

CONTROLLING COSTS THROUGH STAFF REDUCTIONS AND OTHER OPTIONS

STRATEGIC MANAGEMENT OF CHANGE

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ABSTRACT

In 1999, the City of Red Wing, Minnesota was facing a change in its tax base that would reduce it over the next five year period. Red Wing Fire and Ambulance was directed to focus on reducing staffing while maintaining its service level as much as possible.

The problem was for Red Wing Fire and Ambulance to identify and project the impact of reducing staffing by three personnel both from a financial and service level perspective.

The purpose of this research project was to identify the impact of reducing staff by three over the next five-year period. The impact in terms of costs savings and service level was to be examined.

Using evaluative and historical research methodology, the following questions needed to be answered. First, what are the scope, objectives, and methods of providing a fire safety and emergency medical service delivery system? Second, on the basis of political climate, the economic constraints, and the legal restrictions, what are the realistic set of options that could be implemented in our community?

Research procedures included analyses of peak call loads, fire call types, financial projections and a peer city review. Results were drawn from this analysis and a review of literature by various authors. Results indicated that staffing was appropriate and that a reduction of staff by three would maintain a flat budget from 2000 to 2004 for the fire and ambulance division.

However, recommendations included reducing by one staff instead of three, searching out additional revenue sources and streamlining operational costs. In addition, an annual review of the impact of these actions against budget and service level was recommended.

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INTRODUCTION

The corporate battle cry, "do more with less" rings through many of today's private and public entities. The private sector has led the charge for the past ten years, aggressively re-engineering their companies in an effort to improve market share, reduce costs and improve customer service (Hewitt, 1996). The threat of increased property taxes or loss of tax base has spurred municipal governments to adopt the philosophy of their private counterparts. Citizens are using initiatives and referenda to take legislative matters into their own hands (Bruegman, 1998). Today, government is more accountable to the citizens it serves. People are demanding "results-oriented government" (Rielage, 1995). Focus is on reduction of costs while maintaining or increasing service to the community. In other words, "doing more with less".

Fire departments are not exempt from scrutiny under the economic microscope. As local government leaders are scrambling to cut costs, reduce taxes and increase their reelection potential, fire departments are a logical choice to look at to accomplish these goals (Ornberg, 1992). Career departments are especially vulnerable as they are dealing with the threat of different delivery systems, such as combination paid and volunteer, all volunteer or even privatization.

The impact of this results-oriented philosophy has been staff reductions, major revamping of services, elimination of middle management layers and a "resultant significant change in

the attitude of public servants because of the changes" (Hewitt, 1996, p.70).

In 1999, the City of Red Wing was facing a change in its tax base that would reduce it over the next five year period. As a result, a strategic planning committee was formed to study and identify areas that were out of line with a selected peer city group. Red Wing Fire and Ambulance was one of four areas determined to be higher in cost than the peer city group. The other three areas were General Government, Community Development and the Library. Red Wing Fire and Ambulance was directed to focus on reducing staffing while maintaining its service level as much as possible. The problem was for Red Wing Fire and Ambulance to identify and project the impact of reducing staffing by three personnel both from a financial and service level perspective.

The purpose of this research project was to identify the impact of reducing staff by three over the next five-year period. The impact in terms of costs savings and service level was to be examined.

Beyond considering the mixed bag of advantages and disadvantages, or benefits and costs of our public fire and ambulance service option, the following questions need to be answered:

1. What are the scope, objectives, and methods of providing a fire safety and emergency medical service delivery system?
The scope and level of fire services exert a wide-ranging

influence of fire protection, fire prevention, fire suppression, rescue services, emergency medical care, life support services, and large scale-disaster services.

2. On the basis of political climate, the economic constraints, and the legal restrictions, what are the realistic set of options that could be implemented in our community (Bryan & Picard, 1979, p.41)?

Historical and evaluative research was used to find answers to these questions.

BACKGROUND AND SIGNIFICANCE

In 1997, the Red Wing Fire Department became part of a public safety concept, combining police, fire, emergency management and building code enforcement divisions. Overall coordination for these divisions was given to the Public Safety Director. One year later, the lieutenant position on each shift was eliminated in an effort to reduce costs. Additional cost saving measures were undertaken during this period with the elimination of in-house dispatch by contracting with the county for these services. This eliminated three full-time positions. In November 1998, a new position, Deputy Public Safety Director Fire Division was established to implement policy and procedures, develop programs and provide continuity for day-to-

day operations of the fire department. In June 1999, a 40-hour Administrative Captain position was not filled when a vacancy occurred. Duties for that position were absorbed into the fire department.

Finally, in October 1999, three firefighters accepted 40-hour specialist positions within our department. In addition to augmenting 24-hour shift personnel during the workweek, they were responsible for the following administrative duties:

Inspector Specialist: Responsible for fire code enforcement and works very closely with building official. Ensures that buildings, both old and new comply with all fire codes. Sets up tours for department with local businesses and is available for daytime response. Helps with public education duties.

