

Analyst Briefing Notes

Budget Committee

(February 10, 2009)

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PART I: 2009 OPERATING BUDGET**Executive Summary**

- Toronto Fire Services provides emergency response and fire prevention and education services to those who live in, work in, and visit our City in order to protect life, property and the environment from the effects of fire, illness, accidents, natural disasters and all other hazards. In the promotion of fire and life safety, Fire Services raises community awareness about all hazards. In order to achieve this, Fire Services operates three main service areas including 24 hour Fire Rescue and Emergency Response, Fire Safety Education and Fire Prevention, Inspection and Enforcement.
- While maintaining current service levels to provide emergency response for fire suppression and rescue as well as prevention related inspection and education services, Toronto Fire Services will be facing service challenges and opportunities in the following key areas over the next 3 years:
 - Making progress in achieving a 4 minute response time 90 percent of the time to fire incidents after receiving calls for assistance. This encompasses moving forward with the Master Fire Plan which includes new fire station development;
 - Implementing 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 2009;
 - Developing Special Operations Teams so that Fire Services can be ready to respond to high risk events;
 - Responding to new demands for new fire prevention/inspection programs;
 - Managing the increased demand of maintenance required to compensate for major advancements in the components and technology used in modern fire apparatus;
 - Allocating resources for Fire Cause Determination activities;
 - Planning and managing workload pressures for existing district chiefs in South Command; and,
 - Complying with the recommended 4 firefighters per vehicle standard endorsed by the National Fire Protection Association (NFPA).
- Fire Services has established the following service objectives to address some of the challenges and opportunities outlined above which reflects the need to move forward with the Master Fire Plan in order to maintain and improve fire protection in Toronto. The following summarizes Fire Services' service objectives:

Fire Rescue and Emergency Response:

- Improve road response times: The Council approved service level is a 4 minute road response time. Current response times average 4 minutes 49 seconds. This should improve as more new stations are developed in accordance with the Master Fire Plan. In addition to road response, improving turnout time needs to be addressed. This is an internally controllable variable within Fire Services and depends on maintaining proper staff levels and appropriate training levels.
- Provide ongoing enhancement of skills training for firefighters to improve effectiveness in areas of routine fire suppression activities as well as providing training, support and equipment for specialized Heavy Urban Search and Rescue (HUSAR) and Chemical, Biological, Radiological and Nuclear (CBRN) teams.

Fire Prevention, Inspection, Enforcement and Safety Education:

- Maintain 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. Objectives include reducing retrofit inspections to zero, completing building plans examination within seven (7) working days and shortening times for preliminary new building inspections and final inspections.
 - Increase the efficiency of Fire Prevention Inspectors by 10% and increase the fire prevention inspector ratio per population as defined by the Office of the Fire Marshal.
 - Expand the risk watch program to 400 schools from 225 by 2010 and increase the public educator ratio per population as defined by the Fire Underwriters Survey. As well, conduct public education forums (1,000 events annually) to promote fire safety through schools, special events and advertising.
- Incremental 2009 base funding of \$9.321 million will address these service challenges and objectives with priority actions including:
 - Implementing the 24 hour shift across the entire Fire Service, moving forward with the operation of new fire stations as indicated in the Master Fire Plan and increasing expenditures for fleet replacement by \$0.570 million to \$6.631 million per year. These actions will contribute to improving road response times down to 4 minutes.
 - The 2009 Recommended Operating Budget includes base funding of \$0.081 million for a Quality Assurance position that will co-ordinate best practices in Fire Emergency communication. The budget also includes full year base funding of \$0.136 million gross, \$0 net, for a project manager for the Radio Communication System Replacement project which will ensure improved emergency services communications and response;
 - Maintaining fire inspections of existing and rehabilitated buildings and reducing the number of false alarms by working with building owners to make necessary improvements. Promoting the use of sprinklers and smoke alarms and providing public education forums.

- For 2008, Fire Services is projecting a year-end net expenditure of \$350.354 million which is \$2.500 million or 0.7% above the 2008 Approved Budget of \$347.854 million. The projected year-end unfavourable variance is largely attributable to the following:
 - The continuing impact of unbudgeted expenditures for WSIB occupational illness claims payments, which are now projected to be \$7.2 million by year-end, is offset by higher than expected gapping. As a result and with the impact of a new recruit class on any further gapping savings, the projected year-end unfavourable variance will be \$2.1 million. As well, revenues are projected to be under budget by \$0.4 million primarily due to the lower volume of false alarms.
 - While gapping for 2008 is expected to be higher than budgeted, the 2009 Recommended Budget maintains the 2008 budgeted gapping rate of 2%, consistent with the 2005 to 2008 experience. The revenue shortfall of \$0.4 million mainly from a reduced volume of false alarm fees is expected to continue in 2009 and has been adjusted in the 2009 Recommended Operating Budget.

