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Council-In-Committee Meeting – April 12, 2022

Subject: Demers Ambulance Budget Schedule
Report Number: CAO-22-045
Division: Chief Administrative Officer
Department: Paramedic Services
Purpose: For Decision

Recommendation(s):

THAT the 2022 Capital Budget be amended to approve the capital projects for ambulance replacements scheduled in the 2022-2031 Capital Plan in 2023 (7532301 and 7532302) and 2024 (7532404 and 7532405) to allow staff to initiate spending as outlined in this report;

AND THAT staff be directed to order 2023 ambulances (2) immediately upon resolution, and that 2024 ambulances (2) be ordered in December 2022;

AND FURTHER THAT the contribution for the EMS Vehicle & Equipment Reserve be increased in the 2023 Budget to ensure the reserve will be within a positive position for the 10-year forecast;

AND FURTHER THAT Council permit a sole source procurement as outlined in Norfolk County Purchasing Policy CS-02, section 4.8.5 with Demers Ambulance as the sole certified provider of ambulances in Ontario.

Executive Summary:

Due to ongoing delays for vehicle components, ambulance procurement processes have changed, resulting in early order requirements and mandatory deposits. As such, Paramedic Services is requesting amendments to capital project ambulance replacements for 2023 and 2024 to address the situation in order to ensure that safe vehicles for emergency response are procured in a timely fashion.

Discussion:

Demers Ambulance is the sole certified provider of ambulances in Ontario. Due to extensive microchip and electrical system delays, ambulance chassis ordering processes changed in late 2021 across the entire province. Paramedic Services are now required to provide the vendor a thirty percent (30%) deposit on the vehicles

expected, prior to ordering the chassis. In addition, the procurement and supply delays may result in 12 to 18 month waiting periods for ambulance provision after order.

The two ambulances required for replacement in 2022 were ordered in late 2021 and are expected by fall of 2022, so this year is not affected. Staff are recommending that the ambulances for replacement in 2023 (two in total) and 2024 (two in total) should be ordered in 2022, so that these significant delays have a lesser impact to operations in Paramedic Services. Ambulance vehicles in Norfolk County are currently on a seven (7) year replacement schedule, whereas most of the province is on a five (5) year replacement. Delaying these replacements further will increase maintenance costs and has the potential to cause significant safety risks to paramedics and patients.

The ordering of these four vehicles this year would require the movement and opening of capital projects 2023 (7532301 and 7532302) and 2024 (7532404 and 7532405) in order to provide the vendor with the required deposit for the vehicles. Deposit per vehicle is expected to be in the \$55,000 to \$65,000 range depending on chassis pricing at time of order, and is included in the total budget allotted for each vehicle currently in capital budget forecast.

Financial Services Comments:

The 2022-2031 Capital Plan contains allocations in 2023 and 2024 for the planned replacement of four (4) ambulance vehicles totaling \$940,000. \$900,000 is related to the vehicle chassis components and \$40,000 is related to equipment required for the vehicles which is provided from a separate vendor. Based on the details provided within this report, a 30% deposit on the vehicle chassis for the four projects identified would potentially be required before the end of 2022 totaling \$270,000. If Council approves the acceleration of the affected Capital projects, a Capital Budget amendment will be required to move project budgets from 2023 and 2024 to 2022.

Funding for all four projects is the EMS Vehicle & Equipment Reserve, therefore moving these projects forward will have an impact on projected reserve balances as internal policy dictates that reserve forecasts are developed on a commitment basis, which requires the full project budget to be recorded as a commitment in the year the project is initiated. This supports long-term financial sustainability, as it ensures that initiated projects are not relying on future reserve contributions, which have not yet been made, to bring the project to completion.

Revised 5-year EMS Vehicle and Equipment Reserve Forecast is shown below in Table 1 using the typical commitment basis.

Table 1: Revised EMS Vehicle & Equipment Reserve Forecast (Commitment Basis)

| | Approved Budget | Projected Reserve Balances (revised) | | | | |
|----------------------------------|-----------------|--------------------------------------|-----------|-----------|-----------|-----------|
| | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 |
| Opening Balance | 102,855 | 400,661 | (600,439) | (213,739) | 75,861 | (74,039) |
| Levy Contributions | 500,900 | 520,900 | 621,700 | 651,600 | 674,100 | 696,600 |
| Capital Commitments | | (1,522,000) | (235,000) | (362,000) | (824,000) | (813,000) |
| Capital Actuals (2021 unaudited) | (203,093) | | | | | |
| Closing Balance (projected) | 400,661 | (600,439) | (213,739) | 75,861 | (74,039) | (190,439) |

It should be noted that in Table 1, based on the changes in the timing of the capital commitments, the projected reserve balances have moved into a negative position in the forecast period. The requirement for reserves to remain in a positive position is formalized in Policy FS-06 Capital Program: Budget Preparation and Monitoring, which states that “the reserve funds affected by capital expenditures remain in a positive position for the term of the forecast.”

Therefore, moving up the commitments in the plan, without adjusting the reserve contributions will not align with the requirements in Policy FS-06. Financial Management and Planning staff recommend only moving forward with the amendment if a commitment is also made to approving the required increase in the reserve contribution for 2023, to ensure only a temporary departure from the policy.

Based on the capital requirements from the Approved 2022-2031 Capital Plan, it is recommended the reserve contribution be further increased by approximately \$213,800 in the 2023 budget, due to the changed timing of commitments from this reserve. The impact of this increased contribution has not been demonstrated in Table 1 above.

This will bring the reserve into a position where it is no longer over-committed within the 10-year forecast period, and will ensure continuance of the positive strides on long-term financial sustainability for reserves, which have been made over the last few years.

Interdepartmental Implications:

Purchasing Services has reviewed the report and advise that Norfolk County Policy CS-02, Section 4.8.5 requires all sole source procurements to be authorized prior to the purchase through resolution of Council. Sole source supply is defined where there is only one available Supplier for the required goods or services and Paramedic Services staff have indicated that Demers Ambulance is the sole provider in Ontario.

Finance and purchasing.

Consultation(s):

Meeting was held with finance, purchasing and Paramedic Services to determine process moving forward. COVID-related delays projected to last through 2023, as per manufacturer/vendor.

Strategic Plan Linkage:

This report aligns with the 2019-2022 Council Strategic Priority "Focus on Service". "Build and Maintain Reliable, Quality Infrastructure".

Explanation:

Ensuring emergency vehicles are replaced in a timely manner to ensure safe, effective and efficient medical response across our community.

Conclusion:

In order to address significant delays in ambulance manufacturing, ordering annual capital vehicle ambulances early for 2023 (April 2022) and 2024 (December 2022) are necessary steps in order to facilitate replacement of these emergency vehicles in a timely fashion. The initiation of a mandatory deposit for placing ambulance chassis order requires the opening of capital budget projects early (2022).

Attachment(s):

- NIL

Approval:

Approved By:
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