



CITY OF KIRKLAND

Fire & Building Department

123 Fifth Avenue, Kirkland, WA 98033 425.587.3000

www.ci.kirkland.wa.us

MEMORANDUM

To: Dave Ramsay, City Manager

From: Jeff Blake, Fire Chief
Jack Henderson, Deputy Fire Chief

Date: September 19, 2008

Subject: Fire overtime status & strategies – White Paper

This report will cover:

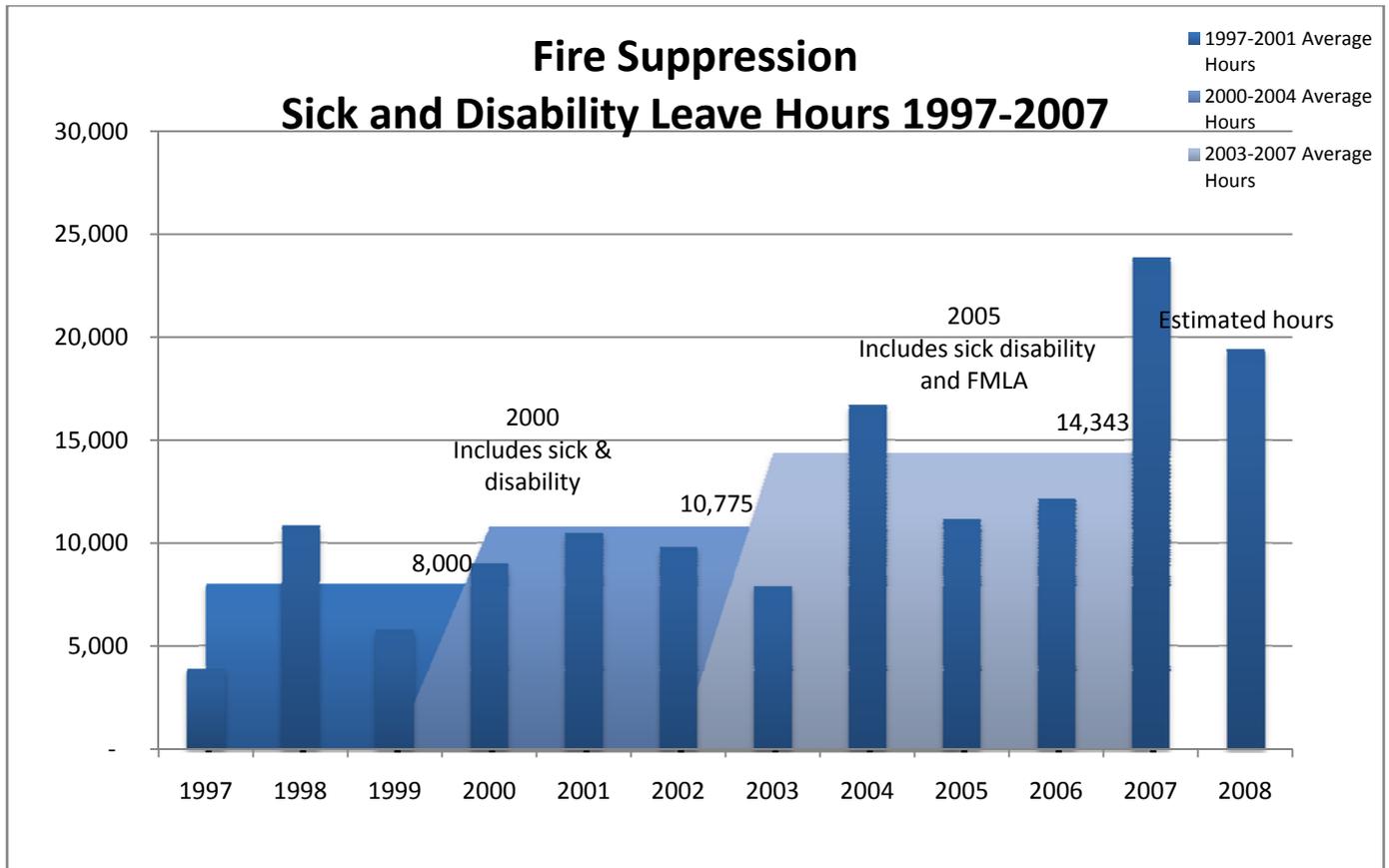
- Fire Department Overtime Status
- Question: Will hiring FTEs reduce overtime?
- Overtime and the Impacts of Negotiated Benefits
- Monthly statistics for Finn Hill (station #24) overtime.
- Strategies to reduce overtime

