b>7,910.0</b>	<b>45.0</b>
Other base changes		(206.2)	0.0	(206.2)	(916.3)	
Base revenue changes		0.0	(589.1)	589.1		
Recommended Base Adjustments:						
Service efficiencies		(1,632.2)		(1,632.2)		
Revenue adjustments			99.0	(99.0)		
Minor service impact		(300.0)		(300.0)		
Major service impact	0.0	(569.5)		(569.5)	569.5	569.5
<b>Total Recommended Base Adjustments</b>	<b>0.0</b>	<b>(2,707.9)</b>	<b>(490.1)</b>	<b>(2,217.8)</b>	<b>(346.8)</b>	<b>569.5</b>
<b>2008 Recommended Base Budget</b>	<b>3,144.0</b>	<b>356,046.6</b>	<b>8,176.1</b>	<b>347,870.5</b>	<b>7,563.2</b>	<b>614.5</b>
<b>2008 Program Operating Target</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>332,356.8</b>	<b>0.0</b>	<b>0.0</b>
<b>% Over (Under) Program Target</b>				<b>4.7%</b>	<b>2.3%</b>	<b>0.2%</b>
<b>% Over (Under) 2007 Appvd. Budget</b>				<b>4.7%</b>	<b>2.3%</b>	<b>0.2%</b>

**Appendix 2**  
**Summary of Service Level Adjustments**

## Appendix 4

## Inflows / Outflows to / from Reserves &amp; Reserve Funds

Reserve / Reserve Fund Name	Reserve / Reserve Fund Number	Balance as of September 2007 \$	Proposed Withdrawals (-) / Contributions (+)		
			2008	2009	2010
			\$	\$	\$
Vehicle Reserve - Fire	XQ1017	5,808.4	6,061.0		
Vehicle Reserve - Fire Equipment	XQ1020	1,249.9	375.0		
Vehicle Reserve - Fire Equipment	XQ1020		67.4		
subtotal	XQ1020	1,249.9	442.4		
Insurance Reserve Fund	XR1010	25,055.3	1,299.8		
Capital Financing Reserve Fund	XR1011	69,637.6	654.5		
Utility Conserv./Retrofit Reserve Fund	XR1711	353.9	295.0		
<b>Total Reserve / Reserve Fund Draws / Contributions</b>			<b>8,752.7</b>	<b>0.0</b>	<b>0.0</b>