

Analyst Briefing Notes

Budget Committee

(March 26, 2007)

2007 OPERATING BUDGET

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Contacts: John Di Lallo, Manager Financial Planning
 Tel: (416) 397-4207

 Brian Tagg, Senior Financial Planning Analyst
 Tel: (416) 392-5377

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2007 OPERATING BUDGET**Executive Summary**

- The 2006 preliminary year-end actual expenditure of \$338.787 million is \$3.401 million over the 2006 Approved Budget which is comprised of over-expenditures in Fire Operations and Professional Development & Mechanical Support. The overall salary variance is estimated to be \$3.079 million and is mainly comprised of unachieved gapping of \$0.865 million due to staffing requirements and increased WSIB claims of \$2.215 million. In addition, the Program was \$0.321 million over-spent on facilities maintenance and diesel expenditures which in turn are partially offset by under expenditures in uniforms, protective clothing and utilities.
- Toronto Fire's strategic direction over the next three years is based on fulfilling the goals outlined in their Mission Statement. This would include providing the citizens of Toronto with the most effective and efficient fire protection and prevention service in order to reduce incidents of preventable death and injury and loss of property.

In so doing, Fire Services is facing the following challenges and issues:

- A key goal is the implementation of the 24 hour shift across the entire Fire Service. As the 24 hour pilot project is pursued, the 24 hour operation will become the standard for the future of the Fire Services in 2007/8.
- The Service will continue to work towards reducing the number of false alarms.
- Efforts to reduce the incidents of preventable deaths and injury caused by fire will continue.
- Implementation of the Fire Master Plan will begin mid-year 2007.
- HUSAR and CBRN teams will continue to be trained and equipped to be ready to respond to major disasters.
- Fire Prevention will promote the use of sprinklers in residential developments in the City to reduce the incidence of residential fire deaths.
- Contributions to the fleet reserve will approach the required level to enable vehicle replacement every 15 years.
- In addition, anticipated changes to the WSIB related Provincial Bill on claims for firefighters for occupational disease scheduled for 2007 may result in increased costs in 2007 and future years.

- The 2007 Recommended Operating Budget of \$336.085 million net is comprised of base funding of \$336.041 million and new/enhanced service priorities of \$0.044 million. This represents an increase of \$11.828 million or 3.6% over the 2006 Approved Operating Budget of \$324.256 million.

Table 1: 2007 Recommended Budget

(In \$000s)	2006		2007 Recommended Operating Budget			Change - 2007 Recommended from 2006 Approved Budget		FY Incremental Outlook	
	2006 Appvd. Budget	2006 Projected Actual	2007 Base	2007 New /Enhanced	2007 Operating Budget			2008	2009
	\$	\$	\$	\$	\$	\$	%	\$	\$
GROSS EXP.	335,386.4	338,787.0	344,707.2	43.6	344,750.8	9,364.3	2.8	698.1	519.5
REVENUE	11,130.1	11,082.1	8,666.2	0.0	8,666.2	(2,463.9)	(22.1)	0.0	0.0
NET EXP.	324,256.4	327,704.9	336,041.0	43.6	336,084.6	11,828.2	3.6	698.1	519.5
Approved Positions	3,185.7	3,186.7	3,184.9	1.0	3,185.9	0.2	0.0		
TARGET			324,256.4		324,256.4				
\$ Over / (Under) Program Target			11,784.6		11,828.2				
% Over / (Under) Program Target			3.6%		3.6%				

Note: Projected Actuals are preliminary year-end actual expenditures

- The 2007 Recommended Operating Budget including base expenditures of \$336.041 million net and new/enhanced service priorities of \$0.044 million net, provides funding for base budget pressures and service priorities which include the following:
 - Additional net expenditures of \$11.785 million are recommended for the Program’s Base Budget which are needed to fund annualized costs for 2006 approvals, merit and step increases, COLA and inflation. In addition to these adjustments, an increase to Fire Services fleet contribution by \$0.500 million to \$6.061 million is recommended.
 - Recommended Service Level Changes in the amount of \$1.656 million net are included to alleviate some of this expenditure impact and approach the Program target.
 - The 2-year outlook includes phased contributions of \$0.570 million in 2008 and in 2009 required to bring Fire Services’ annual Vehicle and Equipment Replacement Reserve fleet contribution to its optimal level of \$7.200 million and operating impact of new on-going costs that will be incurred as a result of new Fire Station C of \$0.085 million in 2008 and (\$0.050) million in 2009 expected to be opened by the third quarter of 2007. COLA increases for Firefighters local 3888 for 2008 and 2009 have not been included as the increases are subject to future negotiations.
 - Priorities outlined in the Mayor’s Mandate, such as:
 - A Greener City: Implementing the remaining components of the City’s smog plan and developing a new, aggressive clean air action plan. Fire Services’ initiative will focus on the

reduction of hazardous materials associated with fire fighting. This will be accomplished through procurement of new environmentally friendly fire suppression chemicals, such as foam.

