

June 29, 2010

To: Executive Committee

From: Budget Committee

Subject: Toronto Fire Services (TFS) 2010 Capital Project to Replace Firefighter Bunker Suits

Recommendations:**The Budget Committee recommends to the Executive Committee that:**

- 1 City Council approve the creation of an in-year Capital project with Fire Services for the acquisition of Bunker Suits in the estimated amount of \$5.0 million with offsetting funding from the Capital Financing Reserve, which will be repaid by contributions from Fire's Operating budget over a five-year period.**
- 2. City Council direct that future required acquisitions of Bunker Suits be included as part of Fire Services' submission for the 2011 to 2020 Capital Plan.**
- 3. City Council direct that a funding strategy be developed and reviewed as part of the 2011 Budget Process that would include the viability of annual operating budget contributions from Fire Services to the Vehicle Reserve - Fire Equipment to ensure sufficient funds are available for the ongoing replacement of Bunker Suits.**
- 4. City Council approve the donation of obsolete fire fighting equipment currently in Toronto Fire Services Inventory, consisting of 60 bunker suits and helmets, 40 pairs of firefighting boots and 6 Medical Equipment storage bags, which has no resale value in North America, to the Bulgarian Fire Services.**

Background:

The Budget Committee on June 29, 2010, considered a report (June 7, 2010) from the Fire Chief and General Manager, Toronto Fire Services and the Deputy City Manager and Chief Financial Officer, entitled "Toronto Fire Service (TFS) 2010 Capital Project to Replace Firefighter Bunker Suits".

for City Clerk

Merle MacDonald/jsc



STAFF REPORT ACTION REQUIRED

Toronto Fire Service (TFS) 2010 Capital Project to Replace Firefighter Bunker Suits

Date:	June 7, 2010
To:	Budget Committee
From:	Fire Chief and General Manager Deputy City Manager and Chief Financial Officer
Wards:	All
Reference Number:	

SUMMARY

Toronto Fire Service (TFS) has a five-year replacement cycle for firefighter bunker gear. The last replacement was in 2005 for \$3.3 million and was funded by a rotating loan from the Capital Financing Reserve which is repaid in annual instalments over the five year lifecycle from Fire Services' operating account FR0019, 6020 – Contributions to Reserves.

The same financing mechanism is proposed again; however, it is to include the creation of a capital project that would record the acquisition of the suits and show the funding source as a contribution from the Capital Financing Reserve resulting in no debt impact to the approved 2010 Fire Services Capital Program. Repayment of the loan would continue by means of the same operating account, which has 2010 base funds of \$0.655 million budgeted for that purpose.

RECOMMENDATIONS

The Fire Chief and General Manager, Toronto Fire Services recommends that:

1. City Council approve the creation of an in-year Capital project with Fire Services for the acquisition of Bunker Suits in the estimated amount of \$5.0 million with offsetting funding from the Capital Financing Reserve, which will be repaid by contributions from Fire's Operating budget over a five-year period.
2. Future required acquisitions of Bunker Suits be included as part of Fire Services' submission for the 2011 to 2020 Capital Plan;

3. A funding strategy be developed and reviewed as part of the 2011 Budget Process that would include the viability of annual operating budget contributions from Fire Services to the Vehicle Reserve - Fire Equipment to ensure sufficient funds are available for the ongoing replacement of Bunker Suits.

Financial Impact

Since amalgamation, for the past two acquisitions of bunker suits, the City has used the Capital Financing Reserve as the acquisition financing source with funding in the Fire Services' base operating budget used as a repayment to the reserve over the 5-year period equal to the life cycle of the bunker suits. Fire Services has now issued a request for proposal to purchase (RFP) 3,800 new bunker suits for firefighters. This includes an initial order of 2,800 bunker suits plus 200 bunker suits per year over 5 years for new recruits and suits damaged beyond repair. It is recommended that the initial order of 2,800 suits be capitalized while suit replacements and suits for new recruits will continue to be expensed through the operating budget.

