

Analyst Briefing Notes

Budget Committee Review

(October 30, 2008)

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PART I: CAPITAL PROGRAM**Executive Summary**

- The 2008 Approved Capital Budget of \$11.041 million was 12% or \$1.372 million spent as at June 30, 2008. As a result of delays due to changes in the structural design of some stations and issues with a key contractor, actual expenditures by year-end are anticipated to be \$9.293 million or 84.2% of the 2008 Approved Capital Budget. Of the unspent balance, \$1.464 million in funding is projected to be carried forward in 2009 to complete 2008 capital works.
- The 2009 Recommended Capital Budget; 2010 to 2013 Recommended Capital Plan and 2014 to 2018 Proposed Capital Forecast reflects EMS' strategic objective to continue to maintain its aging assets in a state of good repair and develop additional communications centre deployment refinements to meet both demographic and geographic response demands. EMS' 10-year Capital Program supports the key priority of "Making the Safe City Safer".
- The 2009 Recommended Capital Budget; 2010 to 2013 Recommended Capital Plan and 2014 to 2018 Proposed Capital Forecast of \$63.490 million require new debt funding of \$52.123 million which exceeds the 10-year debt affordability target of \$51.0 million by \$1.123 million. The Recommended 5-Year Capital Plan meets the debt affordability targets for each of the five years. However, the 5-Year Proposed Capital Forecast exceeds the debt affordability target by \$1.123 million due to the addition of new debt funding required for the Electronic Patient Care Records (EPCR) Tablets Replacement project.
- The 10-Year Capital Plan and Forecast totals \$63.490 million, of which 15% or \$9.813 million is allocated to Health & Safety projects, 68% of \$43.421 million is allocated to State of Good Repair (SOGR) projects and the remaining 16% or \$10.256 million to Service Improvement and Growth-Related projects. Of the total amount, \$32.362 million pertains to the Recommended 5-Year Capital Plan, with the remainder of \$31.128 million needed to fund the Proposed 5-Year Forecast.
 - The Recommended 5-Year Capital Plan and the Proposed 5-Year Capital Forecast includes Development Charge funding of \$1.752 million for new and future growth related projects. The EMS Development Charge Reserve has a projected 2007 year-end balance of \$0.904 million and is sufficient to fund projects up to 2011. Funding beyond 2011 is dependent upon receipt of Development Charge revenues estimated at \$0.828 million over the next 10 years.
- The Recommended 5-Year Capital Plan will provide funding for a number of projects, including the purchase of cardiac monitor and automatic external defibrillators, the installation of a system wide security system across all EMS facilities, completion of 6 station replacements (Stations #17, #18, #19, #29, #41, #42), ongoing facility maintenance (roofing and HVAC replacement), minor station renovations such as garage door widening of Stations #44 and #40 and the purchase of one new ambulance vehicle per year.

- EMS currently operates forty ambulance stations and four hubs with a total area of just over 140,000 sq. ft. valued at \$69.0 million. A review of these assets, in consultation with Facilities and Real Estate, identified a projected 2008 year-end SOGR backlog of \$30.760 million. The SOGR projects included in the 5-Year Capital Plan will reduce this backlog by approximately 52% over 5 years, resulting in an SOGR backlog of \$14.615 million by 2013, a reduction of \$16.145 million or 52% from \$30.760 million in 2008.
- The 2009 Recommended Capital Budget includes:
 - Commitments for previously approved projects and new/change in scope projects requiring 2009 cash flow of \$5.622 million. This cash flow combined with carry forward funding of \$1.464 million for 2008 projects bring the total 2009 Recommended Capital Budget to \$7.086 million.
 - future year commitments of \$6.137 million in 2010; and, \$1.322 million in 2011.
- The 2009 Recommended Capital Budget of \$5.622 million is 3% allocated to Health & Safety projects at \$0.150 million; 90% to State of Good Repair projects at \$5.044 million; 4% to Service Improvement projects at \$0.250 million; and 3% to Growth Related at \$0.178 million.
- The 2009 Recommended Capital Budget includes funding to:
 - continue with the construction of Stations #17, #18, and #29
 - begin the architectural and structural design of the reconstruction of Station #41;
 - purchase approximately 70 Automatic External Defibrillators (AEDs) under the City's Public Access Defibrillator (PAD) Program.;
 - complete the last phase of the Central Ambulance Communication Centre Re-design; and,
 - purchase Mobile Data Communication equipment and one new ambulance vehicle.
- In addition, funding is provided corporately over the 2009 to 2013 time frame for the Radio Communication System Replacement Project, a corporate initiative involving three Programs: Fire Services, Police Services and Emergency Medical 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, fully funded from debt, has been budgeted corporately and does not form part of each Programs' Capital Plans.
- Approval of the 2009 Recommended Capital Budget will increase the 2009 Net Operating Budget by a total of \$0.096 million as a result of the following capital projects:
 - the Public Access Defibrillator (PAD) project (previously approved in 2006) for \$0.145 million gross and \$0.073 million net for training, medical oversight and defibrillator maintenance costs;
 - the purchase of one new ambulance will result in increased costs of \$0.048 million gross and \$0.024 million net for servicing and fuel costs.
- An emerging issue for EMS' capital program is the inadequacy of the EMS Equipment Reserve to fund future medical equipment purchases. The reserve with a current balance of \$0.854 million does not have sufficient funding for all EMS medical equipment purchases. The requirement to replace the Electronic Patient Care Record tablets scheduled for 2012-2015 cannot be funded from the reserve and has resulted in the 2014-2018 Proposed Capital Forecast debt requirement exceeding the debt affordability target by \$1.123 million.