The Fire Department's 2009/2010 overtime budget (basic budget) was estimated at \$1,479,000. The estimated year end cost for overtime 2008 will be \$1,959,000. Adding Finn Hill Station #24 (\$860,000) for a total of \$2,819,000.

There are several factors that help drive these figures for the 2007/2008 budget. The on and off duty disabilities far exceeded any in the last ten years, see graph below. In 2007 alone we had 17,060 hours of disability leave compared to an average over the previous 10 years of 7,636 hours, a 2.25 times increase above the 10 year average. Also in 2007, sick leave exceeded the previous "normal" usage; an average of 3,666 hours was used in the previous 5 years. The 2007 sick leave hours were 6,124, which represents a 1.67 times the average. There were days when we had up to 9 people off on anyone day due to the flu going through the stations. 2008 has had fewer disabilities, to date, however we are in a close "pace" with 2007 in overall Sick Leave usage.

Unfunded Family Medical Leave use was consistent with previous years at a cost of approximately \$30,000. During the budget process, we prepared a service package to increase our overtime budget to cover the use of family medical leave; ultimately it was decided to not fund the service package and therefore when we had the use of family medical leave we incurred overtime costs for shift coverage.

In the chart below, we show the hours for each year and a five year average using a two year overlap; to show how much our average has grown in the last eleven years.



The number of personnel off per day for Kelly Days increased to 4 off per day nearly every day as opposed to 3 off per day with an occasional 4th off. This was caused by both the workweek reduction and the hiring of firefighters for the Totem Lake medical aid unit. The work week reduction, in the 2005 -07 IAFF contract, had a greater impact than expected; this was due to the staffing ratio changing because of the additional time off. The following chart shows the number of personnel off per day on Kelly Days (work week reduction time off) and as you can see we have very few days left before we will need to be at five off per day on some days.

| Shift | Monday | Tuesday | Wednesday | Thursday | Friday | Saturday | Sunday | # of FF's per shift |
|-------|--------|---------|-----------|----------|--------|----------|--------|---------------------|
| A | 4 | 2 | 4 | 4 | 4 | 4 | 4 | 26 |
| B | 4 | 3 | 3 | 4 | 4 | 4 | 4 | 26 |
| C | 4 | 1 | 4 | 4 | 4 | 4 | 4 | 25 |

One Shift, "C" shift, has one less firefighter (25 personnel) than the "A" & "B" shifts (26 personnel each) and will have more overtime than the other shifts (see above graph). Each shift works approximately 122 shifts per year and "C" shift had 109 shifts of overtime in 2007 due to this one person shortage. North Finn Hill overtime staffing exceeded our budget by approximately \$50,000; in part this may have been due to the change in the average hourly overtime costs of a shift. During the previous contract negotiations, an average hourly overtime cost was developed. This number did not get updated in our budget process and therefore we are under budgeted for this staffing. The change over the last three years in the overtime hourly rate has increased \$10 per hour. This represents approximately \$43,800 and the remainder is most likely due to more officers or top firefighters in an acting position working these overtime shifts.

Question: Will hiring FTEs reduce overtime?