EMS Specialist: Handles all issues revolving around ambulance service. This includes customer relations, public education, continuing education, quality assurance, recommending equipment purchased and providing input to the Deputy Director on any issue involving the ambulance service. Available for calls if needed.

Training/Preplan Specialist: Coordinates all fire training, public education campaigns and preplan

preparation with the shifts. The position was also created to help with daytime response to help cover if the shifts are busy.

Today, the Red Wing Fire department is a combination fire department consisting of 22 paid personnel that work out of the fire station and 30 volunteers (See Appendix A). In addition to the Deputy Director, there are six people assigned to one of three 24-hour (56-hours/week average) rotating shifts and three people are assigned as specialists to work a 40-hour shift during the normal workweek. Unless at a call or at training, staffing is maintained at a level of 5 personnel, to ensure immediate response to both ambulance and fire calls. Personnel are called back to staff an ambulance only if the on-duty shift is tied up on a call. Volunteers are presently being used to augment the full-time staff at fire calls.

In addition to handling fire suppression, training, public education and inspection duties, paid personnel are responsible for running an advanced life support (ALS) ambulance service. The ALS ambulance service provides a revenue source for the City. The department operates out of one station, covering 43 square miles within the City limits and another 407 square miles in the outlying areas. Most of the outlying response area is limited to ambulance calls. Any fire response in the outlying areas is the result of mutual aid with other departments or township contracts.

Early in 1999, a strategic planning committee was formed to study the affects and feasibility of maintaining a flat tax levy from 2000 to 2004. Brian Peterson, Community Development Director for the City of Red Wing, prepared a *City of Red Wing's Strategic Plan 2000-2004*. This report was adopted by City Council in January 2000. In the report, the fire and ambulance division was one of four areas determined to be higher in a per capita cost when compared to Red Wing's peer cities of Winona, Albert Lea, Hastings, Faribault and Owatonna, Minnesota (Peterson, 2000, P.10).

As a result, City Council directed that workshops be held with them to evaluate the impact of staff reductions on the operation of the fire and ambulance division. The Council Administrator directed that research into the affects of reducing up to three positions be completed for this workshop. The intent was to attempt to determine the number of staff that needed to be reduced to maintain a flat budget.

The problem researched in this paper ties specifically with "Phase I: Analysis" of the Change Management Model which was part of the *Strategic Management of Change* course that is delivered as part of the National Fire Academy's Executive Fire Officer Program. This phase stresses analyzing organizational change requirements. Focus has been on forces originating outside the organization and deal with economic pressures and political issues.

LITERATURE REVIEW

One of the most troubling issues that has confronted the fire service has been accepting change. Many fire service leaders and still more line firefighters still think that all they need do is stay in the station and respond to emergency calls. This thinking is flawed. Fire departments can not be managed the same way as in the past, especially when everything else has changed. "Many departments must refocus their energy and restructure their organization in order to meet the expectations of the public and politicians today" (Hewitt, 1996, p.71). Hewitt (1996) continues by saying fire departments will be re-engineered. If the fire service leaders don't do it, someone else will.

Today's fire protection system contains many components that can be divided into different areas: fire suppression, fire prevention and special services (Coleman & Granito, 1988, p.37). One of the goals of a fire department is to maintain a response capability that is safe and effective. The safety of responders is of utmost importance as they attempt to mitigate hazards (Office of the Legislative Auditor, 1999 p.34). Part of the Occupational Safety and Health Act rule 29CFR 1910.134 states that in order for a firefighter to enter a hazardous environment, they must 1) wear SCBA 2) enter with a partner and 3) have two firefighters with SCBA on stand by just outside the hazard area for any potential rescue of the inside crew. This is commonly referred to the two-in/two-out rule.

The Office of the Legislative Auditor (1999) adds that in today's fire service, fire prevention, investigation, code enforcement and public education are also primary goals of the fire department (p.32).

Special services that fire departments get involved in may include emergency medical services. Alfred Whitehead (1996), President, IAFF states, "Firefighters continue to be the leading provider of prehospital care in the United States. More than 80% of paid fire departments provide some form of emergency medical care" (p.40).

"There is no single "best way" to organize or staff a fire department. The variation between small, medium-sized, and large fire departments is substantial, and the components of a volunteer or combination department differ somewhat from those of a fully paid department" (Coleman & Granito, 1988, p.37).

Fire service managers must be able to show effectiveness and cost efficiency to municipal officials and the public they serve. "Part of this quantifying process is being able to justify the number of employees needed to achieve a designated staffing level" (Maxwell, 1994, p. 85). One must try to determine the point where a shift that provides extensive standby and sleeping time becomes obsolete and ineffectual (Powell & Slota, 1976).

The fire department's image among municipal officials is equally important as its public image. (Granito, 1992). There are questions officials ask and fire departments must answer in order to curtail budget cuts. Two of the top questions are: "1)

Is there a perception that firefighters spend most of their time in the fire station? and 2) Do officials believe that salaries are too high, benefits too generous, and annual work hours too short, even though they agreed to the terms in negotiations?" (Granito, 1992, p. 96). Nothing said or done will carry much weight with elected officials unless there's credibility and a positive image (Granito, 1992).