Recommendations

The City Manager and Acting Chief Financial Officer recommend that:

1. Council approve the 2009 Recommended Capital Budget for Emergency Medical Services with a total project cost of \$7.609 million and a 2009 cash flow of \$7.086 million and future year commitments of \$7.459 million. The 2009 Recommended Capital Budget consists of the following:
 - a) New Cash Flow Funding for:
 - i) six new sub-projects and four change in scope sub-projects with a 2009 total project cost of \$7.609 million that requires cash flow of \$3.004 million in 2009 and future year commitments of \$3.283 million in 2010; and \$1.322 million in 2011; and,
 - ii) six previously approved sub-projects with a 2009 cash flow of \$2.618 million and future year commitments of \$2.854 million in 2010.
 - b) 2008 approved cash flow for five previously approved sub-projects with carry forward funding from 2008 into 2009 totalling \$1.464 million.
2. Council approve the new debt service costs of \$0.071 million in 2009 and incremental costs of \$0.370 million in 2010, \$0.328 million in 2011, and \$0.139 million in 2012 resulting from the approval of the 2009 Recommended Capital Budget, to be included in the 2009 and future year operating budgets;
3. Council approve the 2010-2013 Capital Plan for Emergency Medical Services totaling \$19.281 million in project estimates, comprised of \$0.485 million in 2010; \$4.600 million in 2011; \$5.850 million in 2012 and \$8.346 million in 2013;
4. Council approve in principle the 2014-2018 Capital Forecast for Emergency Medical Services totaling \$31.128 million in project estimates, comprised of \$7.510 million in 2014; \$6.752 million in 2015; \$5.622 million in 2016; \$5.622 million in 2017; and \$5.622 million in 2018; and that this forecast be used as a foundation for preparing a 2010-2019 Capital Plan and Forecast as part of the 2010 Capital Budget process;
5. Council consider the net operating impacts in the Emergency Medical Services' operating budget of \$0.096 million for 2009 and \$0.172 million in 2010 emanating from the approval of the 2009 Recommended Capital Budget within the overall scope of Emergency Medical Services' 2009 and 2010 operating budget submissions;
6. the Defibrillator Replacement project be approved subject to receiving a trade-in discount of \$1.6 million and if such discount is not forthcoming, that EMS re-allocate debt funding from lower priority projects to offset the funding shortfall; and,
7. the Acting Deputy City Manager and Chief Financial Officer, in conjunction with the General Manager of Emergency Medical Services, review the sustainability of the EMS Equipment Reserve before the 2010 Capital Budget process.

2008 Capital Variance Review

2008 Budget to Actuals Comparison - Total Gross Expenditures (\$000s)					
2008 Approved	Actuals as of June 30 (2nd Qtr Variance)		Projected Actuals at Year End		Balance
\$	\$	% Spent	\$	% Spent	\$ Unspent
11,041	1,372	12%	9,293	84	1,748

Comments / Issues:

Emergency Medical Services' (EMS) actual capital expenditures for the six months ended June 30, 2008 totalled \$1.372 million or 12% of the 2008 Approved Cash Flow of \$11.041 million. The Program's projected year-end expenditure of \$9.293 million or 84% of the 2008 Approved Capital Budget represents an improvement over the 64% spending rate achieved in 2007.

The Program's projected year-end under-spending of \$1.748 million is attributed mainly to the following projects:

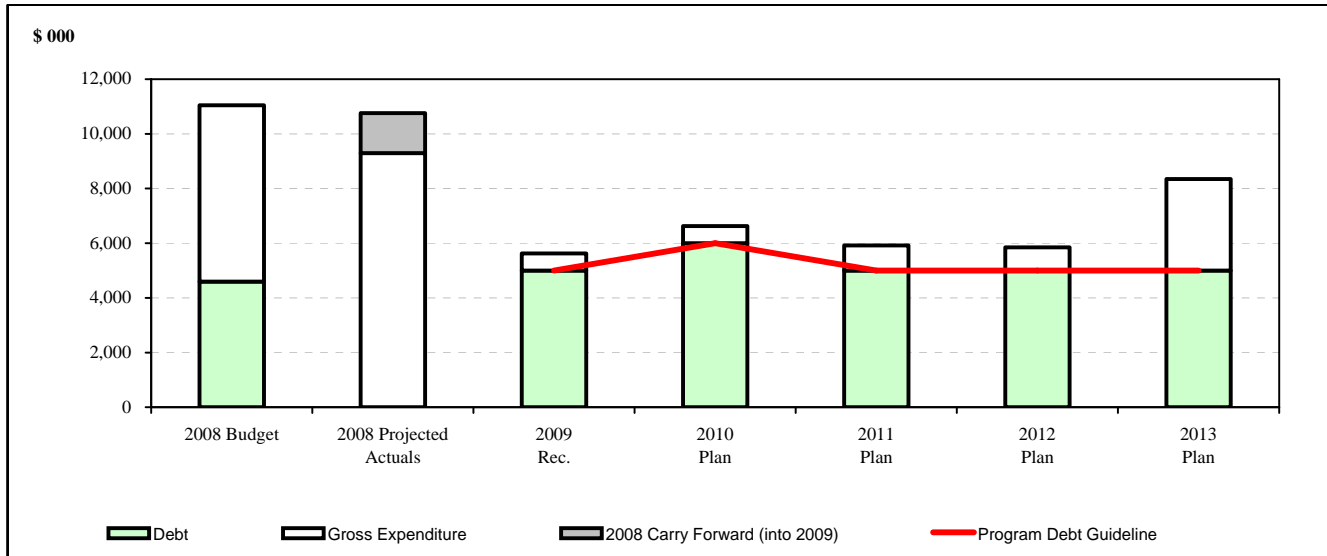
- The CACC Redesign Project (\$0.988 million or 51% of \$1.942 million) was delayed as a result of issues with a key contractor that have now been resolved. The project is moving ahead with completion expected in early 2009.
- The Station Refurbishment and Asset Management Projects (\$0.442 or 16% of \$2.842 million) were delayed due to required changes in the structural design of some stations to address operational needs. Completion is expected in early 2009.
- The Emergency Power Supply Project is expected to be completed by year-end with savings of \$0.284 million or 9% of \$3.284 million.
- The Station 17 Project has been deferred to 2009 due to a change in scope and \$0.550 million from this project has been re-allocated to the Station 18 Project (\$0.4 million) to cover higher than anticipated remediation costs; and to the Headquarter Security Project (\$0.150 million) as the cost to complete this project is higher than budgeted.

Of the total \$1.748 million under expenditure, \$1.464 million in 2008 funding will be carried forward into 2009.