Table 1: 2009 Recommended Budget

(In \$000s)	2008		2009 Recomm'd Operating Budget			Change - 2009 Recommended Operating Budget v. 2008 Appvd. Budget		FY Incremental Outlook	
	2008 Appvd. Budget	2008 Projected Actual	2009 Base	2009 New/Enhanced	2009 Operating Budget			2010	2011
	\$	\$	\$	\$	\$	\$	%	\$	\$
GROSS EXP.	356,029.9	358,179.8	365,028.1	0.0	365,028.1	8,998.2	2.5	3,499.8	1,292.1
REVENUE	8,176.1	7,826.1	7,852.9	0.0	7,852.9	(323.2)	(4.0)	0.0	0.0
NET EXP.	347,853.8	350,353.7	357,175.2	0.0	357,175.2	9,321.4	2.7	3,499.8	1,292.1
Approved Positions	3,144.0	3,144.0	3,146.5	0.0	3,146.5	2.5	0.1	0.0	0.0
TARGET *			347,853.8		347,853.8				
\$ Over / (Under) Program Target			9,321.4		9,321.4				
% Over / (Under) Program Target			2.7%		2.7%				

* Note that the target for Fire Services is equal to the 2008 Approved Net Operating Budget as COLA for the last year of the collective agreement is included in the 2009 Recommended Operating Budget.

- The 2009 Recommended Operating Budget for Fire Services is \$357.175 million net in base funding to maintain the 2008 service level with no funding for new & enhanced services.
- The 2009 Recommended Operating Budget for Fire Services of \$365.028 million gross and \$357.175 million net is \$9.321 million or 2.7% higher than the 2009 target of \$347.854 million net which for Fire Services is set at a 0% increase over the 2008 Approved Operating Budget since Fire COLA costs are known and included in the 2009 Recommended Operating Budget.
- The \$9.321 million net increase includes salary adjustments of \$7.550 million including Cost of Living Adjustments (COLA) of \$7.745 million, merit and step increases of \$1.550 million, Recognition Pay annualization of \$1.166 million offset by employee turnover savings of \$2.206 million and the reversal of the 2008 leap year provision of \$0.916 million. Also recommended is

a revenue reduction of \$0.360 million mainly due to the revenue shortfall from false alarm fees based on continuing lower call volumes.

- The 2009 Recommended Base Budget of 3,146.5 positions includes an increase of 2.5 positions from the 2008 Approved Operating Budget. This includes the annualization of a Fire/EMS Management position (0.5), a Quality Assurance management position (1.0) and a project manager for the Radio Communication System Replacement project (fully funded from the Capital Budget) (1.0).
 - The 2010 Outlook net increase of \$3.023 million includes the following: (a) the annualized impact of Cost of Living Adjustments (COLA) from 2009 of \$2.360 million, (b) an increase to the fleet reserve contributions of \$0.570 million, bringing the annual fleet contribution to the target level of \$7.2 million and (c) operating impacts from 2009 capital projects of \$0.095 million. The Outlooks for 2010 and 2011 do not include a provision for 2010/2011 COLA, as the further increases (beyond 2009) are subject to future negotiations.
- The 2009 Recommended Base Budget funds the Program's key cost drivers including COLA, merit and step increases and other expenditures that total \$11.455 million. These pressures are partially offset by service efficiencies of \$1.949 million and base reductions of \$0.185 million that include the following:
 - Deferring alternate rate increases of \$0.750 million;
 - Reducing facility and fleet maintenance by \$0.400 million;
 - Reducing fuel expenditures by \$0.375 million;
 - Absorbing inflationary pressures of \$0.360 million; and,
 - Deferring or reducing expenses for furniture, software maintenance, equipment upgrades and winter maintenance of \$0.279 million.
- The resulting 2009 Recommended Operating Budget provides an increase of \$9.321 million in base funding for a range of services and activities that advance the Mayor's Mandate and Council's policy agenda.
 - Make a Safe City Safer: Fire Services will continue to work towards making Toronto a safer City by responding to emergency incidents promptly 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. This will contribute to achieving the service objective of improved response times.
 - 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.
 - A Greener City: Fire Services will focus on reducing hazardous materials associated with fire fighting. This will be addressed through the procurement of new environmentally friendly materials and supplies.

- 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 have resulted in increased approvals and subsequent cost increases to the Fire Services expenditures. 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. The impact in 2008 is estimated to be \$7.1 million with a similar impact estimated for 2009. To date these costs have been absorbed by the Program and will be included as part of the year-end variance report. Beginning in 2009, funding for these costs will be provided corporately.
- Toronto Fire Services is responsible for providing 24-hour rescue and emergency response as well as fire prevention, inspection and education services. The 2009 Recommended Operating Budget will fund:
 - 24-hour emergency response for the City of Toronto from 82 fire stations located across the City with a fleet of 354 heavy & light emergency, support and training vehicles, 13 HUSAR/CBRN dedicated vehicles, 2 fire boats for marine emergency response and a staff of 3,091 firefighters and 56 management and administrative staff.
 - Response to fire alarms (35,000 annually) and fires (8,500 per year);
 - Response to medical emergencies (73,000 annually) and vehicle incidents and rescues (15,000 yearly);
 - Training and equipping HUSAR and CBRN teams to be ready to respond to major disasters;
 - Inspections of new, existing and rehabilitated buildings (46,000 inspections yearly); and,
 - Hosting public education forums (1,000 events annually) to promote fire safety.