Historically when using overtime to maintain minimum staffing levels there comes a point, in the process, where it is financially more prudent to hire FTEs than continue to pay the overtime. We believe we have reached that point again. By the end of 2010 our department will have ten employees with thirty years or more of Kirkland service and three with twenty seven years of Kirkland service. If a number of these employees retire during this budget cycle the overtime used during the hiring and training process could be significant. The process of hiring /training a new employee can take up to ninety days. For each ninety day period we could see overtime costs of approximately \$44,000; just one or two retirements a year could put a further strain on the City's financial challenges.

The Department has requested three Service Packages for the 2009/2010 budget. The first Service Package is to hire one firefighter to bring "C" shift up to 26 personnel, equal to shifts "A" and "B". Each shift works 121.66 shifts per year (or 122 in all practically). In 2007 having one less person on "C" shift caused the department to use 109 shifts more overtime for "C" shift and 24 more shifts of overtime in the first quarter of 2008. These overtime shifts equal \$194,180. Hiring this one firefighter and having that person "on the line" at the beginning of the second quarter 2009 will save a total of \$45,134, after one time hiring and training cost for 2009.

The second Service Package, request hiring of three firefighters to reduce the overtime for all three shifts. Using 2007 overtime shifts usage; hiring these three firefighters would reduce overtime shifts by 519 shifts for the 2009/2010 budget with a projected savings of \$66,751. This savings would begin with the firefighters coming "on line" the 2nd quarter of 2009, after to training.

The third Service Package request hiring three additional firefighters and as mentioned above this request would be advantageous as long as the overtime usage in 2009/2010 remains close to the usage the 2007/2008 budget cycle. Taking into account possible retirements of senior employees the savings in this case would be projected to be \$68,923.

The following chart shows the Minimum Daily Staffing, number of FTEs to fill staffing, overtime budget and staffing ratio for some of our neighboring departments. Three of the departments have a higher staffing ratio than Kirkland. The hiring of the seven requested positions would give the department a staffing ration of 4.66 which is consistent with our staffing ratio formula (see Attachment A) and would still give us a staffing ratio lower than three of our neighbors. The higher the staffing ratio, the less dependent you become on overtime.

| City | Daily Minimum Staffing | Full-time Employees, Suppression | Staffing Ratio | Budgeted Overtime |
|-------------|------------------------|----------------------------------|----------------|-------------------|
| Bellevue | 49 | 201 | 5.025 | 1,482,473 |
| Eastside | 28 | 148 | 5.29 | 600,000 |
| Redmond | 23 | 112 | 4.87 | 402,000 |
| Woodinville | 15 | 60 | 4.00 | 450,000 |
| Kirkland | 18 | 77 | 4.27 | 1,479,000 |

Monthly statistics for Finn Hill (station #24) overtime:

The monthly overtime expenditures for the Finn Hill Station (#24) show an increase of \$24,496 from 2006 to 2007. The figures for a year-to-date increase show from January to July for 2006 to 2007 (\$ 15,246.99) and from 2007 to 2008 (\$ 15,411.34); these increases of overtime expenditures are consistent with the increase in wages & benefits of the Labor contract. We have used an overtime funding of \$350,000.00 from 2005 which has fallen short of the actual expenditure each year, due to not updating the overtime hourly rate.

| MONTH | 2006 | 2007 | 2008 Mid year |
|------------------|---------------------|---------------------|-------------------------|
| January | 33,656.63 | 35,275.74 | 36,758.90 |
| February | 29,213.98 | 36,887.47 | 34,738.66 |
| March | 32,377.15 | 28,923.09 | 37,467.36 |
| April | 31,070.38 | 34,325.56 | 34,724.67 |
| May | 32,927.64 | 34,733.49 | 36,239.50 |
| June | 30,149.90 | 33,143.84 | 36,384.81 |
| <u>July</u> | <u>32,686.46</u> | <u>34,039.94</u> | <u>36,426.57</u> |
| Sub Total | \$222,082.14 | \$237,329.13 | \$252,740.47 |
| August | 32,971.80 | 33,963.88 | |
| September | 31,139.40 | 33,654.24 | |
| October | 32,041.99 | 34,329.15 | |
| November | 31,701.95 | 33,115.96 | |
| December | 32,059.41 | 34,099.42 | |
| TOTAL | \$381,996.69 | \$406,491.78 | \$252,740.47 |

Overtime and the Impacts of Negotiated Benefits

In 2007 and continuing in 2008 the fire department's use of overtime to maintain daily staffing has been significantly over the budgeted or anticipated funding level. I would like to offer a change in perspective on fire department use of overtime funding to meet minimum staffing levels. I challenge you to think from a new position; maybe starting with different questions can begin that process. How can we better manage the costs of daily staffing in the fire department?