A report from EMS, entitled "In-Year Adjustment of Toronto EMS' 2008 Capital Budget", recommended by Executive Committee at its meeting of October 6, 2008, will be considered by City Council at its meeting on October 29-30, 2008. This report requests for an increase to EMS' 2008 Approved Capital Budget of \$1.260 million for a new capital project "Medical and Health and Safety Equipment".

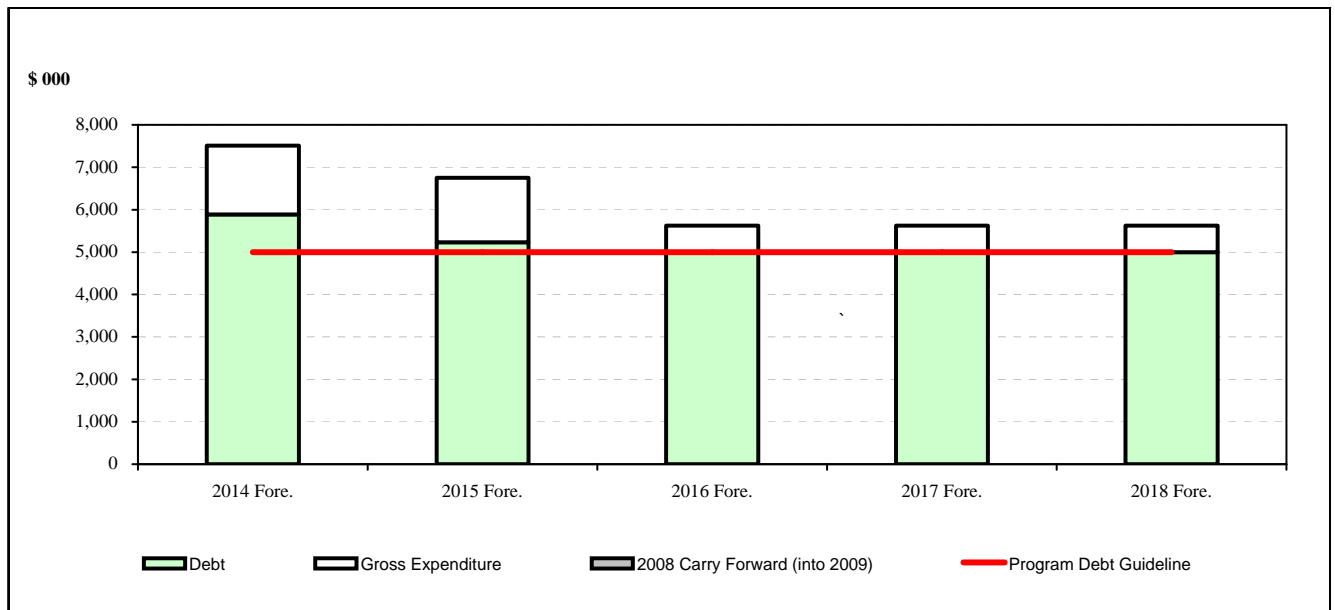
- The new project will provide funding for the purchase of a number of essential emergency service equipment (stair chairs, portable suction units, radios) that is required in 2008. Generally, EMS purchases long life equipment on an "as needed basis" through the operating budget however; on occasions, larger quantities are required to meet operational requirements or to address health safety issues.
- There will be no impact on EMS' current debt as the total project will be funded from the EMS Equipment Reserve. However, the reduced balance of the reserve is insufficient to fund future requirements. See Issues on Page 17.

5-Year Capital Plan (2009-2013)



	2008		5-Year Capital Plan					2009-2013	5-Year Total Percent
	Budget	Projected Actual	2009	2010	2011	2012	2013		
	Gross Expenditures:								
2008 Capital Budget & Future Year Commitments	11,041	9,293	5,072	400				5,472	17%
Recommended Changes to Commitments			(2,454)	2,454				0	N/A
2009 New/Change in Scope and Future Year Commitments			3,004	3,283	1,322			7,609	24%
2010 - 2013 Capital Plan Estimates				485	4,600	5,850	8,346	19,281	60%
1-Year Carry Forward to 2009		1,464							
Total Gross Annual Expenditures & Plan	11,041	10,757	5,622	6,622	5,922	5,850	8,346	32,362	100%
Program Debt Target	4,600		5,000	6,000	5,000	5,000	5,000	26,000	
Financing:									
Recommended Debt	4,600		5,000	6,000	5,000	5,000	5,000	26,000	80%
Reserves/Reserve Funds							2,083	2,083	6%
Development Charges			150	150	150	378	174	1,002	3%
Federal								0	0%
Provincial			472	472	472	472	472	2,360	7%
Other Revenue					300		617	917	3%
Total Financing	4,600		5,622	6,622	5,922	5,850	8,346	32,362	100%
By Category:									
Health & Safety			150	1,800			2,877	4,827	15%
Legislated								0	0%
SOGR			5,044	4,644	5,744	5,144	4,187	24,763	77%
Service Improvement			250			300	160	710	2%
Growth Related			178	178	178	406	1,122	2,062	6%
Total By Category	0		5,622	6,622	5,922	5,850	8,346	32,362	100%
Yearly SOGR Backlog Estimate (not addressed by current plan)			(3,864)	(2,672)	(4,122)	(3,294)	(2,193)	(16,145)	
Accumulated Backlog Estimate (end of year)		30,760	26,896	24,224	20,102	16,808	14,615	14,615	
Operating Impact on Program Costs			96	196	24	24	24	364	
Debt Service Costs			71	378	455	650	650	2,205	

5-Year Capital Forecast (2014-2018)