Recommendations

The City Manager and Acting Chief Financial Officer recommend that:

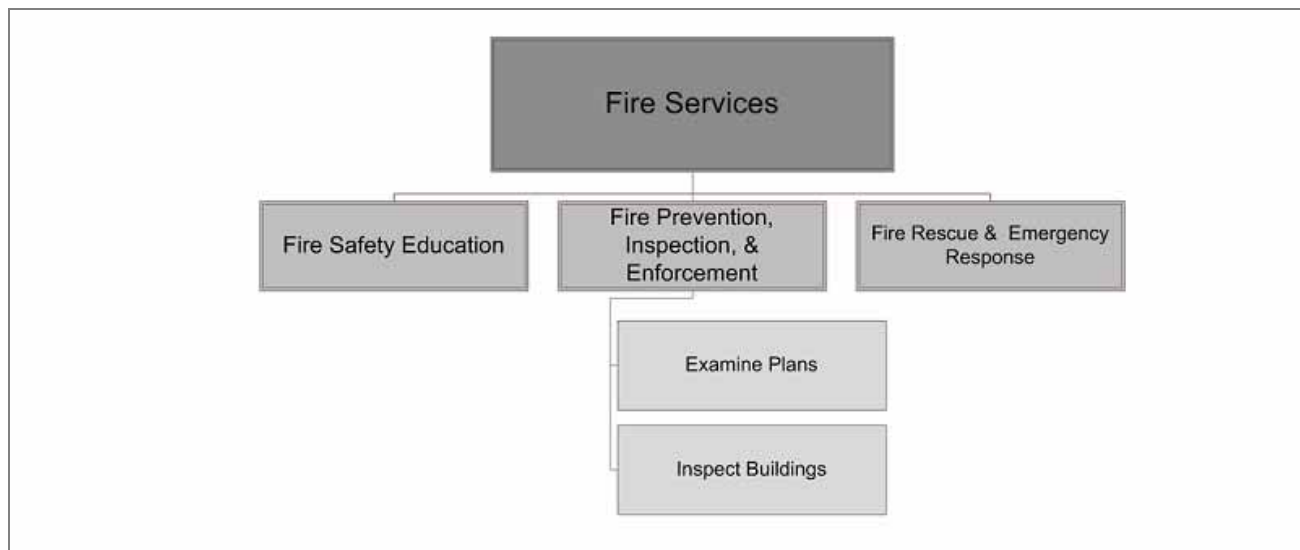
1. Council approve the 2009 Recommended Operating Budget for Fire Services of \$365.028 million gross and \$357.175 million net, comprised of the following services:

<u>Service:</u>	<u>Gross (\$000s)</u>	<u>Net (\$000s)</u>
Fire-Operations	296,308.1	289,838.8
Fire Prevention & Public Safety	14,091.2	13,804.7
Communications & Operational Support	25,311.0	24,714.2
Professional Develop. & Mechanical Support	25,650.0	25,250.0
Fire - Headquarters	<u>3,667.8</u>	<u>3,567.5</u>
Total Program Budget	<u><u>365,028.1</u></u>	<u><u>357,175.2</u></u>

PART II: 3-YEAR SERVICE OVERVIEW AND PLAN

- Toronto Fire Service provides 24/7 emergency response and fire prevention and education services to the citizens of Toronto. Fire Services delivers three services and their associated activities: 24 hour Fire Rescue and Emergency Response, Fire Safety Education and Fire Prevention, Inspection and Enforcement in order to reduce incidents of preventable death and injury and loss of property.
 - Fire Rescue and Emergency Response provides alarm response, critical fire suppression services as well as first response to medical emergencies, heavy urban search and rescue, hazardous materials response, road accident response as well as response to other disasters and emergencies as required.
 - Fire Prevention, Inspection and Enforcement provides building inspection and enforcement of fire bylaws as well as building plan examination services.
 - Fire Safety Education provides public education in matters relating to fire prevention and emergency preparation for individuals, community groups and schools.

These extensive services are outlined in the following Program Map:

Program Map**Service Challenges and Opportunities**

The main service drivers for Fire Services are within Council's policy agenda and the Mayor's Mandate for strengthening at-risk neighbourhoods by improving community safety. Key to responding to this service driver is the implementation of the Master Fire Plan adopted by City Council on June 19, 20 and 22, 2007. Implementation of the Plan provides 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.

Further service drivers for Fire Services are population growth, increased densification and redevelopment. Fire Services continually strives to provide the proper essential services for fire protection with the same level of staff resources as that which existed at the time of amalgamation 10 years ago. Since amalgamation, the number of emergency incidents has increased 26.5%, while the number of unit responses has increased 37.4%

Challenges for Fire Services are concentrated in two key areas over the next 3 years. These key areas are Emergency Response and Legislative / Service Demands.

Emergency Response:

- Work towards achieving a 4 minute road response time 90 percent of the time to fire incidents after receiving calls for assistance. This includes ensuring that the City moves forward with the Master Fire Plan which includes new fire station development. The 2009 Approved Capital Budget includes funding for the design and construction of Station D at Midland and Eglinton which is expected to be operational by 2011. Emergency calls for assistance include the following:
 - Responding to fire alarms (35,000 annually);
 - Putting out fires (8,500 per year);
 - Responding to medical emergencies (73,000 annually); and,
 - Attending vehicle incidents and rescues (15,000 yearly).
- Implement 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 2009. 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 2009
- Develop Special Operations Teams so that Fire Services can be ready to respond to high risk low frequency events such as wildland/interface firefighting, technical rescue, marine firefighting, Joint Operations responses, urban search and rescue, mass casualty response, hazardous materials mitigation, counter-terrorist response, and incident management teams for disaster response. The probability of an event occurring that requires a special team response is low, as well as the cost of developing and maintaining a team is relatively high;
- Manage the increased demand of maintenance required to compensate for major advancements in the components and technology used in modern fire apparatus. Manpower shortages at the Toryork maintenance facility result in extensive use of contracted services to ensure fire apparatus in maintenance are returned to service in a reasonable time;

