

Analyst Briefing Notes

Budget Committee Review

(February 8, 2007)

Page

PART 1: CAPITAL PROGRAM

Executive Summary	2
Recommendations	4
2006 Capital Variance Review	6
5-Year Capital Plan (2007 Recommended Budget, 2008-2011 Plan).....	8
5-Year Capital Plan Overview.....	9
Recommended Changes to 5-Year Plan.....	11
Total 2007 Recommended Cash Flow & Future Year Commitments.....	14
Operating Budget Impact.....	16

PART II: ISSUES FOR DISCUSSION

2007 Issues.....	17
5-Year Capital Plan Issues.....	19
Outstanding Issues from 2006 and Prior Years	21

APPENDICES

Appendix 1: 2007 Rec'd Capital Budget; 2008 to 2011 Plan and 2012 to 2016 Estimates	A1 to A5
Appendix 2: 2007 Recommended Cash Flow & Future Year Commitments.....	A6 to A8
Appendix 3: 2007 Recommended Capital Projects with Financing Details	A9 to A10
Appendix 4: Reserve / Reserve Fund Review	A11

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PART I: CAPITAL PROGRAM**Executive Summary**

- The 2006 Approved Capital Budget of \$14.091 million was 41% spent as at September 30 2006. Actual expenditures by year-end are estimated to be \$10.776 million, or 76% of the 2006 Approved Capital Budget, resulting in projected 2006 cash flow funding of \$1.939 million being carried into 2007. The 2007 Recommended Capital Budget does not reflect the additional carry forward amounts as adjustments will be reported through to Budget Committee during its review of the 2007 Recommended Capital Budget. This projected under expenditure is primarily attributed to delays in acceptance testing for the CAD/RMS project and spending rates on HUSAR equipment and facility projects.
- The 2007 Recommended Capital Budget; 2008 to 2011 Plan and 2012 to 2016 Estimates total \$76.595 million of which \$24.532 million is projected for the Program's 5 year capital plan, requiring new debt funding of \$20.115 million, or an average of \$4.023 million per year.
- The 5-Year Capital Plan requires cash flows of \$6.329 million in 2007, \$4.255 million in 2008, \$4.050 million in 2009, \$4.050 million in 2010 and \$3.909 million in 2011. Overall, the Program has achieved the recommended 5 year debt guidelines.
- The 2007 Recommended Capital Budget with a total recommended cash flow of \$8.268 million includes:
 - previously approved commitments and new/change in scope projects requiring 2007 cash flow of \$6.329 million gross with debt funding of \$5.051 million, \$1.075 million funded through DC reserve funds and \$0.203 million funded through Federal JEPP funding. This cash flow combined with carry forward funding of \$1.939 million for 2006 projects brings the total 2007 Capital Budget to \$8.268 million gross;
 - debt funding of \$5.051 million which is \$0.007 million slightly below the debt guideline of \$5.058 million due to reduced funding requirements for Station C.
 - future year commitments of \$2.271 million in 2008 and \$1.000 million in 2009.
- The 2007 Recommended Capital Budget of \$6.329 million (excluding amounts carried forward) is allocated 42% to State-of-Good-Repair projects at \$2.640 million; 34% to Growth-Related projects at \$2.150 million; 13% to Legislated projects at \$0.849 million and 11% to Health & Safety projects at \$0.690 million.
- The 2007 Recommended Capital Budget includes funding for Growth-Related projects namely for the completion of the new Station C at Leslie/Bayview, State-of-Good-Repair projects such as CAD/RMS (Computer Aided Dispatch and Records Management System) to improve response times, Toryork Bays Extension to enable less down time for repair of fire trucks, Asset Management 2007 to maintain facilities and funding to start the design and re-engineering of the power supply for the Dufferin Street headquarters. 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.