- Affordable Housing and Homelessness: Fire Services will continue to work with the Affordable Housing Office to integrate the use of residential fire sprinklers in proposed buildings.
- Making a Safe City Safer: Fire Services will continue efforts to improve response times to fire incidents, and will advocate for residential sprinklers in new development as well as continue its fire safety education programs to reduce the incidence of fire fatalities.
- Recommended New & Enhanced Service Priorities with \$0.044 million gross and net and an incremental impact in 2008 of \$0.044 million will provide funding to address service level gaps and new opportunities to improve public service by hiring 1 additional CAD/RMS staff position to support the recently installed computers on fire trucks.
- The 2007 Recommended Operating Budget for the Fire Services of \$336.085 million net will provide funding to maintain and improve public service in the following areas:
 - Work towards achieving a 4 minutes response time to fire incidence 90% of the time, inspect up to 46,000 existing, rehabilitated structures and new developments for Fire Code compliance annually and provide fire safety education programs through schools, special events and advertising consistent with the Program's overall objectives. The Fire Services Master and Strategic Plans currently being updated are expected to be released during 2007 and will play a role in the budget requests of Fire Services in future years.
 - The additional fleet contribution of \$0.500 million to bring total contribution into the Fleet and Equipment Reserve to \$6.061 million for 2007 will help reduce the back-log of ageing fire trucks.
 - As part of the City's management and accountability framework, a Fire Services' and EMS' program review of administration and management support services functions is planned for 2007. The review will provide a roadmap for administrative improvements on current industry best practices and the introduction of a new efficiency model. The recommendations from the study will take into consideration impact on service delivery to the public and will be included as part of every recommendation.

Recommendations

The City Manager and Chief Financial Officer recommend that:

1. the 2007 Recommended Operating Budget for Fire Services of \$344.751 million gross and \$336.085 million net, comprised of the following services, be approved:

<u>Service:</u>	<u>Gross</u> <u>(\$000's)</u>	<u>Net</u> <u>(\$000's)</u>
Fire Operations	276,779.8	269,510.4
Fire Prevention & Public Safety	13453.5	13,102.0
Communications & Operational Support	27,461.3	27,015.2
Professional Develop. & Mechanical Support	23,631.3	23,132.4
Fire - Headquarters	<u>3,424.8</u>	<u>3,324.5</u>
 Total Program Budget	 <u><u>344,750.7</u></u>	 <u><u>336,084.6</u></u>

2. Given the City's financial constraints and Fire Services' limited ability to provide operating budget reductions that do not impact fire services levels, it is recommended that the additional \$1.139 million required to bring Fire Services' annual fleet contribution to its optimal level be phased over 2008 and 2009.

Section A: 2006 Budget Variance Analysis

Table 2: 2006 Budget Variance Review

(In \$000s)	2005 Actuals	2006 Approved Budget	2006 Projected Actuals*	2006 Appvd. Budget vs Projected Actuals Variance	
	\$	\$	\$	\$	% Unspent
GROSS EXP.	311,397.7	335,386.4	338,787.0	(3,400.6)	(1.0)
REVENUES	7,568.3	11,130.1	11,082.1	48.0	0.4
NET EXP.	303,829.4	324,256.4	327,704.9	(3,448.5)	(1.1)
Approved Positions	3,184.7	3,185.7	3,186.7	(1.0)	(0.0)

Source: *Projected Actuals are preliminary year-end actual expenditures.

2006 Experience

Fire Services' year-end net unfavourable variance is \$3.449 million or 1.1% of the 2006 Approved Operating Budget.