Legislative / Service Demands:

- Align with the Office of the Fire Marshal's strategic plan for the future direction of Fire Investigation Services that advocates that municipalities and Fire Services assist with the

investigation of fires with the goal of increasing the number, quality and consistency of investigations. This challenge involves allocating resources for Fire Cause Determination activities;

- Plan and manage workload pressures for existing district chiefs in South Command by establishing a new administrative district to distribute the workload. Addressing this health and safety challenge would require new staff and equipment; and,
- Comply with recommended standards in National Fire Protection Association (NFPA) Standard 1710 for aerial fire trucks in areas of high risk in the downtown core. Addressing this challenge means increasing the complement of firefighters by 1 from 3 to 4 per truck.
- Respond to demands for new fire prevention/inspection programs including marijuana grow-ops, night club inspections in the entertainment district as well as inspections in support of the new fireworks;

Service Objectives

The service objectives for Fire Services address the challenges outlined above, and primarily reflect the need to move forward with the Master Fire Plan in order to maintain and improve fire protection in Toronto. The following section provides Fire Services' measurable main service objective targets for 2009 and beyond.

Fire Rescue and Emergency Response:

1. *To improve incident response to 240 seconds or less 90% of the time from 289 seconds by 2010.*

The Council approved service level is a 4 minute road response time. This is the standard endorsed by the NFPA. Recent response times average 4.81 minutes. The response time is dependant on efficient allocation of resources including staff, vehicles and station location. This should improve as more new stations are developed according to the Master Fire Plan.

2. *To improve turnout time to 60 seconds from 126 seconds by 2012.*

This is an internally controllable variable within Fire Services and depends on maintaining proper staff levels and appropriate training levels.

Fire Prevention, Inspection and Enforcement:

3. *To reduce retrofit inspections to zero – Hotel retrofits to be completed within the mandated five (5) year time from January 1, 2007 to January 1, 2012. In addition, Fire Services should complete plans examination and approve plans for the Building Department within seven (7) working days. Preliminary new building inspections should be done within five (5) working days of notification, and final inspection within two (2) working days of notification.*

There are 4 types of inspections that should be carried out: i) Complaint (life safety);

ii) Request/Licensing (time sensitive); iii) Legislated (Building Code); and iv) Routine.

With current staffing levels only Compliant & Request inspections are usually accomplished. Inspection requirements are regulated through the Ontario Fire Code (OFC). The Fire Marshal for Ontario periodically requires focus be put on certain requirements of the OFC. For example, retrofit inspection targets have required a special task force to complete. As well, limited inspection staff will be constrained further by the Fire Marshal's zero tolerance policy to code infractions which will precipitate required court time as opposed to moving forward with improving the volume of completed inspections.

4. *To increase the efficiency of Fire Prevention Inspectors by 10% by introducing appropriate technology within three years. To increase the fire prevention inspector ratio to 1 inspector per 15,000 population as defined by the Office of the Fire Marshal and the Fire Underwriters Survey (FUS) from the existing 1 inspector per 26,500 population by 2015.*

If current staffing levels are maintained then it would be critical that improved hardware and software be made available to enable increases in efficiency of inspectors and more effective use of their time. Furthermore, target ratios of inspection staff to population can only be met by increases in complement which is further exacerbated by the effect of population growth and redevelopment.

Fire Safety Education:

5. *Implement the risk watch program in all (191) TCDSB schools by June 2010 as well as increase the number of schools participating in the risk watch program to 400 from 225 by 2010.*
6. *To increase the public educator ratio to 1 public educator per 50,000 population as defined by the Fire Underwriters Survey (FUS) from the existing 1 public educator per 130,000 population by 2015.*

As Public education activities are mandated by the Fire Protection and Prevention Act (1997) Fire Services manages to maintain a level of service that could be improved in order to attain educator to population ratios recommended by the FUS. In order to achieve these ratios as well as increase the number of participating schools, Fire Services will engage the assistance of school administration as well as continue to optimize the alternate sources of funding for the Risk Watch Program.

Priority Actions

The 2009 Recommended Operating Budget provides an increase of \$9.391 million in base funding for a range of services and activities that advance the Mayor's Mandate and Council's policy agenda.

- **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 inspection and education efforts to reduce the incidence of fire fatalities.

- 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. The new Station D at

Midland & Eglinton will be operational by 2011 the same year that the new Station A at Highway 27 and Rexdale will start planning and design. This will contribute to achieving the service objective of improving road response times ranging from 4 minutes 49 seconds down to 4 minutes. The 2009 Recommended Operating Budget includes incremental base funding of \$0.570 million to increase fleet replacement expenditures towards an optimal level as well as \$0.081 million for a Quality Assurance position that will co-ordinate best practices in Fire Emergency communication;

- The 2009 Recommended Operating Budget also includes full year base funding of \$0.136 million for a project manager for the Radio Communication System Replacement project which is a corporate Capital initiative involving three Programs: Fire Services, Police Services and Emergency Medical Services. The successful completion of the Radio Communication System Replacement project will ensure improved emergency services communications and response;
- Maintain 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. Emphasis will be placed 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; and,
- Reduce the number of false alarms by working with building owners to make necessary improvements, promote the use of sprinklers and smoke alarms in residential developments in the City to reduce the incidence of residential fire deaths and provide public education forums (1,000 events annually) to promote fire safety through schools, special events and advertising.