- 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 adjusted to reflect the debt guidelines and readiness to proceed. The 5-Year Capital Plan projected cash flows have been smoothed and reflect an average of \$4.3 million in debt funding per year supporting such projects as Asset Management, Station C, and HUSAR Facility & Equipment.
- An updated Master Fire Plan will result in a confirmation of the future station requirements, and will better define 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 2012-2016 Capital planning period. A report on this issue is expected in May 2007.
- 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 2007 Recommended Capital Budget for Toronto Fire Services with a total project cost of \$4.944 million and a 2007 cash flow of \$8.268 million and future year commitments of \$2.271 million in 2007 and \$1.000 million in 2008 be approved. The 2007 Recommended Capital Budget consists of the following:
 - a) New Cash Flow Funding for:
 - i) 10 new sub-projects with a 2007 total project cost of \$4.944 million that requires cash flow of \$1.967 million in 2007 and future year commitments of \$1.977 million in 2008 and \$1.000 million in 2009;
 - ii) 5 previously approved sub-projects with a 2007 cash flow of \$4.362 million and future year commitments of \$0.294 million in 2008;
 - iii) 2007 approved cash flow for 7 previously approved sub-projects with carry forward funding from 2006 into 2007 totalling \$1.939 million;
2. new debt service costs of \$0.152 million in 2007 and incremental costs of \$0.624 million in 2008, \$0.280 million in 2009 and \$0.110 million in 2010 resulting from the approval of the 2007 Recommended Capital Budget, be approved for inclusion in the 2007 and future year operating budgets;
3. operating impacts in the Toronto Fire Services Operating Budget of \$0.060 million for 2007, \$0.085 million for 2008, (\$0.050) million for 2009 and \$0.045 million for 2010 emanating from the approval of the 2007 Capital Budget be considered within the overall scope of the Toronto Fire Services' 2007 and future years operating budget submissions;
4. all sub-projects with third party financing be approved conditionally, subject to the receipt of such funding during 2007;
5. the 2008-2011 Capital Plan of Toronto Fire Services totalling \$16.264 million in project commitments and estimates, comprised of \$4.255 million in 2008; \$4.050 million in 2009; \$4.050 million in 2010; and \$3.909 million in 2011, be approved.
6. an initial project cost for the Radio Communication System Replacement of \$0.500 million for consultant studies be approved with cash flow commitments of \$0.250 million in 2007 and \$0.250 million in 2008 and that the Chiefs of Toronto Fire Services, Toronto Police Service and Emergency Medical Services in consultation with the Steering Committee for Radio Communication System Replacement project and Deputy City Manager & Chief Financial Officer, report to the Budget Committee by July 2007 on the project status and any emergent issues, detailed project cost and cash flows;

7. the Chief of Toronto Fire Services report back to Budget Committee prior to any commitments being made on the short and long term requirements at the Toryork maintenance facility and on results of the feasibility study including confirmation of project cost and cash flows;
8. the Chief of Toronto Fire Services report to Budget Committee in May 2007 on the status of the updated Master Fire Plan including the feasibility of consolidating and expediting an Emergency Medical Services Station and a Fire Station in the Downsview area.

2006 Capital Variance Review

2006 Budget to Actuals Comparison - Total Gross Expenditures (\$000s)					
2006 Approved	Actuals as of Sept 30 (3rd Qtr Variance)		Projected Actuals at Year End		Balance
\$	\$	% Spent	\$	% Spent	\$ Unspent
14,091	5,755	41	10,776	76	3,315

Comments / Issues:

- At the end of the 3rd quarter, Fire Services had spent approximately \$5.755 million of its 2006 approved cash flow budget of \$14.091 million. This translates to an overall spending rate of 41%.
- Fire Services projected year-end spending rate for 2006 approved projects is 76% in its September 30, 2006 Variance Report which represents an improvement over the 59.6% achieved in 2005. The current year-end projected spending has dropped from that projected as of the first four months of 100% as spending estimates are fine tuned and actual schedules realized.

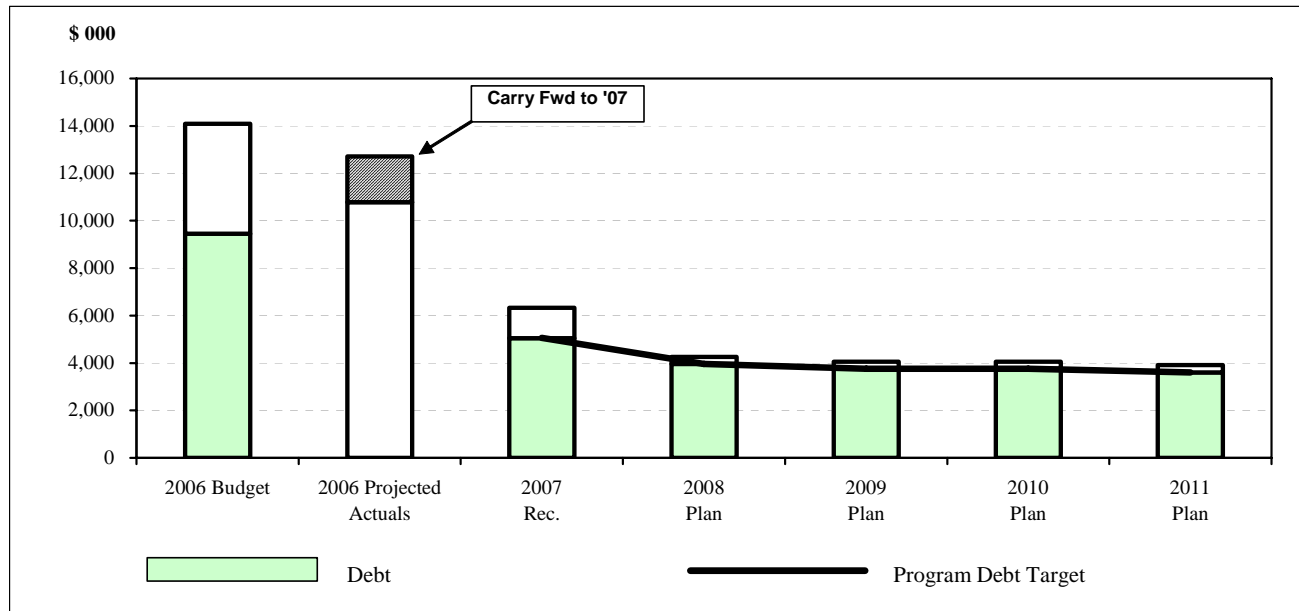
Uncontrollable expenditures are generally related to those projects with third party funding or are contingent on negotiations with and involvement of third parties. Of the \$3.315 million in under-spending projected at year-end, \$1.165 million is due to uncontrollable timing of expenditure for the Harbourfront-Public Education/Training Centre of \$0.200 million and HUSAR/JEPP Projects of \$0.965 million. The Harbourfront project is not proceeding in 2006 as it is dependant on public contributions (Federal/Provincial) and fund raising revenue. The HUSAR/JEPP Projects are pending approval of JEPP grant applications related to the different fiscal years for the Federal Government versus the City. Based on examining controllable expenditures, the estimated year-end spending rate is 82%.