	5-Year Capital Forecast							10-Year Total Percent
	2014	2015	2016	2017	2018	2014-2018	2009-2014	
Gross Expenditures:								
2008 Capital Budget & Future Year Commitments						0	5,472	9%
Recommended Changes to Commitments						0	0	0%
2009 New/Change in Scope and Future Year Commitments						0	7,609	12%
2014 - 2018 Capital Forecast Estimates	7,510	6,752	5,622	5,622	5,622	31,128	50,409	79%
Total Gross Annual Expenditures & Plan	7,510	6,752	5,622	5,622	5,622	31,128	63,490	100%
Program Debt Target	5,000	5,000	5,000	5,000	5,000	25,000	51,000	
Financing:								
Recommended Debt	5,888	5,235	5,000	5,000	5,000	26,123	52,123	82%
Reserves/Reserve Funds	268	644				912	2,995	5%
Development Charges	150	150	150	150	150	750	1,752	3%
Federal						0	0	0%
Provincial	472	472	472	472	472	2,360	4,720	7%
Other Revenue	732	251				983	1,900	3%
Total Financing	7,510	6,752	5,622	5,622	5,622	31,128	63,490	100%
By Category:								
Health & Safety	3,712	1,100		174		4,986	9,813	15%
Legislated						0	0	0%
SOGR	2,572	4,774	4,546	3,590	3,176	18,658	43,421	68%
Service Improvement	700	700	898	1,680	1,222	5,200	5,910	9%
Growth Related	526	178	178	178	1,224	2,284	4,346	7%
Total By Category	7,510	6,752	5,622	5,622	5,622	31,128	63,490	100%
Yearly SOGR Backlog Estimate (not addressed by current plan)	(1,955)	(1,955)	(1,955)	(1,955)	(1,955)	(9,775)	(25,920)	
Accumulated Backlog Estimate (end of year)	12,660	10,705	8,750	6,795	4,840	4,840	4,840	
Operating Impact on Program Costs	1,305	850	105	86	24	2,370	2,734	
Debt Service Costs	672	749	675	650	650	3,396	5,601	

10-Year Capital Plan and Forecast Overview

- The 2009 Recommended Capital Budget; 2010 to 2013 Recommended Capital Plan and 2014 to 2018 Proposed Capital Forecast focuses mainly on maintaining EMS' aging facilities in a state of good repair, primarily station replacement and refurbishments, and developing additional communications centre deployment refinements to meet both demographic and geographic response demands.
- The 2009 Recommended Capital Budget; 2010 to 2013 Recommended Capital Plan and 2014 to 2018 Proposed Capital Forecast of \$63.490 million call for new debt funding of \$52.123 million, which exceeds the 10-year debt affordability target of \$51.0 million by \$1.123 million. The Recommended 5-Year Capital Plan of \$32.362 million with new debt funding of \$26.0 million meets the debt affordability targets for each of the five years. However, the Proposed 5-Year Capital Forecast exceeds the debt affordability target of \$25.0 million by \$1.123 million. The additional debt funding required in 2014 and 2015 results mainly from the addition of the replacement purchase of the Electronic Patient Care Records (EPCR) tablets in 2012-2014 given that the Equipment Reserve will be insufficient to fund this project.
- EMS' 10-Year Capital Plan and Forecast of \$63.490 million is allocated to Health and Safety projects at \$9.813 million or 16%; State of Good Repair projects at \$43.421 million or 68%; and Service Improvement and Growth Related projects at \$5.985 million or 9% and \$4.346 million or 7% respectively.
- EMS' 10-Year State of Good Repair (SOGR) projects of \$43.421 million will address 84% of their SOGR backlog. This will result in a projected backlog of \$4.840 million by 2018, a significant reduction of \$25.920 million or 84% from \$30.760 million in 2008.
- The 10-Year Capital Plan and Forecast will be funded mainly by debt of \$52.123 million or 82% of \$63.490 million. Other sources of funding consist of the following:
 - Provincial grant of \$4.720 million for asset management to fund projects such as roof replacement, HVAC system maintenance, and driveway paving.
 - Equipment Reserve funding of \$2.995 million for the Defibrillator Replacement project. The proposed draw from the reserve will reduce the balance of the reserve to \$0.276 million by 2015 and this will not be sufficient to fund future defibrillator replacements or any medical equipment emergency requirements.
 - Development Charge funding of \$1.752 million for the purchase of 10 ambulance vehicles and the construction of a new station at Queensway & Royal York.
 - Other revenues of \$1.9 million with \$1.6 million representing the projected trade-in value of older model defibrillators due for replacement.
- The 2009-2013 Recommended Capital Plan of \$32.362 million will provide funding for:
 - Healthy and Safety projects of \$4.827 million or 15% which include the installation of a new, electronic card-access station security system that will allow detailed tracking and recording of crew station access activities and equipment/supply sign-out transactions and the purchase cardiac monitor defibrillators and automatic external defibrillators.

- State-of-Good-Repair projects of \$24.763 million or 77% comprised of the last phase of the Central Ambulance Communication Centre (CACC) redesign and the completion of 3 station replacements (Stations #17, #19, and #41).
- Service Improvement projects of \$4.910 million or 9% comprised of the installation of radio communication infrastructure to increase radio coverage and enhancements to Station #44 to accommodate the new wider ambulance vehicles.
- Growth Related projects of \$4.346 million or 7% consist mainly of the purchase of 1 ambulance vehicle per year for 5 years to be deployed in high needs areas across the City and the construction of a new station in the Queensway and Royal York area.
- The Recommended 5-Year Capital Plan will increase future year Operating Budgets by a total of \$0.364 million net primarily for ongoing maintenance and services costs for three projects, Public Access Defibrillator (PAD) Program (\$0.144 million), the addition of 5 ambulance vehicles (\$0.120 million) and the new station security system (\$0.100 million).
- EMS is faced with the following issues as it relates to its capital program:
 - Reserve fund sustainability is an emerging challenge for EMS. The EMS Equipment Reserve is just adequate to fund the replacement purchase of defibrillators starting in 2013. However, any unforeseen major medical equipment replacement may deplete the reserve fund before that time. See Issues Section on Page 17.
 - The addition of an electronic patient care record (EPCR) tablets replacement project estimated at \$1.375 million in 2012-2014 has resulted in EMS' Proposed 5-Year Capital Forecast debt requirements exceeding the debt affordability guideline by \$1.123 million. See Issues on Page 18.
 - Development Charge funding of \$1.752 million for new and future growth related projects is included in EMS' 10-Year Capital Plan and Forecast. The EMS Development Charge Reserve has a projected 2007 year-end balance of \$0.904 million and is sufficient to the fund growth related projects up to 2011; however funding beyond 2011 is dependent upon receipt of Development Charge funding which is currently estimated at \$0.828 million over the next 10 years.

