

# Report to Council



**Date:** November 2, 2015  
**File:** 0610-50  
**To:** City Manager  
**From:** Jeff Carlisle, Fire Chief  
**Subject:** Report to Council - Engine 2 RFP  
Report Prepared by: Fire Chief Jeff Carlisle

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## **Recommendation:**

THAT Council approves a 2015 capital budget amendment increasing the \$730,000 budget for the end of life cycle replacement of Engine 2 by \$50,000 to a total of \$780,000 with funding from the Fire Equipment Replacement reserve;

## **Purpose:**

To obtain Council's approval, for a 2015 Capital Budget amendment due to the further devaluation of the Canadian dollar as compared to the American dollar and the required replacement cost of Fire Engine 2.

## **Background:**

At the regular Council meeting on March 25, 2015, staff advised Council that the strengthening American dollar in comparison to the Canadian dollar is having a serious impact on the cost of emergency vehicles. During the period of June 2014 to March 2015 the cost of a fire engine has increased by approximately 22% and as such Council approved a capital budget amendment increasing the current budgeted amount from \$600,000 to 730,000. It is important to note that the majority of Canadian manufacturers obtain the major components for fire engines from American suppliers.

From the time between the capital budget amendment approval in March of 2015 and the Request For Proposal (RFP) closing date of August 20<sup>th</sup>, the Canadian dollar has declined by another 6.1%:

March 25<sup>th</sup>, 2015 Exchange Rate: \$1.2475

to

August 20<sup>th</sup>, 2015 Exchange Rate: \$1.3233

This has again created a shortfall due to the declining exchange rate, therefore increasing the cost of the emergency vehicle by approximately \$50,000.

The preferred vendor as evaluated by KFD and the Purchasing Department has provided two payment options:

- Option 1: Total purchase in Canadian Dollars
- Option 2: Combination of Canadian and U.S dollars

Both of these options have been evaluated by Financial Services and Option 2 is recommended as the most cost efficient procurement method.

To arrive at this recommendation, Financial Services conducted a market survey of the Canadian dollar and its projected values. This survey included data from 6 (six) of the top Canadian banking institutions. The Canadian dollar is forecasted to continue to fluctuate for the remainder of 2015 and into 2016 with a worst case scenario being an exchange rate projected at \$1.38 in Q4 2016. Considering the payment for the completed apparatus will occur sometime in late 2016, Option 2 is recommended.

It should be noted that the fluctuating Canadian dollar is creating challenges for other city departments and as such Financial Services is developing a Corporate Financial Strategy to manage these exchange rate challenges in order to mitigate risk impacts to the City.

**Internal Circulation:** Deputy City Manager  
Director of Financial Services  
Fleet Services Manager

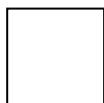
**Considerations not applicable to this report:**  
**Legal/Statutory Authority:** N/A  
**Legal/Statutory Procedural Requirements:** N/A  
**Existing Policy:** N/A  
**Personnel Implications:** N/A  
**External Agency/Public Comments:** N/A  
**Communications Comments:** N/A

Submitted by:

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J. Carlisle, CFO, MA, CD  
Fire Chief, Kelowna Fire Department

Approved for inclusion:



P. Macklem, Deputy City Manager

## SCHEDULE A

**KELOWNA FIRE DEPARTMENT**  
**Fire Equipment Capital Reserve Plan 2014-2035**  
**As of October 27, 2015**

	Replacement Cost (w/ inflation factor)	Appropriation from Reserve (Payment Year)	Contribution to Reserve	Interest	Reserve Balance
					\$1,507,116
<b>2014</b> Rescue 1	\$706,000				
<b>2015</b> Engine 2	\$780,000		\$400,000	\$45,213	\$1,952,329
ATV w/trailer	Taxation+				
<b>2016</b> Bush Truck 4	\$140,454	-\$1,766,908	\$500,000	\$58,570	\$743,991
Bush Truck 7	\$140,454				
Engine 4	\$810,000				
Engine 7	\$530,604				
<b>2017</b> Tender 4	\$324,730	-\$1,340,604	\$600,000	\$22,320	\$25,707
<b>2018</b> No Purchase	\$0	-\$324,730	\$700,000	\$771	\$401,748
<b>2019</b> Tender 1	\$337,849	\$0	\$800,000	\$12,052	\$1,213,801
<b>2020</b> Engine 3	\$804,080	-\$337,849	\$800,000	\$36,414	\$1,712,366
<b>2021</b> Engine 8	\$585,830	-\$804,080	\$800,000	\$51,371	\$1,759,657
<b>2022</b> Bush Truck 3	\$158,174	-\$744,004	\$800,000	\$52,790	\$1,868,443
Engine 1	\$896,319				
Ladder 2	\$1,075,583				
<b>2023</b> No Purchase	\$0	-\$1,971,903	\$800,000	\$56,053	\$752,593
<b>2024</b> No Purchase	\$0	\$0	\$800,000	\$22,578	\$1,575,171
<b>2025</b> No Purchase	\$0	\$0	\$800,000	\$47,255	\$2,422,426
<b>2026</b> No Purchase	\$0	\$0	\$800,000	\$72,673	\$3,295,099
<b>2027</b> Rescue 1	\$931,552	\$0	\$800,000	\$98,853	\$4,193,952
Engine 2	\$923,635				
Engine 4	\$923,635				
<b>2028</b> Bush Truck 1	\$178,130	-\$2,956,952	\$800,000	\$125,819	\$2,162,819
<b>2029</b> Engine 5	\$1,029,589		\$800,000	\$64,885	\$3,027,703
Engine 9	\$686,393				
<b>2030</b> ATV	\$30,201	-\$1,746,183	\$800,000	\$90,831	\$2,172,351
<b>2031</b> Bush Truck 4	\$189,033	-\$378,065	\$800,000	\$65,171	\$2,659,457
Bush Truck 7	\$189,033				
<b>2032</b> Bush Truck 5	\$192,813	-\$192,813	\$800,000	\$79,784	\$3,346,427
Engine 3	\$1,019,768				
<b>2033</b> Engine 7	\$742,974	-\$1,019,768	\$800,000	\$100,393	\$3,227,052
<b>2034</b> Engine 7	\$1,136,750	-\$742,974	\$800,000	\$96,812	\$3,380,889
Ladder 1	\$1,818,800				
<b>2035</b> No Purchase	\$0	-\$2,955,550	\$800,000	\$101,427	\$1,326,766

\* Actual purchase of apparatus (excluding bush truck) occurs 1 year after RFP.

+ Based on City of Kelowna policies any new equipment purchased comes from taxation. Bush Truck 5 and Engine 5 are dependent on the opening of the new Station #5.

† 2% Inflation rate used compounded annually included in the value of the apparatus.