- Are negotiated benefits sometimes unfunded liabilities?
- What is our current and potential unfunded liability for sick leave use?
- What is really causing the need for overtime above the budgeted level?
- Are changes in laws leading to higher use of sick/disability leave and therefore driving the overtime funding to new levels?
- Can we control the causes of overtime usage?

Background Information:

The city and firefighter's union have a collective bargaining agreement and have had agreements for many years. As a normal course of business the parties meet to negotiate wages, hours, and working conditions by law. Each of the parties has over the years brought items of interest to the table for potential inclusion in new agreements. Each party evaluates the impacts of proposals as best they can to insure a fair and equitable agreement is reach in the best interests of both parties.

Kirkland is a fiscally conservative organization, which has served it very well for many years. Keeping expenses low while providing a very high level of service has been something we pride ourselves in and we have been recognized for doing such a good job at it. Several changes have come about with respect to the city's ability to produce revenue to support services; initiatives, citizen's expectations, federal and state laws; all have had an impact on the city's current ability to keep revenues and expenditures in balance. 2009-10 is expected to be one on the most difficult budget processes the city has faced.

In the case of providing fire and EMS services and the affects of federal and state laws in providing an expansion of use of sick leave benefits to include immediate and extended families; we are faced with a usage which has been climbing higher over the last decade. There has been a steady growth in use of sick leave and disability benefits; that use is adding to the strain on the city's finances. I want to point out that sick leave (including disability) benefit accruals or maximum limits has not changed in more than 15 years however the use of the benefit has increased as provided by new laws, an aging workforce, and longer recovery time from injuries, etc.

A New Perspective:

What if we looked at negotiated sick leave/disability benefits as financial liabilities?

Could we then ask if we have a funded or unfunded liability in these negotiated benefits?

Looking at sick leave as a liability would be consistent with our past analysis of Long Term Care funding needed for LEOFF I personnel. If we do the same type of analysis for accrued sick leave benefits, we may find an answer to our overtime expenditure concerns. The City evaluated long term care funding needs and took appropriate action to insure funding would be available when the need occurs. The same could be done for sick leave benefits; by setting aside a reserve funding source for when these benefits are used. The funding does not need to reside in our Department's budget as a reserve or contingency.

The department has a maximum sick leave unfunded liability of \$6.75 million; based on all personnel having accrued to their maximum level. With \$1.2 million per year overtime budgeted to respond to the use of all leaves; we do not have the ability to maintain minimum daily staffing levels without going over budget. Based on today's actual accrued sick leave hours we have a liability of \$2.3 million which is partially unfunded.

As best as we have tried to budget for an anticipated use of sick leave/disabilities, we have not been able to adequately forecast its future use. I believe we have an unfunded liability for sick leave benefit use; funding this liability is a short and long term issue that needs to be addressed to reduce the impact on the city's finances.

There may be several options which could be developed to address the unfunded liability for these benefits. This concern appears greater in the fire department because we have minimum staffing in order to meet the established service levels in the community.

Option:

In order to fully address the unfunded liability, Finance could evaluate the financial resources needed to fund the sick leave use liability or a consultant could be hired to conduct the analysis. If we continue to focus on what is causing the use of more sick leave/disability, we will have the same result we have had; higher costs, expenditures above budgets, and frustration in not being able to control the causes. It's not the causes of the use which is the major problem; I'm suggesting it is not having the funding to pay for the sick leave/disability benefit which is the problem.