Multi Year Debt Affordability Target

The Recommended 5-Year Capital Plan of \$32.362 million and Proposed 5-Year Capital Forecast of \$31.128 million, requiring new debt funding of \$52.123 million, exceed the debt affordability target of \$52.0 million by \$1.123 million.

The Recommended 5-Year Capital Plan meets the debt affordability targets for each of the 5 years. This has been achieved by combining debt funding, utilization of provincial grant for asset management, and draws from the EMS Equipment Reserve and Development Charge Reserve to fund cash flow requirements within the Recommended 5-Year Capital Plan.

The Proposed 5-Year Capital Forecast, however, exceeds the debt affordability guideline by \$1.123 million and this is due to the inclusion of a new project, EPCR Tablets Replacement project that required new debt funding of \$1.375 million as the Equipment Reserve, created specifically to fund major medical equipment purchases, does not have sufficient funds to accommodate this purchase.

Project Financing

Over the 10-year planning horizon, EMS' Capital Program will mainly be funded by debt of \$52.123 million or 82%, Provincial grant of \$4.720 million; Equipment Reserve funding of 2.995 million; Development Charge funding of \$1.752 million, and other revenues of \$1.900 million comprised of \$1.600 million trade-in value discount and \$0.300 million in other revenues.

The Recommended 5-Year Capital Plan is primarily funded from debt at 77% or \$26.000 million. Other sources of funding consist mainly of the following:

- Provincial grant of \$2.360 million for asset management to fund projects such as roof replacement, HVAC system maintenance, and driveway paving.
- Equipment Reserve funding of \$2.083 million for the purchase of defibrillators in 2013 which will reduce the reserve balance to \$0.338 million by year-end 2013.
- Development Charge funding of \$1.002 million for the purchase of 5 ambulance vehicles and the construction of the growth related Queensway and Royal York Station.
- Other revenues of \$0.917 million with \$0.617 million representing the projected trade-in value of older model defibrillators for replacement and \$0.300 million in other revenues.

Development Charge Funded Projects

EMS' 10-Year Capital Plan and Forecast includes two projects that are partially funded from Development Charges of \$1.752 million:

- A New Ambulance project (2009-2018) includes the purchase of 10 ambulance vehicles totalling \$1.780 million (one ambulance vehicle per year) to be funded from Development Charges of \$1.5 million and the balance from debt of 0.280 million.
- A growth related new station at Queensway and Royal York (2012-2014) with Development Charge funding of \$0.252 million and debt funding of 1.268 million.

The EMS Development Charge Reserve has a projected 2007 year-end balance of \$0.904 million and this is sufficient to fund Growth-Related projects up to 2011; however funding beyond 2011 is dependent upon receipt of Development Charge funding which is currently estimated at \$0.828 million over the next 10 years.

State of Good Repair (SOGR) Backlog and Unmet Service Needs

EMS currently operates forty ambulance stations and four hubs with a total area of just over 140,000 sq. ft valued at \$69.0 million. Based on the Centralized Book-On Station (CBOS) feasibility study conducted in 2005, EMS' 44 facilities were categorized as follows: good (12), moderate (22), poor (9) and uninhabitable (1). 68% or \$43.421 million of the Recommended 5-Year Capital Plan and Proposed 5-Year Capital Forecast of \$63.490 million has been allocated to SOGR projects consisting primarily of replacement/renovation of stations that were categorized as uninhabitable and in poor condition.

The projected 2008 year-end state of good repair backlog is estimated at \$30.760 million. The capital projects included in the Recommended 5-Year Capital Plan will address over 50% of state of good repair backlog while the Proposed 5-Year Capital Forecast will address an additional 32%. EMS is projecting a state of good repair backlog of \$14.615 million by 2013, a reduction of \$16.145 million

from \$30.760 million in 2008 and \$4.840 million by 2018, reflecting a reduction of \$25.920 million or 82% over the 10-year planning timeframe.

Program Capacity and Readiness to Proceed

The previously planned Centralized Book-On Station (CBOS) project impacted EMS's capital spending as major station replacement projects were put on hold pending the outcome of the CBOS go/no go decision. The decision to suspend major station rehabilitation projects until the CBOS project was resolved resulted in EMS' spending rate in 2005 – 2007 averaging as low as 58%. Since a decision in the Fall of 2007 was made to defer the CBOS project indefinitely, three major capital projects were immediately started in 2008 and are continuing into 2009. EMS is projecting a spending rate of 84% in 2008, a significant improvement over the past three years.

The 2009 Recommended Capital Budget includes projects that started in 2008 and continue into 2009. Future projects included in the Recommended 5-Year Capital Plan are supported by firm cost estimates and a realistic assumption in meeting procurement timelines. Projects have been reviewed and prioritized based on a needs assessment undertaken for all capital projects. Factors such as geographical coverage, deployment urgency, and call volumes were also taken into consideration in its priority setting exercise.

Recommended Changes to the 2008 – 2012 Capital Plan

The following changes were made to the 2008 – 2012 Approved Capital Plan:

- Station #17 required an increase in scope of \$1.828 million as the original cost projection was based on this station being built as a 'post' within the CBOS station model. A post would not have the regular features of a regular station such as parking, storage areas, wash areas and full crew quarters. With the deferral of the CBOS Project, the project scope was revised to reflect the construction of a stand-alone ambulance station designed to accommodate four ambulances (instead of the two that was originally planned) as well as the required parking, washroom facilities and expanded storage capacity.
- Station #18 required an increase in scope of \$0.496 million as a result of increased construction costs as well as higher than anticipated soil remediation costs.
- Station #29 required an increase in scope of \$0.450 million as a result of increased construction costs.
- CACC redesign project required an increase in scope of \$0.600 million due to construction cost increases and the addition of a voice alerting system to the project.

To accommodate the increased costs of \$3.374 million and stay within the debt affordability targets for each year of the 5-Year Capital Plan, EMS deferred project and /or reduced project scope.

- deferred several projects most notably the completion of the new systems security (\$1.800 million) from 2009 to 2010 and the construction of Station #14 (\$2.774 million) from 2010 to 2016;
- reduced project costs for three projects, the Public Access Defibrillation Program (\$0.100 million) in 2009, Asset Management (\$0.623 million) in 2010 and the Mobile Data Communication projects (\$0.300 million) in 2010; and,
- deferred the Decontamination Facility project (\$1.0 million) beyond 2018 due to lack of debt affordability.