- As at the 3rd quarter, the recommended carry forward funding from 2006 into 2007 is \$1.939 million and is less than the year-end projected actual under-expenditure of \$3.315 million identified in the 3rd quarter variance report. The 2007 Recommended Capital Budget does not reflect any subsequent changes to funding being carried forward from 2006 to 2007 based on the unspent cash-flow balance projected as at September 30th, 2006. Adjustments to carry forward funding will be reported through to Budget Committee during its review of the 2007 Recommended Capital Budget. To date, the funding that is being carried forward from 2006 to 2007, in the amount of \$1.939 million, is required for the following projects::
 - HUSAR/JEPP05/06 Equipment project: this project was delayed due to the necessity to seek re-approval of Federal funding which is in process. \$0.870 million will be carried forward to 2007.
 - CAD/RMS project: The amount estimated for 1st year carry forward to 2007 is \$0.192 million to cover a portion of the \$0.235 million estimate for the residual cost of change orders for the records management system (RMS). The balance of required funding of \$0.343 million will consist of \$0.043 million for the final RMS payments plus a further

\$0.300 million for the related outfitting of the replacement command vehicle and will be funded by anticipated under-spending on the Station C project.

- Station C: The amount estimated for carry forward is \$0.436 million and forms part of the total 2007 recommended cash flow of \$2.586 million. The new station is expected to be complete in 2007.
- HUSAR Facility: The amount estimated for carry forward funding to 2007 is \$0.300 million and is required for the final payment of the project. The facility will be completed in 2007.

5-Year Capital Plan (2007-2011)



		5-Year Plan						
		2006	2007 Rec.	2008	2009	2010	2011	2007-2011
		Budget	Projected Actual					
Gross Expenditures:								
Capital Budget & Future Year Commitments		14,091	10,776	6,329	2,271	1,000		9,600
New Plan Estimates					1,984	3,050	4,050	12,993
1-Year Carry Forward to 2007			1,939					
Total Gross Annual Expenditures & Plan		14,091	12,715	6,329	4,255	4,050	4,050	22,593
Program Debt Target				5,058	3,955	3,750	3,750	20,122
Financing:								
Recommended Debt		9,456		5,051	3,955	3,750	3,750	20,115
Other Financing Sources:								
Reserves/Reserve Funds		200						0
Development Charges		775		1,075				1,075
Federal		3660		203	300	300	300	1,403
Provincial								0
Other Revenue								0
Total Financing		14,091		6,329	4,255	4,050	4,050	22,593
By Category:								
Health & Safety		573		690				690
Legislative		5,173		849	354		520	1,723
SOG		6,509		2,640	3,901	4,050	4,050	18,030
Service Improvement								0
Growth Related		1,836		2,150				2,150
Total By Category		14,091		6,329	4,255	4,050	4,050	22,593
Yearly SOGR Backlog Estimate (not addressed by current plan)				744	1,045	730	(350)	2,169
Accumulated Backlog Estimate (end of year)				744	1,789	2,519	2,169	2,169
Operating Impact on Program Costs				60	85	(50)	(14)	(495)
Debt Service Costs				152	674	548	525	2,419

* Note that the 1-Year Carry Forward reflects budget submission and as reflected in CAPTOR.