The 2006 Approved Budget includes budget adjustments totalling \$18.175 million as of December 31st, 2006. Included in these adjustments are \$17.912 million in COLA adjustments related to 2005/2006 negotiated salary increases paid retroactively, technical adjustments for insurance expenses transferred to the Program from corporate accounts in the amount of \$0.391 million and miscellaneous adjustments in the amount of (\$0.129) million due to the Policy, Planning, Finance and Administration (PPFA) reorganization.

The net unfavourable variance of \$3.449 million is attributed to an over expenditure of \$3.401 million for salaries and benefits as well as materials and supplies including utilities and a minor variance for unachieved revenue of \$0.048 million. Of the \$3.449 million net over-spending, \$2.996 million is attributable to Fire Operations, \$1.116 million is attributable to training and mechanical support with an offsetting balance of (\$0.711 million) attributable to other services such as Communications and Support, Fire Prevention and Public Safety and expenses for Headquarters.

The following describes the main drivers of the total variance which is mainly attributable to Fire Operations:

- Unfavourable estimated salary expenditure variance of \$0.865 million which reflects continued unachieved gapping; budgeted gapping in the 2006 Approved Operating Budget was \$5.995 million on total salary & benefits of \$309.788 million or 1.94% while actual gapping was \$0.865 million less than planned or 1.76% at year-end on a current salary and benefits base of \$311.389 million. Budgeted gapping rates are generally a challenge for the Program to achieve each year due to staffing levels that are maintained through required recruitment for firefighters necessary to maintain rapid response times. Gapping as budgeted in the 2007 Recommended Base Budget

is \$6.349 million or a rate of 2% on total salary and benefits of \$312.3 million (unadjusted for COLA).

- The unfavourable variance of \$2.215 million due to fringe benefits is mainly for WSIB claims for occupational diseases for firefighters charged to Fire Service’s benefit accounts. This on-going variance is anticipated to be offset corporately.
- Over expenditures of \$0.321 million are in other expenditure categories such as materials & supplies and interdepartmental charges. The major components are \$1.068 million in interdepartmental charges, mainly for facilities maintenance, diesel expenditures of \$0.529 million, which in turn are partially offset by under expenditures in Uniforms and Protective Clothing accounts of (\$0.894 million), and combined Utilities of (\$0.440 million), with the balance of \$0.058 million as smaller variances on a number of other accounts.
- The revenue variance of \$0.048 million is due to less than expected proceeds of false alarm fines. Under achieved revenue from fees of \$0.564 million was almost offset by revenue surpluses from paid duty, training and facility rentals. Resources had been re-allocated during the year in order to rectify a staffing shortage. This in combination with overtime has allowed processing of false alarm fee invoices so that Fire Services could remain as close as possible to its revenue budget.
- The following summarizes the year-end variance:

Year-end Variance:	Millions
Unachieved gapping	0.865
Non-labour expenses	0.321
WSIB Claims	<u>2.215</u>
sub total Expense	3.401
Unachieved revenue on false alarms	(0.048)
sub total Revenue	<u>(0.048)</u>
Total Net Expense	<u><u>3.449</u></u>

Impact of 2006 Operating Variance on 2007 Recommended Budget

The 2007 net budget increase over 2006 actual expenditures is mainly due to 2006 expense and revenue factors that will either recur, or, are not expected to recur in 2007 and represents changes made to the budget based on the 2006 experience:

- Although the 2% budgeted gapping rate was not achieved in 2006, the 2007 Recommended gapping remains at 2%.
- Revenue estimates for 2007 have dropped by \$2.437 million from \$11.103 million to \$8.666 million. Included in the change is a reduction of \$3.206 million, which represents an adjustment for non-recurring contributions from the Capital Financing Reserve Fund and the Fire Equipment Replacement Reserve Fund to fully offset the one-time 2006 purchase of bunker suits

and fitness equipment respectively. There is no net impact on the 2007 budget as a result of this change. The revenue reduction is offset by an additional \$.769 million in revenue mainly from the full implementation of the False Alarm By-law change from 2006.

- WSIB claims for firefighters for occupational disease will likely continue in 2007. The Program will continue to charge the WSIB claims to Fire Service's Employee benefit accounts and any year end variance associated with this issue will be offset corporately.

Section B: 2007 Operating Budget Overview

3-Year Operating Budget Overview

The 3 year plan for Toronto Fire Services is ultimately based on fulfilling the goals outlined in their Mission Statement. This would include providing the citizens of Toronto with the most effective and efficient fire protection and prevention service in order to reduce incidents of preventable death and injury and loss of property.