Capital Project Highlights

Strategic Priorities:

EMS will continue to maintain its 40 ambulance stations and 4 hubs in a state of good repair and will continue to update the physical and electrical configuration of its communication centre to improve overall system efficiency in the deployment of EMS resources and dispatching of patients.

The 2009 Recommended Capital Budget, 2010-2013 Recommended Capital Plan and 2014-2018 Proposed Capital Forecast reflects EMS’ strategic directions and supports the key priority “Making a Safe City Safer” with the implementation of the following projects:

- The expansion of the Public Access Defibrillation (PAD) Program that will provide approximately 50-100 Automatic External Defibrillators (AED) to City of Toronto workplaces and facilities to ensure rapid treatment of those who suffer a cardiac arrest on site. EMS will provide training to City staff and private sector clients in the use of the AEDs.
- Replacement of Cardiac Monitor Defibrillators (highly technical medical devices) used by paramedics when responding to patients suffering a heart attack or cardiac arrest.

The Program’s 2009 – 2018 Capital Program includes the following major capital initiatives:

Summary of Major Capital Initiatives

	\$000s						
	2009 Rec. Budget	2010 Plan	2011 Plan	2012 Plan	2013 Plan	Total 2009 -2013	Total 2014 -2018
Facilities Projects: New and Expanded							
Station Replacement Projects	1,478	2,254	3,122	1,574	1,393	9,821	10,073
Service Improvement Projects	0	0	0	300	160	460	5,200
Growth Projects	0	0	0	228	944	1,172	1,394
IT sub-projects	N/A						
TOTAL	1,478	2,254	3,122	2,102	2,497	11,453	16,667
Other Major City Initiatives:							
N/A							

The New / Expanded Facility projects in the Recommended 5-Year Capital Plan of \$11.453 million include the replacement of 4 ambulance stations (Stations #17, #19, #41, and #42), the construction of a growth-related new station at Queensway and Royal York, and the widening of the garage bays at Station #44 in Scarborough to accommodate the new wider and bigger ambulance vehicles.

The New / Enhanced Facility projects in the 2014 – 2018 Capital Forecast of \$16.667 million include the completion of 3 station replacements (Stations #01, #14, and #21) and service enhancements to Station #40, installation of car wash facilities in each service district, and the construction of a centralized special operations unit service centre.

Operating Budget Impact – 10 -Year Capital Plan and Forecast

Incremental Operating Impact Summary

(In \$Thousands)	2009 Rec. Budget	2010 Plan	2011 Plan	2012 Plan	2013 Plan	5-Year Plan	2014 - 2018 Forecast	2009-2018 Total
2009 Recommended Capital Budget								
Program Costs (net)	96.0	172.0				268.0		268.0
Approved Positions								
Debt Service Costs	71.4	369.9	328.2	138.8		908.3		908.3
Recommended 2010-2013 Capital Plan								
Program Costs (net)		24.0	24.0	24.0	24.0	96.0		96.0
Approved Positions						0.0		
Debt Service Costs		8.4	127.1	511.2	650.0	1,296.7		1,296.7
Proposed 2014-2018 Capital Forecast								
Program Costs (net)							2,370.0	
Approved Positions							8.0	
Debt Service Costs							3,396.0	3,396.0
Total								
Program Costs (net)	96.0	196.0	24.0	24.0	24.0	364.0	2,370.0	2,734.0
Approved Positions	-	-	-	-	-	-	8.0	8.0
Debt Service Costs	71.4	378.3	455.3	650.0	650.0	2,205.0	3,396.0	5,601.0

Debt Service cost of repayment of principal and interest is calculated according to corporate guidelines, in the following manner: 2.5% Year 1, and 13% for subsequent years

Program Operating Impacts

Approval of the 2009-2013 Recommended Capital Plan will increase future year EMS’ Operating Budgets by a total of \$0.364 million by 2013 while the Proposed 5-Year Forecast will increase future years EMS’ Operating Budgets by \$2.370 million.

The incremental net impacts resulting from the approval of the Recommended 5-Year Capital Plan are primarily the result of the following recommended capital projects:

(In \$000)	Net Impact ('\$000's)					
	2009	2010	2011	2012	2013	2009-2013
Projects:						
Public Access Defibrillation	72.0	72.0				144.0
New Ambulance (one per year)	24.0	24.0	24.0	24.0	24.0	120.0
Installation of Station System Security		100.0				100.0
Total Request (Net)	96.0	196.0	24.0	24.0	24.0	364.0

- The Public Access Defibrillator (PAD) Program, previously approved in 2006, designated EMS as the primary administrator of the Public Access Defibrillator (PAD) Program on behalf of the City. The (PAD) Project, to be completed in 2009, provides funding for the distribution of Automatic External Defibrillators (AEDs) to City of Toronto workplaces and facilities. The operating funds

of \$0.072 million net in 2009 and 2010 are required for training materials, medical oversight and defibrillator maintenance costs.

- The New Ambulance project reflects the purchase of 1 ambulance vehicle per year and operating funds of \$0.024 million net per year per vehicle are required for service/maintenance and fuel costs.
- The Station Security Project, approved in 2008, provides funding for the installation of a new electronic card access security system in all EMS station that will result in better asset control, one of the key concerns identified by the Auditor General's review conducted in 2004. The project is expected to be completed by 2010 and operating funds of \$0.100 million net in 2010 is required for service and monitoring costs.

The operating impact of the Proposed 5-Year Capital Forecast of \$2.370 million is primarily for the addition of 8 paramedic positions and other costs required to maintain a new station at the Queensway and Royal York as well as the services and fuel costs of 5 ambulance vehicles.