5-Year Capital Plan Overview

- The 5-Year Capital Plan (2007 Recommended Budget and 2008-2011 Plan) requires cash flows of \$6.329 million in 2007, \$4.255 million in 2008, \$4.050 million in 2009, \$4.050 million in 2010 and \$3.909 million in 2011.
- Average funding for the 5-Year Capital Plan is composed of 87% debt, 7% DC Reserve Funds and 6% federal subsidy.
- 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 adjusted to reflect the debt guidelines.
- The ability to proceed with the 5-Year Capital Plan for approval in 2007 is dependant on Corporate Facilities completing the necessary technical audits and studies. Typically, these projects would currently be well into the planning phase. Accordingly, detailed planning by Corporate Facilities for each facility is ready and synchronized with this 5-Year Capital Plan.
- State of Good Repair (SOGR) projects comprise an average of 80% of funding of the 5-Year Plan. The average request over 5-years is \$3.606 million excluding the Radio Communication System Replacement project. Major expenditure/debt drivers for the five year period include the Toryork Bays Extension project for funding of \$2.984 million or 17%, Asset Management for funding of \$12.773 million or 70% and equipment (includes HUSAR) for funding of \$2.273 million or 13%.
 - The average SOGR backlog over the 5-Year Plan is \$0.438 million and is due mainly to Asset Management activities, which have been rescheduled to meet debt requirements.
- Growth comprises an average of 10% of allocated funding in the 5-Year Plan. The only growth project is Station C which is 50% funded by Development Charges for a total cost of \$2.586 million in 2007. The balance of growth projects have been re-scheduled to the 2012-2016 period. 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.
 - There are currently 7 facilities scheduled over the period 2007-2016 with the Harbourfront Public Education/Training Centre projected to start in 2014. This project has been rescheduled to the long range due to lack of confirmation of funding. The Centre is not debt funded and is utilizing federal/provincial subsidies and reserve funding and is conditional on confirmation of federal/provincial government funding.
- The 5-Year Capital Plan reflects the movement of planned major facilities to the period 2012-2016. Fire Services have identified 11 facilities within the draft Master Fire Plan which is expected in 2007. This Plan is meant to allow Toronto Fire Services to review facility costing and priority in conjunction with other City priorities in order to revise the Toronto Fire Services 2007-2016 Capital Program at a sustainable debt funding level and that also serves the needs of the population.
- The \$70 million cost of the Radio Communication System Replacement Project in 2009 to 2011 had been addressed in 2006 by re-classifying the project as a corporate priority and reflecting the Toronto Fire Services' requirements together with similar joint requirements of

EMS and Police Services as a separately managed program. This will be funded through debt in a corporate project and so does not effect the debt availability for these Services' regular capital works.

Multi Year Debt Affordability Target

The 2007-2011 Capital Plan has met the Council approved debt affordability targets for each of the five years. This is consistent with the June 2006 Capital Budget review. In order to meet the debt targets, projects were deferred into future years and available funding sources maximized.

The 2007-2011 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 match the contractor's estimate. 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 Program has also deferred the refurbishment and building of Training Simulators (\$1.040 million) and the Water /Ice Simulator (\$1.101 million) to the period 2011/2012.

Capacity

Cash flows set out in the 5-Year Plan are consistent with historical spending. Seven year historical average spending including the latest projection for 2006 would indicate an average yearly capacity of \$12.8 million representing an average spending of 76%. Similarly, focusing only on the last three years, the corresponding amounts show an average capacity of \$7.9 million with a spending average of 65%. 2006 indicates an improvement on this trend with spending approximating 77%.

The Program's capacity to spend would depend on the variability to be found in the delivery of product/service from the contracted vendors and/or the ability of the Program to expedite approved orders such as the completion of remaining project milestones for the CAD/RMS project and major build projects such as Station C as well as the Program's Asset Management capital works.

The Asset Management project has been examined in terms of actual capacity to spend. Asset Management projects are based on the needs assessment done in consultation with Corporate Facilities. This on-going program and has been reduced due to funding pressures. While the total spending capacity of Fire Services has improved over 2005 by some 17%, a deferral of 20% has been applied for Asset Management projects based on past spending trends. This equates to \$0.392 million for 2007 and has been effected in order to schedule other urgent requirements in 2007.

Also affecting the capacity to spend is the uncontrollable nature of some planned expenditures in terms of confirmation of 3rd party funding. This effect can be seen in the Harbourfront-Public Education/Training Centre and the HUSAR/JEPP Projects. The former being deferred to the long range plan because of unavailability of planned funding sources and the latter having spending deferred to 2007 due to the need for reconfirmation of Federal funding.

State of Project Readiness

As a major driver of the capacity to spend, the state of readiness of projects is one of the main criteria for proceeding with major components of the 5-Year Capital Plan. As mentioned previously, one factor in determining the state of readiness is the reliance on 3rd party funding. Unavailability or non-confirmation of these funding sources may prevent the Program from proceeding with a project that is otherwise ready to proceed. This has been the case with the project for the Replacement of HUSAR equipment and the Harbourfront Training Centre.

As new station builds are now scheduled for the long term, with readiness determined by perceived need, design preparation, and land availability, the focus is on the remaining major projects in the 5-Year Plan. Except for Station C and the HUSAR Facility which are nearing completion, the other major item of the plan is Asset Management. State of Good Repair projects comprise 76% of the 5-Year Plan of which Asset Management projects are 68%. These projects are based on needs assessments with Corporate Facilities and are planned and are ready to proceed. However, as mentioned previously this has been reduced based on current spending capacity. The balance of the 5-Year Plan is the optimum plan for scheduled preventive and maintenance work as determined in engineering estimates by the Corporate Facilities group.

