80/20 Cost Analysis of Operating the Sparks Fire Department

Utilizing the Reno Fire Department Labor Contracts[1]

Background:

On 5/20/2010 the Sparks City Manager requested a cost analysis of operating the Sparks police and fire departments using labor contracts from the City of Reno. This report reflects the financial and operational impacts of delivering fire services under the provisions of the Reno fire department labor contracts. The level of detail requested was 80-20 (i.e., 80% financial analysis, 20% narrative analysis for conceptual issues, or issues for which insufficient data exist).

Assumptions and Exclusions:

- The comparison is based on labor agreements as they would exist on 6/30/2010. An estimated value of tentatively agreed upon concessions within Sparks contracts is provided at the end of the analysis; the status of RFD concession discussions is unknown.
- The primary cost (typically 80+%) of fire departments reside in their operations/suppression budgets, and typically 80+% of those budgets are personnel costs directly attributed to staffing. For this reason the RFD-SFD comparison is limited to daily staffing costs.
- All personnel costs assume top-step rates. Where pay incentives are available but not all personnel qualify, an aggregated estimate of those incentives has been divided among the workforce to get a baseline hourly and annual cost. Notes in the accompanying spreadsheet denote the specific estimates for each incentive.
- Baseline hourly and annual costs were established using:
    - RFD:
        - Base wage, educational incentive, instructor pay, hazmat pay, EMS pay, stand-by pay, longevity pay, holiday pay, and uniform allowance.
    - SFD:
        - Base wage, educational incentive, special teams pay, stand-by pay, longevity pay, holiday pay, and uniform allowance.
- Employee benefits are largely similar for the primary costs (e.g., PERS, CDS, Medicare). For this reason, and lack of detailed data on some of the different benefit costs for RFD (e.g., Term life insurance benefit, cost of dependant health care coverage) employee benefits are not included in this analysis given the 80-20 criteria. It is highly recommended that specific benefit costs are established prior to any policy decisions. Employee benefits for fire suppression personnel are roughly 64% of salaries and wages (i.e., total cost of employee is 1.64 x salary).
- Sparks Fire Department has done extensive analysis of the utilization rate (UR) of its personnel with respect to staffing. The UR = $\frac{\#\ of\ shifts\ worked\ on\ assigned\ battalion}{\#\ of\ shifts\ assigned\ on\ battalion}$. Fire department UR's are fluid over a fiscal year, but tend to average between the low 80's to the upper 80's; Sparks Fire Department usually ranges from 82%-87%. The lower the UR, the higher the daily operating cost (i.e., shift vacancies are filled at an overtime rate, in addition to the pay status of the person absent for their assigned shift, typically annual or sick leave). A department's UR is largely driven by the composition (i.e., length or segment) of vacancies and the concurrence

[1] This analysis compares labor costs of IAFF 1265 and the Association of Sparks Fire Department Classified Chief Officers with IAFF 731 and the Reno Fire Department Administrators' Association.

(i.e., over-lapping) of vacancies, both of which are influenced heavily by labor contracts and staffing practices. Each department has a unique "break-over" point where a combination of overtime and over-hire personnel is the most cost-effective, which is observed in higher UR's. The Reno UR is presently unknown to Sparks's staff, and is therefore not part of the analysis. As with employee benefits, it is highly recommended that the UR of RFD is established prior to any policy decisions.

- Closely related to UR is the overall amount of overtime expended as compared to the base wage expended in a given year. This RFD budget information was not known to Sparks staff at the time of this report, and was therefore excluded from analysis. It is highly recommended that specific overtime costs are established prior to any policy decisions.
- Although RFD has an emergency overtime pay rate of 2.1 of base rate, as compared to 1.5 of base rate for Sparks, the frequency of applying this pay rate, and therefore its financial impact, was unknown and excluded from this analysis.
- The annual leave accrual rate for RFD is about 9% higher than SFD. Without more data on the composition of the RFD workforce it is not possible to put an accurate dollar amount on this issue and it has been excluded from the analysis. It will certainly increase labor costs compared to the existing SFD accrual. A rough estimate using a top-step Fire Apparatus Operator (mid-rank) would be an additional $798.63/year/employee. At 80 personnel this represents an additional $63,890.40.

Findings:

Application of the RFD labor contracts onto the existing Sparks Operations Division results in a 47% increase in daily and annual operating costs, or an additional $2,738,312. The single largest segment of this increase is the minimum 4-person staffing provision in Article 46 of the IAFF 731 contract, as compared to Sparks minimum 3-person staffing. When companies are compared with equal numbers of personnel, there is about a 15% increase in labor cost using the RFD contract.

Application of the RFD labor contracts onto our existing Division Chief and Battalion Chief positions reflect 8% and 18% cost increases, respectively. There is significant room for error in this comparison based on recent publication of RFD annual earnings in the $200k+ range.

If the tentatively approved concessions from Sparks Fire Department personnel (roughly estimated at $720,000) are applied to this analysis, the net difference in annual operating cost increases to $3,458,312.

To offset the increase in labor cost, the following reductions, or reductions of similar dollar value, would be required:

- Loss of the Fire Chief, Division Chief of Administration, Confidential Secretary, Office Specialist.
- Loss of the Division Chief of Operations, three (3) Battalion Chiefs.
- Loss of the Division Chief of Training, two (2) Training Captains.
- Loss of the Fire Marshal, four (4) Fire Inspectors.
- Loss of one of seven (7) companies previously protecting Sparks.

In reality this combination of reductions is not possible. The span of control for an RFD Battalion Chief is already at maximum and the addition of six (6) additional companies under their command is unacceptable. Additionally, Article 46, Staffing Levels, in the Reno Fire Department Administrators' Association contract states that, "Whenever the City increases the number of companies or geographical areas covered by the line Battalion Chiefs they agree to negotiate the impacts to the bargaining unit members."

At best any reductions based on efficiency or duplication of services would be limited to the loss of the Fire Chief and the Division Chief of Operations, leaving an annual operating cost increase of about $3.1 million. This would have to be reconciled within the Operations Division through a reduction in companies within Sparks. At an RFD annual operating cost of $1.16 million/4-person company, and given the minimum staffing limitation, Sparks would, in addition to the loss of its Fire Chief and Division Chief of Operations, reduce its daily engine company coverage from seven (7) apparatus to four (4) apparatus.

As established in recent budget presentations to the City Manager and City Council, the SFD is currently at minimum adequate staffing and maximum average response time to change outcomes for fire and medical emergencies.