

Budget Adjustment Request – Capital Project P.02379 Fire – Major Apparatus Replacement Aerial

ISSUE

This report seeks City Council's approval for a budget adjustment to provide for the full cost of a new Aerial Apparatus (Aerial).

RECOMMENDATION

That the Standing Policy Committee on Planning, Development and Community Services recommend to City Council:

1. That a budget increase to Capital Project P.02379 Fire-Major Apparatus Replacement, for an Aerial, in the amount of \$161,000 be approved; and
2. That the budget adjustment be funded from the Fire Apparatus Reserve.

BACKGROUND

Capital Project P.02379 Fire-Major Apparatus Replacement provides for the replacement and refurbishment of major firefighting apparatus used by the Saskatoon Fire Department (SFD). This project includes fire engines, aerials, rescue trucks, hazardous material units, brush and tanker trucks, and the Emergency Management Organization's mobile command unit. This project is funded by the Fire Apparatus Reserve (Reserve). The Reserve receives annual funding of \$1,217,300 and has a current balance of \$773,135. In 2021, \$1,900,000 was approved for the replacement of an Aerial, replacing the existing 1998 Aerial.

An Aerial is necessary to meet National Fire Protection Association (NFPA) 1710 deployment standards for structure fires. Aerial operations are necessary for rescues at heights of trapped individuals and supports operational objectives with master stream capabilities to mitigate fire incidents.

DISCUSSION/ANALYSIS

A replacement Aerial Request for Purchase (RFP) was issued late in 2020, and an agreement with the successful bidder was accepted on December 10, 2020. The tender yielded only three responses. The final price of the accepted tender was \$2,060,279, which is \$160,279 over the approved budget.

The key contributors of the higher than expected cost were inflation and COVID supply chain issues. In the past, apparatus inflation increases averaged 5% per annum. However, at the time of the acceptance (December 2020), the COVID pandemic affected the price of fuel, aluminum, steel, electronics and caused shortages of transmission control modules, computer hardware, and wiring harnesses, increasing the final apparatus cost. Additionally, manufacturers struggled with health regulations, plant

shutdowns, and employee shortages; all COVID related. As a result, the manufacturer's apparatus build time increased from 10-12 months to 16-24 months.

C03-036 Multi-Year Business Plan and Budget Policy states, "Prior City Council's approval is required to over-expend previously approved capital projects where the anticipated over-expenditure exceeds \$100,000 and cannot be balanced by other components within the same capital project." The additional \$161,000 of funding required for the Aerial was anticipated to come from another component within this project when the tender was awarded. It has since been determined that allocating funding from another component would result in insufficient funds to purchase future replacement fire apparatus. Today, the lingering affects of COVID and inflation increases remain significant factors. Forecast discussions, with three potential manufacturers, predict the 2023 inflation increase is expected to be 15-25%. The SFD will continue to work with suppliers, review specifications, and review the City's procurement approach to minimize the cost of future purchases, as much as possible, while ensuring the equipment meets the City's needs.

FINANCIAL IMPLICATIONS

There are sufficient funds in the Reserve to provide for the requested budget adjustment. However, the Reserve is insufficient to provide for the long-term large apparatus replacement needs. Beginning in 2018, the contributions to the Reserve have increased by \$75,000 annually, as a phased-in approach, to address the shortfall. This increase is expected to continue for at least the next five years and will be assessed on an annual basis.

The importance of apparatus replacement has increased since 2018. The SFD has seen a 42% increase in incidents over the last five years. This increase directly affects the lifespan of apparatus. The City's purchase of Fusion's Enterprise Asset Management (EAM) affords the SFD opportunities to better document an asset's lifecycle. The SFD, using EAM reporting, will be better equipped to monitor and adjust maintenance practises based on the repair and usage history of each apparatus. The SFD will continue to work with finance to ensure required funding is in place for a sustainable apparatus replacement program.

OTHER IMPLICATIONS

There are no privacy, legal, social, or environment implications identified.

NEXT STEPS

Complete an analysis on the sufficiency of the Reserve and include any identified Reserve contribution increase in the 2023/2024 Preliminary Business Plan and Budget.

Report Approval

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