It should be noted that this 5-Year Plan includes \$2.984 million for the Toryork Bays Extension project. Funding is being recommended conditionally based on the Program reporting back on the results of the feasibility study. The current plan has commitments of \$0.399 million in 2007, \$1.585 million in 2008 and \$1.000 million in 2009. The study is examining the viability of proceeding with construction.

Recommended Changes to the 5-Year Plan

City Council considered the 5-Year Plan (2006-2010) at its meeting of July 25, 26 and 27, 2006 and endorsed the Plan in principle.

Highlights of the changes between the Plan reviewed in July 2006 and the current recommended 5-Year plan are summarized below:

- The funding for the replacement of defibrillators and for the replacement of HUSAR equipment have been reallocated in order to allow for completion of Station C in 2007 instead of 2008 in order to match the contractor's estimate.
- The Harbourfront Public Education & Training Centre has been rescheduled to the period 2012-2016 from 2007/2008 due to lack of reserve funding and 3rd party funding confirmation.
- Toryork Bays Extension and Future year Asset Management projects have been deferred in order to accommodate urgent priorities for:
 - Antenna Tower Remediation: This project addresses the urgent need to remove a Fire Service's communication tower on private property.
 - Downtown and Waterfront Radio Coverage Enhancement: This project will address the current problem with radio communications in high-rise buildings

- Hand-Held Wireless Devices: This project will implement hand-held computers for Fire Prevention Staff to enhance the effectiveness of the service.
- Document Management: This is an IT project that would be scheduled for 2008

Backlog of Projects

Backlog of projects typically represents work deferred from past years as well as items requested for 2007 to 2011, which cannot be accommodated in the budget given the established debt targets and capacity to spend. If any activities requested for 2007-2011 are deferred, more backlog would then be created.

As part of (SOGR) backlog for Fire Services, the ongoing planned Asset Management projects for the maintenance of stations and facilities have been deferred which, as shown at the bottom of the 5-Year Capital Plan Table on page 8, increases the backlog of work that needs to be addressed. In meeting the debt targets SOGR was deferred allowing for completion of growth projects such as Station C. As a result, the estimated SOGR backlog would increase from \$0.744 million in 2007 to approximately \$2.2M by 2011.

The Program has thus re-submitted a SOGR plan that is consistent with annual debt targets and does not currently plan to explicitly address this backlog. The Program intends to manage SOGR requirements in consultation with Corporate Facilities within the 5-Year Capital Plan.

It also should be noted that Service Improvement/Growth projects related to facility construction have been rescheduled into the period 2012-2016 in order to mitigate mid term pressures related to debt affordability and funding confirmation. The updated Master Fire Plan, expected to be presented in 2007, will set out priorities, timelines and cash flow requirements for 2012-2016.

Unmet Need

While generally focused on State of Good Repair (SOGR), an unmet need can also apply to and is composed of other categories of capital works such as Health & Safety, Legislated, Service Improvement and Growth.

The unmet need related to other categories of capital works includes additional projects. 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 2011/2012. 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.

It also should be noted that Service Improvement/Growth projects related to facility construction such as Stations A, B, D and G as well as the Chaplin Fire/EMS Station and the Harbourfront Public Education and Training Centre have been rescheduled into the period 2012-2016 in order to mitigate pressures related to debt affordability and funding confirmation. The impact of these station builds cannot be fully assessed until the Master Fire Plan is finalized. (Please see PART II: ISSUES FOR DISCUSSION)

Operating Impact of the 5-Year Capital Plan

Operating impacts in the Toronto Fire Services 5-Year Capital Plan are \$0.060 million for 2007, \$0.085 million for 2008, (\$0.050) million for 2009, (\$0.014) million for 2010 and (\$0.495) million for 2011 and are driven by the following projects:

- HUSAR / CBRN Facility - Change in Scope: The change in scope primarily relates to the unforeseen increases in labour and construction materials to build the facility. The operating impact associated with this project is estimated to be \$0.060 million per year for building maintenance and support starting in 2007.
- Station C (Sheppard Ave between Leslie/Bayview): The \$0.085 million impact in 2008 is the estimated cost for first year maintenance after completion of this project. This is reduced by \$0.050 million to an ongoing \$0.035 million in 2009.
- Toryork Bays Extension: The \$0.045 million impact in 2010 is the estimated cost for ongoing support & maintenance after completion of this project and is offset by reductions in operating costs for the Harbourfront Fire Station & Museum and the Vector Command & Fire Fighting Foam Training Simulators.
- The \$0.495 million reduction in 2011 is for the operating costs for the CAD/RMS - Computer Aided Dispatch System and the Communications Centre - Quality Assurance Study.

Pre-approvals

City Council approved the report dated September 8, 2006 from the Deputy City Manager and Chief Financial Officer, entitled 'Pre-Approval of 2007 Capital Projects Commitment and Spending' at its meetings of December 5 & 6, 2006.

The recommended pre-approval cash flow for Fire Services is \$2.652 million gross, \$1.816 million debt for spending in the first quarter of 2007. On a gross basis, pre-approval of spending for these 2006 projects represents 28% of the recommended 2007 Fire Services Capital Budget. Of these amounts, \$1.661 million gross and \$1.218 million debt represents funding for 4 projects carried forward from 2006 to 2007 to complete work already underway.

