



Report to: General Committee

Meeting Date: January 18, 2016

SUBJECT: Fire Apparatus Capital Budget Overrun
PREPARED BY: Veronica Siu, Senior Business Analyst

RECOMMENDATION:

- 1) That the report entitled “Fire Apparatus Capital Budget Overrun” be received; and
- 2) That the net shortfall in the amount of \$143,832.70 resulting from US dollar exchange fluctuations for the purchase of the tanker and pumper apparatus (account 057-6150-14231-005) be funded from the Life Cycle Capital and Replacement Reserve Fund; and
- 3) That the net shortfall in the amount of \$233,579.23 resulting from US dollar exchange fluctuations for the purchase of the aerial apparatus (account 057-5350-13403-005) be funded from the Development Charges Reserve; and
- 4) That Staff be authorized and directed to do all things necessary to give effect to this resolution.

PURPOSE:

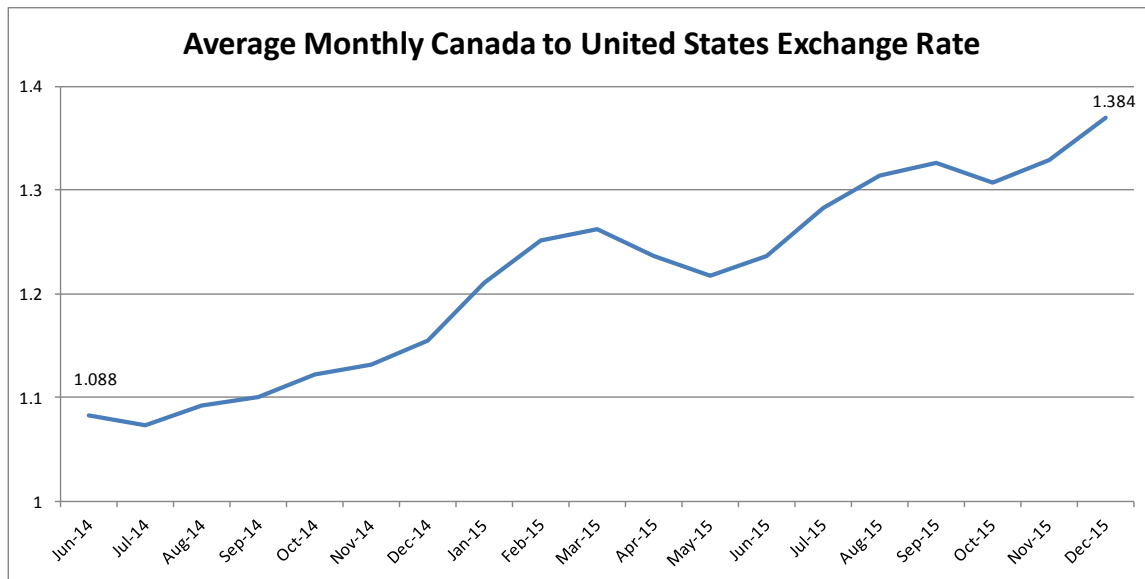
In accordance to the Capital Budget Control Policy (#8 Requesting additional funding for an approved capital project) and Expenditure Control Policy (section 6.03 Capital Overrun), Council approval is required for use of funds to cover capital overruns that exceed \$100,000.

The purpose of this report is to obtain Council Approval to fund the capital overruns for the 053-S-14 award of Fire apparatus as a result of US dollar exchange fluctuations.

BACKGROUND:

In June 2014, Council approved the award of a pumper, a tanker and an aerial for the total amount of \$1,893,133.88 USD (see appendix 1). The award included a US dollar exchange rate of 1.088, which converted the award amount to \$2,060,108.29 in Canadian dollars.

These units are delivered to the City over a one year timeframe due to their build cycle. Partial payment is made at the time when the cab and chassis are delivered for assembly (approximately 6 to 9 months after award) and final payment is made upon delivery of the completed unit (approximately 6 months to 8 months after delivery of the cab and chassis). The City received final delivery of the tanker in June 2015, the pumper in October 2015 and the aerial in December 2015.



As illustrated in the table above, the Canada to US exchange has increased dramatically since June 2014. The foreign exchange rate for the three pieces of equipment at the time of payment averaged 1.288 while the award was based on a rate of 1.088. As a result, this difference contributed to a capital overrun of \$377,411.93 in Canadian Dollars.

FINANCIAL CONSIDERATIONS AND TEMPLATE: (external link)

The table below shows the impact of the US dollar exchange rate increase by unit:

		a	b	c	d = a x b	e = a x c	f = d - a
	Project #	US\$ Award Price (in Council Report)	Exchange Rate at Time of Award	Exchange Rate at Time of Payment	Total in CDN \$ based on Exchange at Time of Award	Total in CDN \$ based on Exchange at Time of Payment/Actual Paid	Variance
Tanker	14231	247,465.06	1.088	1.182	269,291.48	292,597.15	-23,305.67
Pumper	14231	597,211.12	1.088	1.290	649,885.14	770,412.17	-120,527.03
Sub-Total Project 14231		844,676.18	1.088	1.258	919,176.62	1,063,009.32	-143,832.70
Aerial	13403	1,048,457.70	1.088	1.311	1,140,931.67	1,374,510.90	-233,579.23
Total		1,893,133.88	1.088	1.288	2,060,108.29	2,437,520.22	-377,411.93

It is recommended that the net shortfall in the amount of \$143,832.70 resulting from the US dollar exchange fluctuation for the purchase of the tanker and pumper apparatus (account 057-6150-14231-005) be funded from the Life Cycle Capital and Replacement Reserve. And the net shortfall in the amount of \$233,579.23 resulting from the US dollar exchange fluctuation for the purchase of the aerial apparatus (account 057-5350-13403-005) will be funded from the Development Charges Reserve.

HUMAN RESOURCES CONSIDERATIONS

Not applicable

ALIGNMENT WITH STRATEGIC PRIORITIES:

Not applicable

BUSINESS UNITS CONSULTED AND AFFECTED:

Not applicable

RECOMMENDED BY:

X 

Joel Lustig
Treasurer

X 

Trinela Cane
Commissioner, Corporate Services

ATTACHMENTS:

[Appendix 1: Council approved report titled “053-S-14 Supply and Delivery of Fire Apparatus”](#)