The bottom line, from my perspective, is we have an unfunded liability which we need to find a way to fund or reduce our level of service to match the funding available. Reduction of service levels has real consequences for both fire and EMS responses. Delaying responses to emergencies leads to lower survival rates for medical emergencies and higher property loss from fire.

I would recommend adding a focus on the issue of overtime funding from the use of these benefits. Even though we have been working to reduce injuries and illness of our personnel, we continue to see an increase in the use. It is my recommendation we do a financial analysis of our unfunded liability for benefits and identify a reasonable means of funding the ever increasing use of accrued benefits. The

least that we can expect to occur from this is a conscious awareness of how big the issue could get, even if a funding source is not found immediately.

Strategies to Reduce Overtime:

The basic options for the reduction of overtime costs in order to maintain fire and emergency medical services in our community are:

- Hire firefighters, in place of overtime costs
- Fully participate in the IAFC/IAFF Health & Wellness program
- Establish a reserve for overtime expenditures in excess of overtime budget
- Reduction of service levels by reducing daily minimum staffing

The City has used hiring of FTE's and additional overtime funding in various combinations in the past, with varying levels of success. Our ability to predict the level of leave use has been our down fall; just when we think we have it right, we don't. This has resulted in an over-expenditure of our budget to maintain our minimum daily staffing level. A variation on this combination would be to fund a portion of our overtime in a different way, by setting aside a reserve fund to address expenditures which are in excess of our budget. Then when we have years with spikes or graduating increased use the funding would be set aside to pay for the costs of services. The costs of providing services does not go away in this option, it only gives you a funding mechanism to pay for it.

A long term strategy to help reduce overtime costs would be to implement a comprehensive health and wellness program for firefighters. The International Association of Fire Chiefs and the International Association of Fire Fighters has developed such a program to address health, wellness and safety in the fire service. Both of the association's goals are to reduce firefighter deaths and injuries; the result of this program is lower overtime costs in the long term. Funding this program is a long term commitment to reducing death and injuries thereby lower operating costs for the city and fire district. Implementing the health and wellness program is much like the budget process we are going through this year, we are looking for changes now that will have a long term effect.

If you want expenditures to match the funding level, then reduction of service is how you would accomplish that. The danger in doing this is that we have an increasing demand for service and would have fewer personnel to respond to emergencies; the outcomes of incidents will result in lower survival rates on medical emergencies and greater property loss from fire. In addition, having fewer firefighters on incidents could result in greater numbers of injuries and disabilities which would have the opposite effect of reducing overtime costs.

The Department's recommendation would be to:

- Hire seven firefighters to reduce total expenditures for maintaining daily minimum staffing levels.
- Under take an analysis of unfunded liability for leave benefits in an effort to determine the best long term solution to rising costs of operations.
- Be cognizant of the impacts of negotiating additional time off.
- Implement the IAFC/IAFF Health and Wellness program to begin the process to achieve long term reduction or cost avoidance of operational costs.
- As a last resort and when all other options have been exhausted, carefully examine the impacts of service level reductions, before making any reductions of this nature.

The following formula is used to determine the number of personnel needed to maintain our minimum daily staffing level.

2009 Staffing Formula

365 days per year x 24 hours per day = 8760 hours per year

8760 hours per year / 3 platoons = 2920 hours per platoon or 121.67 shifts per year.

Total department leave time available = 79040 hours per year

79040.00 total leave time hours / 3 platoons = 26346.67 hours per platoon per year.

26346.67 leave hours / 25.67 positions per platoon = 1026.36 hours per year per person.

1026.36 leave hours per position / 24 hours per shift = 42.77 shifts per employee per year

121.67 shifts per year - 42.77 shifts off duty = 78.90 shifts worked per employee

365 days per year / 78.90 shifts per employee = 4.63 employees per position per year

Number of Personnel needed to staff our units

83.26 employees needed - 77 actual employees = 6.26

6.26 This represents the number of employees needed.