The primary carry forward spending request for pre-approval is the Station C (Sheppard Ave between Leslie/Bayview) project. The remaining estimated carry forward spending is for the CAD/RMS project, the HUSAR Facility and Training Facility Renovations.

Recommended pre-approval of spending for previously approved commitments in the amount of \$0.991 million will fund 3 projects: Asset Management -Emergency Capital Repairs and Site Repairs and Station C.

Fire Services is not requesting pre-approval for any new commitments or spending before budget approval.

Total 2007 Recommended Cash Flow & Future Year Commitments (\$000s)

	2005 & Prior Year Carry Forward	2007 Previously Approved Cash Flow Commitments	2007 New Cash Flow Recommended	2007 Total Cash Flow Recommended	2007 Debt Target	2006 Carry Forward	Total 2007 Cash Flow (Incl 2006 C/Fwd)	2008	2009	2010	2011	2012-2016	Total Cost
Expenditures													
Previously Approved		4,362		4,362		1,939	6,301	294					6,595
Change in Scope				0			0						0
New			815	815			815						815
New w/Future Year			1,152	1,152			1,152	1,977	1,000				4,129
Total Expenditure	0	4,362	1,967	6,329		1,939	8,268	2,271	1,000	0	0	0	11,539
Financing													
Debt		3,084	1,967	5,051	5,058	843	5,894	2,271	1,000				9,165
Subsidy (SCPI)													0
Prov. Subsidy/Grant													0
Development Charges		1,075		1,075		218	1,293						1,293
Other				0									0
Federal Grants		203		203		878	1,081						1,081
Reserves/Res Funds				0			0						0
Total Financing	0	4,362	1,967	6,329		1,939	8,268	2,271	1,000	0	0	0	11,539

Comments / Issues:

- Approval of the 2007 Recommended Capital Budget of \$8.268 will result in future year commitments of \$2.271 million in 2008 and \$1.000 million in 2009 which will encumber the following year's spending. For 2007, these projects are funded by debt of \$5.894 million and Federal Grants of \$1.081 million and Development Charge Reserve Funds of \$1.293 million.
- Previously Approved projects require a cash flow commitment of \$6.301 million in 2007 and a future year commitment of \$0.294 million in 2008. Projects for 2007 include Station C for \$2.6 million, HUSAR/JEPP projects for \$1.4 million, CAD/RMS for \$0.5 million and Asset Management \$0.8 million. The 2008 commitment is for Training Facilities Renovations for \$0.294 million. The Harbourfront Public Education & Training Centre has been de-committed and re-planned to 2014.
- New & Change in Scope projects require a cash flow of \$1.967 million in 2007 and future year commitments of \$1.977 million in 2008 and \$1.000 million in 2009. Projects for 2007 include Asset Management for \$0.753 million, Handheld Wireless Devices for \$0.285 million, Pro-Fuel System Installation for \$0.180 million and EMS-Fire Headquarters Power System Upgrade for \$0.150 million. The Toryork Bays Extension includes estimates of \$0.399 million for 2007, \$1.585 million for 2008 with 2009 showing a commitment of \$1.000 million. Toryork funding commitments are recommended conditionally and depend on results of the feasibility study expected in 2007.

2007 Recommended Capital Budget

2007 Recommended Capital Budget versus Debt Target

The 2007 Recommended Capital Budget requiring \$5.051 million in debt is essentially on target with the established debt guideline for this program. The 2007 projects and cash flows are consistent with the previously reviewed cash flow plan for 2007 in June 2006.

Capacity /Readiness

The capacity of the Program to spend and the state of project readiness are two of the main criteria examined to determine the 2007 cash flow. Project readiness is affected by factors such as audits, finalization of estimates for design and implementation, appropriate studies being completed, funding being secured and issues being resolved with any third parties. Capacity to spend relies not only on appropriate resources for planning and procurement and effective project management but ultimately on the readiness to proceed.

Except for the new Station C and the new HUSAR Facility both of which are nearing completion, the main focus for 2007 are state of good repair projects, specifically, Asset Management. State of Good Repair projects comprise 42% of the 2007 cash flow of which Asset Management projects are 60%. These projects are based on needs assessments with Corporate Facilities and are planned and are ready to proceed. Scheduled preventive and maintenance work is determined in engineering estimates by the Corporate Facilities group. However, as mentioned previously, anticipated spending on 2007 projects has been reduced based on current spending capacity experience and the resultant need to increase funding being carried forward from 2006 into 2007. Asset Management projects for 2007 have been reduced by \$0.392 million which has allowed scheduling of other urgent requirements in 2007 including the Antenna Tower Remediation and Handheld Wireless Devices for firefighters.

As well, in order to accommodate these urgent projects, the Toryork Bays Extension has been partially deferred to 2008. The state of readiness of this project will need to be reviewed and a determination made as to whether this project start may be deferred to 2008 based on the outcome of the feasibility study.