- **Affordable Housing and Homelessness:**

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.

- **A Greener City:**

Contribute to implementing the remaining components of the City's smog plan and developing a new, aggressive clean air action plan by focusing 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.

PART III: 2008 BUDGET VARIANCE ANALYSIS

Table 2: 2008 Budget Variance Review

	2007 Actuals	2008 Approved Budget	2008 Projected Actuals*	2008 Appvd. Budget vs Projected Actuals Variance	
(In \$000s)	\$	\$	\$	\$	%
GROSS EXP.	338,558.1	356,029.9	358,179.8	2,149.9	0.6
REVENUES	8,414.2	8,176.1	7,826.1	(350.0)	(4.3)
NET	330,143.9	347,853.8	350,353.7	2,499.9	0.7
Approved Positions	3,144.0	3,144.0	3,144.0	0.0	0.0

* Note: Source is the Fire Services 2008 Third Quarter Operating Budget Variance Report.

2008 Experience

Fire Services is projecting a year-end net unfavourable variance of \$2.5 million or 0.7 % over the 2008 Approved Operating Budget. This year-end projection shows the continuing impact of unbudgeted expenditures for WSIB occupational illness claims payments, which are projected to be \$7.1 million by year-end. These unusually high WSIB pressures are only partially offset by gapping savings which will be impacted by salary costs for two new classes of recruits resulting in a projected year-end unfavourable variance of \$1.8 million in salaries and benefits. Fleet and facility maintenance costs are projected to be over spent by \$0.4 million. In addition, revenues are projected to be under budget by \$0.4 million primarily due to the lower volume of false alarms. As a result, it is projected Fire Services will have a net unfavourable variance of \$2.5 million or 0.7% at year-end.

Impact of 2008 Operating Variance on the 2009 Recommended Budget

While gapping for 2008 is expected to be higher than budget, based on year-to-date actual expenditures, earlier savings from gapping will likely be offset by salary costs for new recruits in the last half of 2008. The 2009 Recommended Operating Budget maintains the 2008 budgeted gapping rate of 2% which is consistent with the 2005 to 2008 experience. Fire Services manages salary pressures to achieve gapping targets by finding offsetting savings wherever possible.

The revenue shortfall from a reduced volume of false alarm fees, at the 2008 year-end is expected to continue in 2009. Total revenue has dropped from \$11.085 million in 2006 to \$8.412 million in 2007 to \$7.826 million projected for 2008. For 2009, false alarm fee revenue has been adjusted to \$7.853 million to reflect actual experience. This continuing trend of a lower volume of chargeable calls for false alarms is mainly driven by the enforcement of the False Alarm Bylaw changes implemented in 2006.

PART IV: 2009 RECOMMENDED BASE BUDGET

Table 3: 2009 Recommended Base Budget

	2008 Appvd. Budget	2009 Recommended Base	Change 2009 Recommended Base v. 2008 Appvd. Budget		FY Incremental Outlook	
					2010	2011
(In \$000s)	\$	\$	\$	%	\$	\$
GROSS EXP.	356,029.9	365,028.1	8,998.2	2.5	3,499.8	1,292.1
REVENUE	8,176.1	7,852.9	(323.2)	(4.0)	0.0	0.0
NET EXP.	347,853.8	357,175.2	9,321.4	2.7	3,499.8	1,292.1
Approved Positions	3,144.0	3,146.5	2.5	0.1	0.0	0.0
NET TARGET		347,853.8				
\$ Over / (Under) Program Target		9,321.4				
% Over / (Under) Program Target		2.7%				

2009 Recommended Base Budget

The 2009 Recommended Base Budget for Fire Services is \$357.175 million net and is \$9.321 million or 2.7% higher than the 2009 target of \$347.854 million net which for Fire Services is set at a 0% increase over the 2008 Approved Operating Budget since Fire COLA costs are known and included in the 2009 Recommended Operating Budget.

The \$9.321 million net increase funds key cost drivers including salary adjustments of \$7.480 million comprised of Cost of Living Adjustments (COLA) of \$7.745 million, merit and step increases of \$1.550 million, Recognition Pay annualization of \$1.166 million, as well as employee turnover (gapping) savings of \$2.206 million and the reversal of the 2008 leap year provision of \$0.916 million. Inflationary pressures for material & supplies (diesel fuel) result in a net cost increase of \$0.160 million. Other key cost driver increases total \$1.178 million and mainly include increased contributions to the fleet replacement reserve of \$0.570 million and facility and fleet maintenance cost increases of \$0.471 million. Also included is a net revenue pressure of \$0.360 million mainly due to the reduction in revenue from false alarm fees based on actual experience.

The 2009 Recommended Base Budget of 3,146.5 positions includes an increase of 2.5 positions from the 2008 Approved Operating Budget. This includes the annualization of a Fire/EMS Management position (0.5) to increase the efficiency of administration and support processes between the two divisions, a Quality Assurance management position (1.0) to co-ordinate best practices in Fire Emergency communication and a project manager for the Radio Communication System Replacement project (1.0).