A key goal for 2006 was the implementation of the 24 hour shift across the entire Fire Service. As the 24 hour pilot project is pursued, the 24 hour operation will become the future standard of Fire Services in 2007/8. At that time, all sections of Fire Services will be reviewed with respect to hours of work, to ensure the most efficient operation.

The more immediate goals of Fire Services are reflected in 2007 Key Strategic Directions and Priorities:

- The Service will continue to work towards reducing the number of false alarms by working with building owners to make necessary improvements.
- Efforts to reduce the incidents of preventable deaths and injury will continue through fire safety education and ensuring residential buildings have functioning smoke alarms.
- Implementation of the Fire Master Plan will begin.
- HUSAR and CBRN teams will continue to be trained and equipped to be ready to respond to major disasters.
- Fire Prevention will promote the use of sprinklers in residential developments in the City to reduce the incidence of residential fire deaths.

The Fire Services Master and Strategic Plans are currently being updated together and are expected to be released during 2007. The updated Strategic Plan will take into account the City's priorities and the new organizational structure of the City of Toronto. The Fire Master Plan will provide direction for operations in the future. The recommendations of this plan will begin to be implemented in 2007, and will play a role in the budget requests of Fire Services in future years.

As part of the City's management and accountability framework, a Fire Services' and EMS' program review of administration and management support services functions is planned for 2007. The review will include the following:

- A roadmap for improvements within the administration of two high profile divisions by building on current industry best practices and the introduction of a new efficiency model;
- Identify opportunities for better coordination of information and use of common data sources across administrative functions;
- Increase efficiency of administration and provide permanent savings to current base expenditures; and,

- Recommendations from the study will take into consideration impact on service delivery to the public and will be included as part of every recommendation.

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

- Continue to work towards achieving the goal of meeting a 4 minute response time 90 percent of the time to fire incidents after receiving calls for assistance. Emergency calls include the following:
 - Responding to fire alarms (35,000 annually)
 - Putting out fires (8,500 per year)
 - Responding to medical emergencies (73,000 annually)
 - Attending vehicle incidents and rescues (15,000 yearly)
- Continue with fire inspections of existing and rehabilitated buildings (40,000 inspections yearly) and all new developments (6,000 inspections yearly) to ensure that they have adequate safety measures and protections as required by the Fire Code.
- Conduct public education forums (1,000 events annually) to promote fire safety through schools, special events and advertising.

Service Delivery - Challenges and Issues

2007 Operating Budget Target

Management of the Operating Budget target is a general concern given that it is necessary to ensure that expenditures are budgeted at an adequate level to ensure that public safety is not compromised. Given that 89% of the Fire Service's Operating Budget is for staffing, there is little flexibility in terms of restricting expenditures that do not impact service levels.

The recommended reduction options focus on deferring non-salary expenditures such as deferring facility repair and maintenance, provisions for diesel cost increases and general inflation, as well as deferring fleet and equipment replacement funding.

In order to achieve the 0% target Fire Services would have to reduce fire crews. This would effectively remove fire trucks from service. As this is in direct opposition to Toronto Fire Services' Mission Statement and contrary to the spirit of Council Priorities, this was not recommended.

Given that the 2007 Recommended Base Budget as shown includes a provision for 2007 but does not include subsequent years' wage settlements for Local 3888 Fire Fighters; it will be difficult to meet the mandated operating budget guidelines without imposing serious service reductions which would have a major negative impact on service levels.

Service Level Gaps

In seeking funding for new initiatives, Toronto Fire Services has identified service gaps that it would

like to address in the areas of Fire Cause Determination, Mechanical Maintenance and Quality Assurance. However, given the City's financial constraint the Program will continue to manage and maintain current level of service to the citizens of Toronto within existing resources.

The recommended budget includes enhanced service priority for a CAD/RMS support position to provide support for the mobile dispatch and records management system to allow efficient response times. The total recommended funding of the new position is \$0.044 million net in 2007 with an incremental impact of \$0.044 million in 2008.

Mayor's Mandate

The 2007 Recommended Operating Budget directly addresses the following priorities outlined in the Mayor's Mandate:

- ***A Greener City:***

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

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

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

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

Fire Services will continue to work towards making Toronto a safer City by responding to fire incidents promptly, by advocating for the inclusion residential sprinklers in new development and by continuing with efforts to reduce the incidence of fire fatalities.