**Total 2009 Recommended Cash Flow & Future Year Commitments
(\$000s)**

	2007 & Prior Year Carry Forwards	2009 Previously Approved Cash Flow Commitments	2009 New Cash Flow Recommended	2009 Total Cash Flow Recommended	2009 Debt Target	2008 Carry Forwards	Total 2009 Cash Flow (Incl 2008 C/Fwd)	2010	2011	2012	2013	2014	2015	2016	2017	2018	Total Cost
Expenditures																	
Previously Approved		2,618		2,618		1,464	4,082	2,854									6,936
Change in Scope			1,753	1,753			1,753	1,271									3,024
New			778	778			778										778
New w/Future Year			473	473			473	2,012	1,322								3,807
Total Expenditure	-	2,618	3,004	5,622	5,000	1,464	7,086	6,137	1,322	-	-	-	-	-	-	-	14,545
Financing																	
Reserves/Res Funds																	-
Development Charges			150	150			150										150
Other		472	-	472			472	472									944
Debt		2,146	2,854	5,000		1,464	6,464	5,665	1,322								13,451
Total Financing	-	2,618	3,004	5,622	-	1,464	7,086	6,137	1,322	-	-	-	-	-	-	-	14,545

Comments / Issues:

- The 2009 Recommended Capital Budget for Emergency Medical Services is \$7.086 million gross. This includes \$2.618 million in funding for previously approved commitments, \$3.004 million for new / change in scope projects and \$1.464 million in carry forward funding from 2008 to 2009 to complete previously approved projects.
- Approval of the 2009 Recommended Capital Budget will result in commitments of \$6.137 million in 2010 and \$1.322 million in 2011. Most of these funds are for the completion of 7 projects including Stations #17, #18, # 29, #41, the Station Security System, EMS’ Asset Management Program, and Mobile Data Communications.
- The 2009 capital financing is comprised of new debt funding of \$5.000 million, a Provincial grant from the Provincial Ministry of Health and Long Term Care for the Asset Management of \$0.472 million; and, Development Charge funding for 1 ambulance vehicle of \$0.150 million.

2008 Recommended Capital Budget

2009 Recommended Capital Budget versus Debt Target

EMS' 2009 Recommended Capital Budget of \$5.622 million requires new debt funding of \$5.000 million which meets the debt affordability target set for 2009. The 2009 recommended cash flow includes re-allocation of funding between projects however the overall debt requirement for 2009 has remained the same as changes have been accommodated within the 2009 debt affordability target.

Recommended Capital Budget by Category

The 2009 Recommended Capital Budget includes 3% of cash flow funding for Health and Safety projects at \$0.150 million, 90% for State-of-Good-Repair projects at \$5.044 million; 4% for a Service Improvement project at \$0.250 million, and 3% for a Growth Related project at \$0.178 million.

State of Good Repair projects, which comprise 90% or \$5.044 million of the 2009 Recommended Capital Budget will reduce the state of good repair backlog by \$3.864 million as well as address current needs.

2009 Capital Project Highlights

The 2009 Recommended Capital Budget will provide funding for following projects:

- ongoing construction of Station #17 (\$1.403 million), #18 (\$1.250 million) and #29 (\$0.650 million);
- completion of the last phase of the Communication Centre Re-design and its linkages with parallel operational deployment changes, which will improve overall system efficiency, improve response time performance, provide more specific patient care focus and intervention, and help mitigate the impact of hospital offload delay (\$0.600 million);
- purchase of mobile data communication hardware, software and mobile data radios (\$0.372 million); and,
- purchase of one new ambulance vehicle (\$0.178 million).

Capacity and Readiness to Proceed

The 2009 Recommended Capital Budget includes projects that were begun in 2008 and continue into 2009. Construction contracts and agreements have been signed for three major projects in 2008. Given the limited debt affordability target for EMS, 2009 projects were carefully reviewed and prioritized. The Program is fully committed to completing 2009 capital projects as planned.

PART II: ISSUES FOR DISCUSSION

5-Year Capital Plan Issues

Inadequacy of the EMS Equipment Reserve

- The EMS' Equipment Reserve was created for the purpose of funding major medical equipment purchases such as the cardiac monitor defibrillators and electronic patient care record (EPCR) tablets as well as other major medical equipment required to meet operational requirements or to address health safety issues. EMS contributes \$0.425 million per year from the operating budget which is cost shared by the Province at 50:50. The 2008 year-end balance of the reserve is projected at \$0.854 million including all commitments.
- As shown in the table below, the EMS Defibrillator Replacement project with a total project cost of \$7.0 million requires draws from the Equipment Reserve of \$2.995 million starting in 2013. The reserve funding (based on receiving a trade-in discount of \$1.6 million for the older model defibrillators to be replaced) committed for this project reduces the balance of the reserve starting in 2013. The draw from the reserve will be greater if the trade-in discount is not received. It is therefore recommended that if the discount does not materialize, that EMS re-allocate debt funding from lower priority projects to offset the funding shortfall.

Reserve / Reserve Fund Name (In \$Thousands)	Balance as of December 30, 2008	Proposed Withdrawals / Contributions										2009-2018 Total	
		2009 Rec. Budget	2010 Plan	2011 Plan	2012 Plan	2013 Plan	2014 Fore.	2015 Fore.	2016 Fore.	2017 Fore.	2018 Fore.		
XQ1019 Equipment Reserve													
Beginning Balance	853.7	853.7	720.7	1,145.7	1,570.7	1,995.7	337.7	494.7	275.7	700.7	1,125.7	1,550.7	10,074.5
Contribution from Operating (for equipment 50% cost shared)		425.0	425.0	425.0	425.0	425.0	425.0	425.0	425.0	425.0	425.0	425.0	4,250.0
Sub-total: Contribution		425.0	425.0	425.0	425.0	425.0	425.0	425.0	425.0	425.0	425.0	425.0	4,250.0
Projected Withdrawal (ERU vehicle/bus)		(558.0)											(558.0)
Defibrillator Replacement Project Reserve Withdrawal*						(2,083.0)	(268.0)	(644.0)					(2,995.0)
Sub-total: Withdrawals		(558.0)	0.0	0.0	0.0	(2,083.0)	(268.0)	(644.0)	0.0	0.0	0.0	0.0	(3,553.0)
Total Reserve / Reserve Fund	853.7	720.7	1,145.7	1,570.7	1,995.7	337.7	494.7	275.7	700.7	1,125.7	1,550.7	1,550.7	10,771.5

*Assumes trade-in discount of \$0.617 million in 2013; \$0.732 million in 2014; and \$0.251 million in 2015.