2009 Key Cost Drivers and Reduction Strategies

The 2009 Recommended Operating Budget provides funding for the following key cost drivers:

- Salary pressures including:
 - The final year for COLA adjustment for Firefighters' Local 3888 of \$7.745 million, offset by net reductions due to retirement and staff turnover of (\$2.206) million for a net impact of \$5.539 million.
 - Recognition pay of \$1.166 million net. This is provided to firefighters as part of their collective agreement to recognize achievement of defined length of service. The established increments are 3%, 6% and 9% and depend on the years of service attained. As senior staff remain and more staff reach greater years of service the cost impact will increase annually. However, the impact is expected to diminish with stabilization in the rate of movement between the pay levels and a return to normal annual retirement levels in the service. In the short term, it is likely recognition pay increases will continue.
 - Merit and step increases of \$1.550 are offset by a reduction for the 2008 leap year provision of \$0.916 million with associated fringe benefit and gapping adjustments will increase costs by \$0.634 million net in 2009.
 - Increased alternate rate provisions of \$0.750 million to allow for actual costs incurred when firefighters are awarded alternate rate pay on a shift by shift basis for temporarily filling in senior positions.
 - Annualization of the 2008 award for holiday pay as well as the prior year impact of the Fire/EMS Admin and Quality Assurance Managers positions totaling \$0.211 million. Designated Holiday shift bonus is a negotiated award and based on a bonus of 30% of the hourly wage for the designated holiday.
 - An increased contribution to the reserve for fleet replacement of \$0.570 million. This will result in a yearly contribution of \$6.631 million and is based on reaching a funding level of \$7.200 million annually by 2010 which would allow replacing the existing fleet at a vehicle replacement rate of every 15 years by 2010.
 - Lower revenue of \$0.300 million in 2009 is attributable to the continuing success of changes to the False Alarm By-law which were implemented in 2006 to reduce the volume of false alarms. Lower call volumes result in fewer chargeable calls.
- To offset these key cost drivers, the 2009 Recommended Base Budget incorporates reductions totaling \$2.163 million which mainly includes the following:

Service Efficiencies:

- Absorbing increased alternate rate costs of \$0.750 million by managing gapping and staff assignments. In addition, the reduction strategy recommended also includes absorbing non-labour inflationary increases, where possible, of \$0.360 million;

- Reducing facilities maintenance increases by \$0.300 million by reviewing, prioritizing and deferring requirements with Facilities and Real Estate staff. Reducing estimated costs for winter maintenance by \$0.109 million.
- Deferring requirements for furniture, software maintenance, video equipment upgrades and fleet maintenance by a total of \$0.270 million.

2010 and 2011 Outlook: Net Incremental Impact

The 2010 and 2011 Outlooks maintain the 2009 level of service with a net incremental impact in 2010 of \$3.500 million. This net incremental impact includes \$2.360 million for the annualization of 2009 COLA increases, \$0.477 million for the estimated impact of merit/step increases, recognition pay and staff turnover and the final \$0.570 million increase to the fleet contribution to reach an optimal contribution level of \$7.200 million per year. The net incremental impact in 2011 of \$1.292 million is for the new and annualized cost of merit/step increases, recognition pay and staff turnover.

The outlooks for 2010 and 2011 do not include provision for any additional COLA, as the increases are subject to future negotiations and are yet to be determined.

The 2010 and 2011 Outlooks also include the net incremental operating impact of capital projects as follows:

- Toryork Bays Extension: The \$0.045 million impact in 2010 is the estimated cost for ongoing maintenance after completion of this project.
- Training Facilities Renovations-West Burnhouse: The \$0.050 million impact in 2010 represents the cost of on-going annual maintenance for the site.

PART VI: ISSUES FOR DISCUSSION**2009 Budget Issues****2009 Recommended Operating Budget vs. Guideline**

Toronto Fire Services' 2009 Recommended Operating Budget is \$357.175 million net which is \$9.321 million or 2.7% over the 2009 target set for the Program. This increase is mainly due to COLA and fringe benefit impacts of \$7.745 million from the collective agreement in 2007 with Firefighters Local 3888. The budget target established for Fire Services represents a 0% increase over the 2008 Approved Operating Budget since Fire COLA costs are known and included in the 2009 Recommended Operating Budget.

Fire Services' 2009 Recommended Operating Budget includes reduction strategies that total \$2.163 million. These strategies include absorbing general inflationary pressures for 2009 and increases for alternate salary rate provisions, adjusting fuel price estimates and deferring facility maintenance charges. In many cases, where an increased cost is recommended to be deferred or absorbed, expenditures may necessarily be incurred in the course of normal operations. Fire Services continues to manage these over expenditures by reducing spending in other areas such as gapping salaries, training and development activities and advertising and printing. While total reduction options of \$2.163 million are recommended, further options for reduction to achieve the target will impact essential services. For example, Fire Services would have to reduce the number of fire crews, trucks in service and service locations and was not recommended due to the significant service level impact.

Some of these reduction strategies include the following:

Absorb the Alternate Rate increase: Firefighters are awarded alternate rate pay on a shift by shift basis for temporarily filling in senior positions. In the past this cost has been absorbed by the Program. The 2009 increase is estimated to be \$0.750 million. By absorbing this salary adjustment, the Program will be required to offset this cost with higher actual gapping rates in 2009. As noted previously, the favourable gapping in 2008 is not indicative of gapping normally experienced due to recruitment requirements. Fire Services will manage these expenditures where possible.