Section C: 2007 Recommended Base Budget

Table 3: 2007 Recommended Base Budget

(In \$000s)	2006 Appvd. Budget	2007 Recommended Base	Change 2007 Recommended Base v. 2006 Appvd. Budget		FY Incremental Outlook	
			\$	%	2008	2009
	\$	\$	\$	%	\$	\$
GROSS EXP.	335,386.4	344,707.2	9,320.7	2.8	654.5	519.5
REVENUE	11,130.1	8,666.2	(2,463.9)	(22.1)	0.0	0.0
NET EXP.	324,256.4	336,041.0	11,784.6	3.6	654.5	519.5
Approved Positions	3,185.7	3,184.9	(0.8)	(0.0)		
NET TARGET		324,256.4			0.0	0.0
\$ Over / (Under) Program Target		11,784.6			654.5	519.5
% Over / (Under) Program Target		3.6%			0.2%	0.2%

2007 Recommended Base Budget

- The 2007 Recommended Base Budget of \$336.041 million net represents a 3.6% increase over the 2006 Approved Budget and the 2007 target, while maintaining the same level of service in 2007.
- The base budget addresses the requirement to recognize necessary expenditures such as COLA by ensuring that salaries and benefits are adjusted for staff turnover and fees are adjusted for appropriate annualizations to maintain the 2006 service levels.
- Additional expenditures of \$2.579 million are recommended for the Program's Base Budget to fund annualizations, recognition pay, merit and step increases, Local 79 settlements and wage increases for exempt staff, as well as other base changes including various Interdepartmental Charges and staffing costs and savings.
- An adjustment based on being at par with settlements accorded to the Toronto Police Service to estimate the impact of COLA for Firefighters' Local 3888 has been included in the Recommended Base Budget at \$8.449 million in 2007. The 2008 and 2009 expenditure outlooks do not include provision for COLA, as the increase is subject to future negotiations.
- To alleviate some of this expenditure pressure, the 2007 Recommended Base Budget incorporates projected incremental proceeds from annualization of 2006 false alarm fee increases and a small base revenue change for Fire Inspection Fee structure changes.
- The 2007 Recommended Budget includes Recommended Base Adjustments in the amount of \$6.651 million net. Included within this amount are reductions totaling \$1.656 million. These

reductions reflect the partial reversal of requested increases for interdepartmental charges facilities maintenance, portable radio replacement to ensure each firefighter is properly equipped, market price increases for diesel fuel, general inflation and partial deferral of the fleet contribution increase.

- Approved positions recommended for 2007 have been reduced by 0.8 from the 2006 approved complement to 3,184.9 which includes 3,143 positions for firefighters and management and 41.9 positions for Policy, Planning & Finance Administration (PPFA) staff which provide various support services to the Program.

2007 Key Cost Drivers

The following is a summary of the key cost drivers in 2007:

- Recognition pay of \$1.4 million net; the impact of this new wage provision is expected to diminish with a stabilization in the rate of movement between the pay levels, which are based on length of service, and a return to normal annual retirement levels in the service, however, it is likely to continue being a requirement in the short term. Merit and Step Increases and associated fringe benefit and gapping adjustments will drive costs up by \$2.107 million net in 2007. Also included is an annualization for the full implementation of False Alarm Fee changes for (\$0.6) million net.
- The full year impact for COLA adjustment for Firefighters' Local 3888 has increased the 2007 Operating Budget by \$8.449 million, in addition, salary adjustments have been made to reflect net reductions due to retirement and staff turnover of (\$1.137) million.
- The annual fleet contribution has been increased by \$0.500 to \$6.061 million. This will enable the Program to achieve a vehicle replacement rate of every 15 years in the near future.
- Other base budget cost drivers are associated with facility maintenance increase of \$0.142 million, diesel fuel cost price increase of \$0.175 million as well as an increase in annual contributions to reserves for portable radio replacement by \$0.125 million to \$0.375 million. The goal is to eventually reach a funding level of \$0.500 million annually, which will allow the replacement of 75 of the 450 portable radios each year, achieving full replacement over the 6 year lifespan.

2008 and 2009 Outlook: Net Incremental Impact

The 2008 and 2009 Outlook maintains the 2007 recommended level of service while managing pressures from COLA increments and on-going impacts from capital.