- Also, as this reserve is a major source of funding for EMS equipment purchases, it is recommended that the Acting Deputy City Manager and Chief Financial Officer, in conjunction with the General Manager of Emergency Medical Services, review the sustainability of the EMS Equipment Reserve before the 2010 Capital Budget process.

Radio Communication System Replacement

The Radio Communication System Replacement project is a corporate initiative involving three Programs: Fire Services, Police Services and Emergency Medical Services and does not reside in any one of these 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. A recent report from the Fire Chief to Budget Committee dated September 19, 2008 provided a status on this project and advised that due to new radio frequency spectrum regulatory issues that have an impact on the system design, the timelines of the subsequent project phases will be delayed by one year. The changes do not present additional risk to the radio infrastructure and do not impact the overall success of the project. Every necessary step is being taken to ensure that the vendor continues to support the existing system into 2012.

The following table summarizes the changes to the project's cash flow funding:

\$000s	Commitments		Estimates				Total
	2007	2008	2009	2010	2011	2012	
2008 Approved Cash Flow Plan	50	450	28,000	28,000	13,500		70,000
Revised Cash Flow Plan	27	473	250	28,000	28,000	13,250	70,000
Change	(23)	23	(27,750)	-	14,500	13,250	-

The following is a breakdown of the project cost:

FY	PROJECT COMPONENT	RECOMMENDED COST (\$000)
2007-2011	Development of Governance Agreement, technical subcommittee training, development of Infrastructure Functional Specifications & System Supplier RFP, Project Management	986
2009-2012	Transitional Costs incl.test equipment, asset control system	789
2010-2012	Communication Towers, Radio Site Building Equipment	2,750
2010-2012	Site Connectivity	825
2010-2012	Radio System Infrastructure Replacement	57,650
2010-2012	Provision for User Terminals	7,000
2007-2012	Total Project Cost	70,000

This project represents a unique and effective partnership among the City's three emergency services. It also represents a significant expenditure for the City. For both these reasons the proper oversight and involvement from the City Manager's Office, Finance and Internal Audit has been established. The Steering Committee for the Radio Communication System Replacement project consists of Deputy Chiefs from the 3 Services and has been formed in consultation with the City Manager's Office. In the 2008 Capital Budget it was approved that the Steering Committee report to Budget Committee on an annual basis starting in July 2008 to update the status of the project including project management costs and infrastructure issues.

5-Year Capital Forecast Issues

Debt Affordability

The Proposed 5-Year Capital Forecast exceeds the debt affordability guidelines by \$1.123 million, specifically debt requirements in 2014 and 2015 by \$0.888 million and \$0.235 million, respectively.

The addition of the EPCR tablets project in 2012, requiring new debt funding of \$1.375 million over 4 years is the primary reason for this overage. As reserve funding is not available (as outlined on page 17), this project will be funded from debt, partially offset by reallocating debt funding from the growth related new station at Queensway and Royal York to the EPCR project in 2012 and 2013, thereby deferring the completion of the new station by two years. The reallocation of debt funds was necessary in order for EMS' Recommended 5-Year Capital Plan to meet the debt affordability targets for 2009 – 2013. This, however, resulted in debt requirements exceeding debt targets in 2014 and 2015.

It is recommended that the Acting Deputy City Manager and Chief Financial Officer, in conjunction with the General Manager of Emergency Medical Services, review the sustainability of the EMS Equipment Reserve before the 2010 Capital Budget process.

Issues Referred to the Budget Process

During the 2008 budget process, City Council recommended the following:

- the General Manager of EMS report to the Budget Committee prior to the 2009 Capital Budget process on a plan for the new/replacement of stations based on an achievable/realistic timeframe, particularly when new sites must be acquired; and,
- the 2008-2012 Capital Plan be reviewed to identify any operating costs/savings that should be included with the 2009 Capital Budget submission

A briefing note will be submitted by EMS during the 2009 Capital Budget process on both these issues.

Appendix 1

**2009 Recommended Capital Budget; 2010 to 2013 Plan
and 2014 to 2018 Forecast**

Appendix 2
**2009 Recommended Cash Flow
and Future Year Commitments**

Appendix 3
2009 Recommended Capital Projects
with Financing Details

Appendix 4

Reserve / Reserve Fund Review

(\$000s)

Reserve / Reserve Fund Name	Reserve / Reserve Fund Number	Business Case / Issue	Projected As of December 31, 2008 \$	Proposed Withdrawals (-) / Contributions (+)				
				2009	2010	2011	2012	2013
				\$	\$	\$	\$	\$
Equipment Reserve	XQ1019	Beginning Balance	853.7	853.7	720.7	1,145.7	1,570.7	1,995.7
		Projected Contributions (Operating) for Equipment		425.0	425.0	425.0	425.0	425.0
		Projected Contributions (Operating) for Emergency Response Unit vehicle		280.0	280.0	280.0	280.0	280.0
		Projected Withdrawals (ERU Vehicle & Bus)		(838.0)	(280.0)	(280.0)	(280.0)	(280.0)
		Projected Withdrawals (Capital-Defibrillator purchase)						(2,083.0)
		Projected Year-End Balance	853.7	720.7	1,145.7	1,570.7	1,995.7	337.7
Vehicle Reserve	XQ1018	Beginning Balance	5,206.9	1,571.9	1,571.9	1,571.9	1,571.9	1,571.9
		Projected Contributions (Operating)		3,635.0	3,635.0			
		Projected Withdrawals (Capital)	(3,635.0)	(3,635.0)	(3,635.0)			
		Projected Year-End Balance	1,571.9	1,571.9	1,571.9	1,571.9	1,571.9	1,571.9
DC Reserve	XQ2403	Beginning Balance	904.0	904.0	754.0	604.0	454.0	76.0
		Projected Withdrawals (Ambulance)		(150.0)	(150.0)	(150.0)	(150.0)	(150.0)
		Projected Withdrawal (Queensway Stn.)					(228.0)	(24.0)
		Projected Year-End Balance	904.0	754.0	604.0	454.0	76.0	(98.0)
		<i>Projected Contributions (estimated and subject to actual receipt of DC)</i>		63.0	85.0	85.0	85.0	85.0