Reduce Fuel Increases: Of all non-labour inflationary increases, \$0.320 million is estimated to be attributable to Program purchased diesel fuel. The recommended reduction option for diesel fuel is 50% or \$0.160 million. Fuel volumes are likely to remain constant so that achieving the reduction option for diesel fuel is dependant on managing volumes and better than forecast fuel prices. In addition, Corporate Fleet is allocating a reduction of \$0.214 million to Fire Services. This reduction, when combined with the reduction for Program purchased diesel fuel, results in a total fuel expense reduction of \$0.374 million.

Absorb Inflationary Increases (Other Accounts): The balance of non-labour inflationary increases, \$0.360 million, is for general inflationary pressure on various material, supplies, equipment and contracted services. These other inflation pressures are to be absorbed where possible. In this case, Fire Services will manage discretionary expenditures to offset the impact of price inflation where possible.

Reducing Facilities Maintenance: By carefully managing required facility maintenance at fire stations and training facilities with staff from the Facilities and Real Estate Division, it is recommended that the \$0.300 million reduction can be achieved without severely impacting the state of good repair of Fire Services' facilities. However, it should be noted that the on-going risk of continued deferral of routine facility maintenance may result in increased future capital expenditures.

Other Program Issues for 2009

Gapping Rates

For Fire Services, 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 0.8% of salaries and benefits. The budgeted gapping level for 2006 was 2.0% versus an actual gapping of \$4.852 million or 1.6%. 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. Actual gapping for 2007 was 2.2% or \$6.759 million. For 2008, gapping was approved at \$6.656 million and is projected to be \$11.506 million or 3.5% on total salary and benefits.

The following table shows gapping trends since 2005: (\$000s)

Year	Salaries & Benefits Total	Gapping Target	% of Salaries & Benefits	Actual Gapping	% of Salaries & Benefits	
2005	277,157.5	5,654.5	2.0%	2,280.9	0.8%	
2006	303,792.9	5,994.9	2.0%	4,851.6	1.6%	
2007	311,291.0	6,178.9	2.0%	6,759.4	2.2%	
2008	327,209.0	6,656.9	2.0%	11,506.4	3.5%	Projected
2009	335,508.6	6,757.8	2.0%			
Average Gapping 2005 to 2008				6,349.6	2.0%	

A review of actual gapping over the past 4 years indicates that Fire Services averages 2% gapping per year. A 2% gapping target is therefore budgeted annually. Recent extraordinary gapping levels experienced in 2008 (3.5%) are not expected to continue as staffing levels are stabilizing toward year-end with the hiring of new classes of recruits. 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 and generally precludes using further increased gapping as a potential cost reduction.

Outstanding Issues from 2008 and Prior Years

WSIB Charges for Occupational Disease Claims Settlements

Changes to the Workplace Safety and Insurance Board's (WSIB) handling of occupational disease claims adjudication regarding claims by firefighters contracting diseases such as cardiovascular disease and cancer have resulted in increased approvals and subsequent costs to the City.

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 regarding WSIB claims that defines which diseases are presumed to be work-related for full-time firefighters. The regulation 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.

The following statistics provide the types and number of claims received by the City and their current status:

Number of Claims	Type of Claim
95	Settled claims for cancer
8	Pending claims for cancer
61	Claims for cancer that are under appeal
7	Settled claims for other disease
2	Pending claims for disease
29	Claims for other disease that are under appeal
202	Total

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 estimated claims that could be eligible for settlement back to 1987. Recently, the Provincial government extended eligibility back to 1961. This is significant because the standard for personal protective equipment at that time was lower than it is today. As a result, there may be further potential claims.

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. The 2007 cost of settling outstanding appeals resulted in a further \$0.750 million pressure. The value of 2008 claim payments is estimated to be \$7.2 million. Estimated charges for 2009 are expected to be in the same range. To the end of 2008, this increased obligation has been partially absorbed by the Program resulting in an unfavourable variance of \$2.5 million. Beginning in 2009, these costs will be funded in the non-program account.

In response to the changes to the Workplace Safety and Insurance Act and the financial implications for municipalities, the Ontario Municipal Human Resources Association (OMHRA) developed a position paper and is in the process of seeking the support of other groups. The City of Toronto provided input to the position paper as a member of the working group. The Association of Municipal Managers, Clerks and Treasurers of Ontario (AMCTO) endorsed the position paper in a letter of October 10, 2008 sent to the Ministers of Finance, Municipal Affairs and Housing, and

Labour. The Association of Municipalities of Ontario (AMO) has also endorsed the submission. Other groups that, including: The Municipal Finance Officers Association of Ontario (MFOA), the Ontario Association of Fire Chiefs and the Ontario Professional Firefighters Association have all received a copy of the position paper in order to seek their endorsement.

The primary issue at hand is the Provincial government's decision to extend the benefits retroactively to 1960, resulting in more than \$100 million in costs directly downloaded to municipalities. With the overall cost impact for the City of Toronto yet to be determined, City staff are evaluating the option of an individual submission from the City of Toronto.