- Provision for COLA in the 2008 and 2009 expenditure outlook has not been included as the increase is subject to future negotiations (1% COLA increase equals approximately \$3.200 million increase in salaries and benefits).
- Ongoing maintenance costs incurred as a result of the new Fire Station C which is expected to be opened by the third quarter of 2007 will be \$0.085 million for 2008 and (\$0.050 million) for 2009 and contributions to reserves of \$0.569.5 annually in 2008 and 2009.

Section D: 2007 Recommended Service Priorities

Table 4: Summary of 2007 New / Enhanced Service Priorities (In \$000s)

Priority	Description	2007 Recommended		Rec. New Positions	Net Incremental Impact	
		Gross Exp.	Net Exp.		2008	2009
		\$	\$	#	\$	\$
(a) Enhanced Service Priorities - Council Approved						
(b) Enhanced Service Priorities - Program Initiated						
	CAD support Impact of Capital - RMS	43.6	43.6	1.0	43.6	
	Sub-Total Enhanced Services	43.6	43.6	1.0	43.6	
(a) New Service Priorities - Council Approved						
(b) New Service Priorities - Program Initiated						
	Sub-Total New Service Priorities					
Total Recommended New / Enhanced Service Priorities						
		43.6	43.6	1.0	43.6	0.0

2007 Recommended Service Priorities**Enhanced Service Priorities – Program Initiated:*****CAD/RMS Support Position***

The recommended \$0.044 million will fund one position to support the recent computers installed on fire trucks that support the mobile dispatch and records management system allowing efficient response times. The installation of 150 mobile workstations for CAD-Records Management requires ongoing maintenance without which the new functionality acquired through capital program would be unsupported.

The 2007 recommended funding for the position for 6 months will result in an incremental impact of \$0.044 million in 2008.

Issues for Discussion

2007 Operating Budget Issues

2007 Recommended Operating Budget vs. Guideline

Toronto Fire Services' 2007 Recommended Operating Budget is \$336.085 million net. This is 3.6% or \$11.828 million over target. This is mainly composed of a provision for COLA for Local 3888 for \$8.449 million. The adjustments required to achieve the 0% target are significant. In order to achieve the target, Fire Services would have to reduce the number of fire crews, trucks in service and service locations. This option was examined and was deemed as having severe impacts on essential services and so is not recommended.

The provision for gapping in the 2005 budget was \$5.654 million representing approximately 2.0% of salaries and benefits and was not achieved for 2005. The 2005 year-end gapping was estimated at 1.4% of salaries and benefits. The budgeted gapping level for 2006 was 1.9% and was unachievable as actual gapping for 2006 was \$5.104 million or 1.7%. Gapping as budgeted in the 2007 Recommended Budget is \$6.349 million on total salary and benefits of \$312.3 million or 2.0%. The Program is 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.

While reduction options are recommended in the amount of \$1.656 million there are no evident further options for significant reduction without impacting essential services. However, in an effort to achieve the corporate affordability targeted increase of 0% for 2008, the Program should review planned expenditures in order to derive any further economies.

WSIB Charges for Occupational Disease Claims Settlements

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

A private member's bill in second reading gained unanimous support from all MPPs in early October. Employers anticipate that changes to potential WSIB liabilities will lead to increased costs. Prior to 2006, the annual amount for W.S.I.B. pension claims and associated administration costs charged against the Fire Services Operating Budget was less than \$1.5 million and was covered by the fringe benefit provision in the budget. Current estimates of the impact of the settlement of outstanding appeals could possibly result in a further \$2.6 million to the base in 2007.

Further potential claims not yet settled have been estimated at \$7.7 million. It is not yet clear as to when these further payments may be required. As such, pending further corporate direction, no provision for this increased potential obligation is currently provided for within Fire Services' 2007 Recommended Operating Budget.

Contribution to the Fleet and Equipment Reserve

As a result of the 2003 Operating Budget deliberations, a \$2.634 million contribution to the Vehicle and Equipment Replacement Reserve was deferred to 2004. This was subsequently included as an operating base pressure in the 2004 Budget Submission. It was then recommended that \$1.634 million be deferred to 2005 resulting in a \$5.669 million budgeted contribution to the Fleet and Equipment Reserve in 2004. For 2005, Council approved a further deferral to 2006 of a \$1.600

million increased contribution to the fleet reserve thereby maintaining the 2004 contribution level. As a result, during the 2005 budget deliberations, Council committed to making \$1.000 million of the required contribution a priority for 2006.