Based on previous price submissions and cost escalations from the last acquisition in 2005, a capital project estimated at \$5.0 million gross and zero debt to be funded from the Capital Financing Reserve is being recommended. Due to the proposal process, the actual cost cannot be determined at this time, however, it is expected that the actual cost will be in the range of \$3.5 to \$5.0 million. The last acquisition in 2005 included pricing for cleaning and maintenance, this new RFP will only address the acquisition of bunker suits. A further separate request for quotations (RFQ) will be issued in 2011 for cleaning and maintenance. By separating the RFP for bunker suits and RFQ for cleaning and maintenance more advantageous pricing should be achieved.

Since 2005, the Capital Financing Reserve repayment schedule has been based on a 5-year repayment cycle with applied annual interest of 4.5%. The current annual loan repayment is \$0.655 million, based on an original 2005 expenditure of \$3.273 million. For the new acquisition of 2,800 suits, based on a 4% interest rate and a 5-year payback, the operating impact to replenish the reserve is estimated to be in the range of \$0.7 million to \$1.1 million per year. The actual revised repayment schedule will be based on the results of the winning bid and current corporate financing arrangements. If the winning bid reflects a favourable price then the operating impact will either be zero as contributions to replenish the reserve remain constant or will reflect a savings over current contributions. However, any repayment to the reserve over the existing base budget of \$0.655 million would be a pressure on the 2011 Operating Budget. With a cost of up to \$5.0 million, the pressure on the operating budget may be up to \$0.378 million to start replenishing the reserve. Any pressure will be included as necessary in the 2011 Operating Budget submission.

In addition, Fire Services has \$0.520 million in the base operating budget to fund bunker suit maintenance, repair, cleaning, as well as replacement and new suits for recruits. A separate RFQ for cleaning and maintenance will be issued and it is currently anticipated that there will likely be no resulting operating budget pressure. Operating impacts will be clarified as part of the 2011 Operating Budget process.

It is recommended that future bunker suit acquisitions be planned capital projects and that a revised financing strategy be developed.

The Deputy City Manager and Chief Financial Officer has reviewed this report and agrees with the financial impact information.

DECISION HISTORY

The existing contract for supply and maintenance of firefighter protective clothing was authorized by means of Community Services Committee Report No. 6, Clause 4 by Council at its meeting of July 19, 20 and 21, 2005, and will end in November 2010.

ISSUE BACKGROUND

TFS has issued an RFP for a new contract for the purchase of 3,800 bunker suits including subsequent purchases of replacements for damaged suits and new suits for recruits (approximately 200 annually), for a five-year term to be in place by January 2011. In order for the bunker suits to be acquired by January 2011 an estimated manufacturing lead time of 4 months is required which requires contract award by August 2010. A separate RFQ for cleaning and maintenance will be issued later in 2011.

The RFP and RFQ are developed to ensure compliance with the Canadian General Standards Board (CGSB) and the National Fire Protection Association (NFPA) standards related to firefighter protective clothing and to maintain a program of care and inspection implemented in 2001.

COMMENTS

Bunker suits are the main protective gear worn by firefighters in the performance of their duties and at all times during calls. The gear is exposed to hazardous materials and extreme conditions as well as wear and tear. The lifespan of a suit consequently has been established to be five years. The current batch of suits was purchased in 2005 and is due to be replaced by the end of 2010.

Each firefighter has his/her own bunker suit, as well as one back-up suit; the back-up suit is the previously replaced suit and is used when the primary suit is wet, being repaired or being cleaned. The current suits will become the back-up suits.

The internal financing from the Capital Financing Reserve for the 2010 acquisition and subsequent repayment to the reserve is the same financing mechanism Council approved in 2004 for the lease buyout arrangement of the initial fire suit purchase in 2002. Future bunker suit acquisitions will be planned capital projects with a revised financing strategy to be developed.

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SIGNATURE



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