As evidenced by the current carry forwards into 2007 from 2006, there is also an element of uncontrollability to the planned expenditures that affects the capacity of the Program to spend. Examples of this include the HUSAR/JEPP05/06 Equipment project and the CAD/RMS project. These are based on availability of third party funding as well as performance of third party work in order to complete the projects.

- The HUSAR project was delayed due to the necessity to seek re-approval of Federal funding which is in process. As a result, \$0.870 million will be carried forward to 2007.
- The CAD/RMS project has an amount estimated for carry forward to 2007 of \$0.192 million which is the amount estimated for final contractor payments upon system acceptance for the records management system, outfitting of the Command Vehicle and software.
- Other projects such as the Replacement of HUSAR Equipment have been deferred from 2007 to 2008 due to lack of funding confirmation from the Federal government.

Operating Budget Impact Incremental Operating Impact Summary

Incremental Operating Budget Impact	2007	2008	2009	2010	2011
Program Costs (net) (\$000s)	60.0	85.0	(50.0)	45.0	0.0
Debt Service Charges (\$000s)	151.7	624.5	279.8	110.0	0.0
Approved Positions					

Program Incremental Operating Costs

The 2007 Recommended Capital Budget will increase the Program's Operating Budget, with incremental impacts in 2007 and future years as a result of the following capital projects/subprojects:

2007 Capital Projects/Sub-Projects	2007 (\$000s)	2007 approved position change	2008 (\$000s)
HUSAR / CBRN Facility	60.00	0.00	0.00
Station C (Sheppard Ave between Leslie/Bayview)	0.00	0.00	85.00
TOTAL	60.00	0.00	85.00

The incremental operating costs outlined above include the following:

- HUSAR / CBRN Facility - The operating impact associated with this project is estimated to be \$0.060 million per year for building maintenance and support starting in 2007.
- Station C (Sheppard Ave between Leslie/Bayview): The \$0.085 impact in 2008 is the estimated cost for first year maintenance after completion of this project.

There are no new positions being added as a result of approving the 2007 Recommended Capital Budget.

PART II: ISSUES FOR DISCUSSION

2007 Capital Budget Issues

EMS-Fire Headquarters Power System Upgrade

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

The total cost of the project has been estimated at \$2.125 million. The proposed funding between the three Toronto emergency services, EMS, Fire and Police is as follows:

	2007*	2008**	TOTAL
EMS	180	670	850
Fire	150	700	850
Police		425	425
Total	330	1,795	2,125

*Included in the 2007 Recommended Capital Budget
 **to be submitted, once the study is finalized, as part of the 2008 Capital Budget process

Fire Services' 2007 Recommended Capital Plan includes a 2007 cash flow of \$0.150 million funded by debt Fire Services' cost share of the design and planning of the critical upgrade required to the power supply and support systems. Once the study for the design and planning of the upgrades is finalized, the funding for the systems upgrade, estimated at \$0.700 million for Fire Services' cost share, will be submitted as part of the 2008 Capital Budget process including potential provincial funding offsets.

Harbourfront Public Education & Training Centre

At its meeting of March 24, & 25, 1997, City Council recommended that the building plan for the proposed Harbourfront Fire station incorporate a public education/training and fire museum. This was deferred in 1999 and only the station/ fire boat facility was built. The 2006 to 2010 Capital Plan included the training centre at a total project cost of \$5.027 million with cash flows of \$0.200 million in 2006, \$2.156 million in 2007 and \$2.671 million in 2008. The project was to be cost shared between the City for 36%, the Province for 32% and the Federal Government for 32% through a reallocation of funding from the TWRC. The City portion of \$1.807 million was to be funded through the Fire Services Public Education Reserve Fund. To date, funding through the TWRC has not been confirmed and this project has now been deferred to the years 2014 to 2016.

The public education centre would provide a venue for lectures, workshops and outreach events pertaining to safety and public relations. There would be an interactive display area to facilitate the educational experience. The facility may also house historical fire apparatus and equipment and would benefit from and complement existing attractions. However, the overall goal to create a design which facilitates the integration of Fire Services, Parks and Recreation Services and Harbourfront programming cannot be attained in the present term without Federal and Provincial funding commitments.

HUSAR/CBRN

There are 4 projects included within the 2007 Recommended Capital Budget that comprise the HUSAR/CBRN (Heavy Urban Search and Rescue/ Chemical, Biological, Radiological, Nuclear) project. The 4 projects are HUSAR Facility and the HUSAR/JEPP Equipment projects for 2005/06 and 2006/07 and the Replacement of HUSAR Equipment. The HUSAR Facility is to provide a central location for management of human and material resources related to the HUSAR program. The latter projects provide funding to acquire new and replacement HUSAR equipment.