Appendix A

2009 Recommended Base Budget Changes vs. 2008 Approved Budget

(In \$000s)	Summary of 2009 Base Budget Adjustments				Net Incremental Outlook	
	Approved Positions	Gross Expenditures	Revenues	Net	2010	2011
		\$	\$	\$	\$	\$
2008 Council Approved Operating Budget	3,144.0	356,046.7	8,176.1	347,870.6		
Insurance Contribution		(16.7)		(16.7)		
2008 Approved Operating Budget	3,144.0	356,029.9	8,176.1	347,853.8		
Prior year impacts	1.5	(660.8)		(660.8)	2,454.6	812.5
Merit & Step Increases		1,550.1		1,550.1	477.3	484.1
Zero base items						
Economic factors (labour)		7,745.3		7,745.3		
Economic factors (non-labour)		680.0		680.0	(1.6)	(4.5)
Adjusted Base Budget	3,145.5	365,344.5	8,176.1	357,168.4	2,930.3	1,292.1
Other base changes		1,781.1		1,781.1	569.5	
Base revenue changes			(359.8)	359.8		
Recommended Service Level Adjustments:						
Base changes	1.0	(148.7)	36.6	(185.3)		
Service efficiencies		(1,948.8)		(1,948.8)		
Revenue adjustments						
Minor service impact						
Major service impact						
Total Recommended Base Adjustments	1.0	(2,097.5)	36.6	(2,134.1)		
2009 Recommended Base Budget	3,146.5	365,028.1	7,852.9	357,175.2	3,499.8	1,292.1
2009 Program Operating Target	N/A	N/A	N/A	347,853.8	NA	NA
% Over (Under) Program Target				2.7%		
% Over (Under) 2008 Appvd. Budget				2.7%		

Appendix B

Summary of Service Level Adjustments

Appendix D

Program Summary by Expenditure Category

CLUSTER: B PROGRAM: Fire Services							
	2008 Approved Budget	2008 Projected Actuals	2009 Recommended Budget	Change from 2008 Approved Budget		2010 Outlook	2011 Outlook
	\$	\$	\$	\$	%	\$	\$
Salaries and Benefits	327,209.0	329,009.0	334,824.4	7,615.4	2.3%	337,661.3	338,957.8
Materials and Supplies	7,853.4	8,203.4	8,246.5	393.1	5.0%	8,264.9	8,260.4
Equipment	1,846.3	1,846.3	1,667.3	(179.0)	(9.7%)	1,667.3	1,667.3
Services & Rents	5,217.2	5,217.2	5,722.3	505.1	9.7%	5,772.3	5,772.3
Contributions to Capital	8,736.0	8,736.0	9,305.5	569.5	6.5%	9,875.0	9,875.0
Contributions to Reserve/Res Funds					n/a		
Other Expenditures					n/a		
Interdivisional Charges	5,168.0	5,168.0	5,262.1	94.1	1.8%	5,287.1	5,287.1
TOTAL GROSS EXPENDITURES	356,029.9	358,179.9	365,028.1	8,998.2	2.5%	368,527.9	369,820.0
Interdivisional Recoveries	439.9	439.9	346.1	(93.8)	(21.3%)	346.1	346.1
Provincial Subsidies	400.0	400.0	400.0			400.0	400.0
Federal Subsidies					n/a		
Other Subsidies					n/a		
User Fees & Donations	7,221.2	6,871.2	6,856.2	(365.0)	(5.1%)	6,856.2	6,856.2
Transfers from Capital Fund			135.6	135.6	n/a	135.6	135.6
Contribution from Reserve Funds					n/a		
Contribution from Reserve					n/a		
Sundry Revenues	115.0	115.0	115.0			115.0	115.0
TOTAL REVENUE	8,176.1	7,826.1	7,852.9	(323.2)	(4.0%)	7,852.9	7,852.9
TOTAL NET EXPENDITURES	347,853.8	350,353.8	357,175.2	9,321.4	2.7%	360,675.0	361,967.1
APPROVED POSITIONS	3,144.0	3,144.0	3,146.5	2.5	0.1%		

Appendix E

Inflows / Outflows to / from Reserves & Reserve Funds

Reserve / Reserve Fund Name	Reserve / Reserve Fund Number	Balance as of December 2008	Proposed Withdrawals (-) / Contributions (+)		
			2009	2010	2011
			\$	\$	\$
Vehicle Reserve - Fire -Balance	XQ1017	2,555.1	2,555.1	628.6	236.6
Vehicle Reserve - Fire -Contributions			6,630.5	7,200.0	7,200.0
Fire Fleet Capital Expenditures			(8,557.0)	(7,592.0)	(7,200.0)
Subtotal Balance	XQ1017	2,555.1	628.6	236.6	236.6
Vehicle Reserve - Fire Equipment-Balance	XQ1020	759.3	759.3	826.7	894.1
Vehicle Reserve - Fire Equipment -Contributions			375.0	375.0	375.0
Vehicle Reserve - Fire Equipment -Contributions			67.4	67.4	67.4
Fire Portable Radio Replacement Capital Expenditures			(375.0)	(375.0)	(375.0)
Subtotal Balance	XQ1020	759.3	826.7	894.1	961.5
Insurance Reserve Fund *	XR1010	27,774.8	1,283.1	1,283.1	1,283.1
Capital Financing Reserve *	XQ0011	30,412.4	654.5	654.5	654.5
Utility Conserv./Retrofit Reserve *	XQ1711	386.0	295.0	295.0	295.0
Total Reserve / Reserve Fund (Draws) / Contributions		61,887.6	373.5	1,908.0	2,300.0

* Note: XR1010, XQ0011, XQ1711 are Corporate reserves shared with other Programs and therefore only annual contributions are shown.