The 2006 Requested Budget included \$1.600 million for the deferred contribution to the fleet reserve. The 2006 Proposed Budget reflected an initial reduction of \$0.600 million due to budgetary constraints and the deferral of \$1.000 million as a commitment in 2007. The 2006 vehicle acquisition was partially funded by an Ontario Fire Services Grant received in 2005 which allowed the Program to purchase two more pumpers in 2006.

Plans for 2007 were to include an increase of \$1.000 million, however, in the absence of other options for reductions due to budgetary constraints, Fire Services proposed a \$0.500 million reduction for 2007. The 2007 Recommended Budget includes additional fleet contributions of \$0.500 million bring the total contribution from \$5.561 million to \$6.061 million for 2007. Based on recent contribution levels, the required level of expenditure of \$7.2 million annually needed to replace fire trucks every 15 years should be achievable in the near future.

2008 and 2009 Outlook Issues

It has been determined that Fire Services should be contributing \$7.2 million annually to the Fleet and Equipment Reserve, as this is the optimum annual expenditure over that could replace fire trucks every 15 years.

Given the City's financial constraints and Fire Services' limited ability to provide operating budget reductions that do not impact fire services levels, it is recommended that the additional \$1.139 million required to bring Fire Services' annual fleet contribution to its optimal level be phased over 2008 and 2009.

Appendix 1

Summary of Recommended Base Budget Changes
From 2006 Approved Budget

(In \$000s)	Summary of 2007 Base Budget Adjustments				Net Incremental Outlook	
	Approved Positions	Gross Expenditures	Revenues	Net	2008	2009
		\$	\$	\$	\$	\$
2006 Council Approved Operating Budget	3,185.7	317,211.5	11,130.1	306,081.4		
In-year approvals and technical adjustments	(0.7)	(129.3)	0.0	(129.3)		
COLA Adjustments		17,912.8	0.0	17,912.8		
Corporate adjustments		391.4	0.0	391.4		
2006 Final Operating Budget	3,185.0	335,386.4	11,130.1	324,256.4	0.0	0.0
Prior year impacts	(0.1)	1,437.6	707.5	730.1	654.5	519.5
Zero base items		(3,202.6)	(3,202.6)	0.0		
Economic factors		3,058.4	0.0	3,058.4		
Adjusted Base Budget	3,184.9	336,679.8	8,635.0	328,044.9	654.5	519.5
Other base changes		1,233.9	0.0	1,233.9		
Base revenue changes		0.0	31.2	(31.2)		
Recommended Base Adjustments:						
COLA Local 3888 (Estimate)		8,449.2		8,449.2	0.0	0.0
Service efficiencies				0.0		
Revenue adjustments				0.0		
Minor service impact		(1,155.8)		(1,155.8)		
Major service impact	0.0	(500.0)		(500.0)		
Total Recommended Base Adjustments	0.0	8,027.3	31.2	7,996.1	0.0	0.0
2007 Recommended Base Budget	3,184.9	344,707.2	8,666.2	336,041.0	654.5	519.5

Appendix 2

Summary of Service Level Adjustments

Appendix 3

Summary of 2007 Recommended New / Enhanced Service Priorities

Appendix 4

Inflows / Outflows to / from Reserves & Reserve Funds

Reserve / Reserve Fund Name	Reserve / Reserve Fund Number	Balance as of December 2006 \$	Proposed Withdrawals (-) / Contributions (+)		
			2007 \$	2008 \$	2009 \$
Vehicle Reserve - Fire	XQ1017	6,859.6	6,061.0		
Vehicle Reserve - Fire Equipment	XQ1020	807.9	500.0		
Vehicle Reserve - Fire Equipment	XQ1020		67.4		
subtotal	XQ1020	807.9	567.4		
Insurance Reserve Fund	XR1010	17,536.0	1,085.7		
Capital Financing Reserve Fund	XR1011	32,972.9	654.5		
Utility Conserv./Retrofit Reserve Fund	XR1711	77.5	270.0	25.0	
Total Reserve / Reserve Fund Draws / Contributions			8,638.6	25.0	0.0