- The Facility project should be completed in 2007 with a carry forward of \$0.300 million.
- The new HUSAR equipment project have total cash flow commitments of \$1.140 million in 2007 and is conditional on re-approval of federal JEPP (Joint Emergency Preparedness Program) funding.
- The Replacement of HUSAR Equipment with a total project cost of \$3.6 million (75% federally funded) has not received confirmation and therefore the acquisition of the equipment cannot proceed. This project start has been deferred to 2008 with cash flows of \$0.400 million per year in the period 2008 to 2016.

5-Year Capital Plan Issues

Master Fire Plan

Fire Services is preparing an updated Master Fire Plan which includes a Fire Station Development Plan that addresses future fire station needs for the period 2007-2021. These operational needs are based on future growth projections. However, as part of developing an affordable plan for station/facilities builds the following facilities are currently deferred to 2012-2016:

Facility (\$000s)	2012-2016 Cash Flow	
	Gross	Debt
Station D (Eglinton Ave & Midland Ave)	5,417	4,334
Station G - Sunnybrook	6,477	5,182
Station B (Keele St between Sheppard/Wilson)	6,181	4,945
Station A (Hwy 27 & Rexdale Blvd)	4,173	2,087
Co-Location Station 323 & 324 (Pape/Jones)	6,464	6,464
Harbourfront - Public Education/Training Centre	5,027	0
Co-Location Fire Station 424 & 425 (Bloor West)	8,025	8,025
Chaplin Fire and Ambulance Station	2,351	2,351
Station 141 - Relocation for York University/York Region Subway expansion	7,092	7,092
Station King Street between Dufferin & Bathurst	7,438	7,438

A updated Master Fire Plan will result in a confirmation of the future station requirements, and will better define the years they are required based on current call volumes, population and growth statistics. There is also the potential that, based on infill developments in the City, it will identify additional required 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 issues. A report from the Chief of Toronto Fire Services on this issue is expected in May 2007.

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.

The following is a preliminary assessment of cost drivers:

FY	ITEM	ESTIMATED COST (\$000)
2007/8	Development of Infrastructure Functional Specifications	\$460
2008	Development of System Supplier RFP	\$40
2009-2011	Infrastructure Replacement (Approx.)	\$69,470
2011	Overseeing Assembly, Installation and Test	\$30
2012	Costs Associated with Transition	TBD
2007-2009	Total Project Cost	\$70,000

This 'radio infrastructure' project does not include the replacement of mobile (in-vehicle) or handheld radios, which are budgeted within each of the Police, Fire, and Emergency Medical Services Capital Budgets. Toronto Fire Services has budgeted \$0.522 million in 2007 for 75 additional portable radios and \$0.100 million for enhancement of downtown and waterfront radio coverage that will be compatible with the new radio infrastructure system to be commissioned in 2011. As well, Toronto Fire Services ensures timely replacement of their portable radios through their Operating Budget. This budget allowed for the replacement of 35 radios in 2006.

The Steering Committee, which consists of Deputy Chiefs from the 3 Services, has been formed and has met with the City Manager Office and Financial planning Division and plans to report to Budget Committee for July 2007 on the project. The Steering Committee is to report back on a governance agreement on how the project would be managed and reconfirmation of project costs, timelines and cash flows.

Outstanding Issues from 2006 and Prior Years

Joint Downsview Station

Fire Services was asked to report back on the feasibility of consolidating and expediting an Emergency Medical Services Station and a Fire Station in the Downsview area in time for the 2007 Capital Budget. As a result of an additional 1,000 residential units currently being constructed in the immediate area, demands on response time to fire calls will increase.

On December 8, 9 and 12, 2005 City Council amended Clause 3, of Report 12 of the Policy & Finance Committee as follows:

“That:

‘WHEREAS in the 2006-2010 Capital Program and 10 Year Capital Plan - Sub-project Business Case/Financial Summary (1 D), it is stated that the area in Downsview is outside the four-minute travel time centre; and

WHEREAS an additional 1,000 residential units currently being constructed in the immediate area will add to the demands on response time to fire calls;

***NOW THEREFORE BE IT RESOLVED THAT** the Chief, Toronto Fire Services, and the Chief and General Manager, Emergency Medical Services, investigate the feasibility of consolidating and expediting an Emergency Medical Services Station and a Fire Station in the Downsview area and report back to the appropriate Standing Committee in time for the 2007 Capital Budget.’ ”*

This project is not included within the 2007 Capital Budget of Toronto Fire Services. The Program is being asked to report back to Budget Committee in 2007 on the status of the updated Master Fire Plan including the feasibility of this station.

Appendix 4

Reserve / Reserve Fund Review (\$000s)

Reserve / Reserve Fund Name	Project / SubProject Name and Number	Uncommitted balance as of September 30, 2006	Proposed Withdrawals				
			2007	2008	2009	2010	2011
XR2023 Development Charges RF Fire	FIR000118 Station C-Sheppard & Leslie		\$1,293				
	Funds Available for other commitments	\$549					
Total Reserve / Reserve Fund		\$549	\$1,293	\$0	\$0	\$0	\$0

Note that the proposed withdrawal for Station C is included within the committed funds of account XR2023.

Appendices 1-3 not available online.