"Firefighting is more than a service, it's a business too" (St. John, 1994). This sums up what today's fire service has become.

The literature provided insight to the dilemma of balancing service with fiscal responsibility. Every piece of material I read identified a need to justify the fire department's existence, whether it is by call-load statistics or value added service such as fire-based EMS and prevention activities. Most of the material identified cost as a key component in the justification.

PROCEDURES

Evaluative research was the primary method used to draw conclusions from in this research paper. Several factors were examined. A 20-year history of staffing levels and call volume was compared to see if there was any trend present. An evaluation of periods of time that calls are received was looked at to determine peak call loads for all runs as well as for ambulance out-of-town transports. Fire calls were compared to

determine the type of fire calls and to see how many fire calls involve actual fires. Information for this research was obtained through fire department records such as actual run reports and through computer software.

A 1999 financial status report was completed and a five-year budget projection was evaluated to determine impact on budget of reduction one, two and three staff. Information for this portion of the research paper was derived from budget details and extensive meetings with the City of Red Wing's Finance Director. Consensus on the budget adjustments and projections was reached between the Finance Director, Council Administrator and the Deputy Director of Public Safety - Fire Division.

Finally, an evaluation of peer city comparison on fire department costs was revisited after discovering that the original report (Peterson, 2000) did not take into account revenues received from the ambulance service. Updated information was provided through phone interviews with chief officers from each of the peer city departments.

A historical review of literature was completed to identify trends and required staffing for ambulance and fire response. Sources for this literature included the Minnesota Fire/EMS/Safety Center library, the National Fire Academy Learning Resource Center, information from the Red Wing Fire Department library and literature from my personal library.

After the information was compiled and analyzed, conclusions were drawn and recommendations made. Conclusions were based on evaluative research, surveys and the opinions of the authors in

the literature review. Recommendations were designed to apply towards assisting the Red Wing Fire Department balance its service level and budget constraints as it relates to staffing levels. Information researched is assumed to be correct.

The results of this research project were limited to the literature review and the aforementioned evaluative research. Factors that affect results may be that the time periods of evaluative research may or may not represent what would be considered average for that particular time period. Also, budget projections may be affected by different rates of inflation or anticipated income. Peer cities may use a different budgeting process to determine operational costs. And finally, authors' bias may be present in literature researched. Discussion of this research was limited to information that impacted the Red Wing Fire Department. The results and discussion may or may not apply to other fire departments.

RESULTS

This research project addressed the initial question of what the scope, objectives and methods were for providing Red Wing's fire and EMS protection service. Results were derived from an evaluation of staffing levels, call volume and peak call load.

Full-time staffing levels remained constant since 1980 with 27 personnel until 1996. In 2000, there were 22 paid personnel who staff the station. When compared to call load, there was an

increase in calls from 1,263 in 1980 to 2,462 in 1999, almost double in the 20-year period (See Appendix B).

In 1999, Red Wing Fire and Ambulance received 46% of all calls on weekdays between 6AM and 5PM. The remaining calls were split evenly between weeknights and weekends. Ambulance transports showed a similar breakdown (see Appendix C). Sometimes we have more than one ambulance out at a time.

There were a total of 655 fire calls in 1999 (See Appendix D). Almost half the calls involved emergency medical calls in support of the ambulance. In 1999, Red Wing had 60 calls where there was actually a fire that needed to be extinguished. This does not include six mutual aid fire calls where fire units from Red Wing responded to assist neighboring departments. Of these 60 calls, 23 involved fires in structures.

The second question looked at the options that could be implemented given the economic constraints and the political climate

Year-end budget details from the City of Red Wing indicate that in 1999, the ambulance came in under budget by \$7,614. Fire and ambulance net expenses combined totaled \$942,640 after crediting revenue. A prospective statement on the fire/ambulance budget indicates adjustments to the budget based on four scenarios (See Appendix E). The scenarios were based on: 1) leaving staffing as is, 2) reducing staffing in 2000 by 1; 3) reducing staffing by 2 in 2000; and 4) reducing staffing by 2 in 2000 and 1 in 2001. A 2½% inflation rate was used when estimating these figures.

With no change in staff, it is estimated that expenses would increase \$213,914 by 2004. If one position is removed, this would mean estimated expenses would increase by \$133,795 by the year 2004. Reducing by 2 staff in 2000 would increase projected expenses by \$54,277 by the year 2004. A reduction of 3 staff would decrease our projected expenses by \$25,167 over the next five years.

A peer city evaluation of fire department net costs indicated that Red Wing fell in the mid range for those cities compared (See Appendix F).

DISCUSSION

Industry and government are being asked to "do more with less." The result in the public sector has been restructuring departments in order to meet the expectations of city officials and the mandates of taxpayers (Hewitt, 1996). The Red Wing Fire Department had not escaped this restructuring. In the past three years, the department had been reorganized into a public safety department, positions had been eliminated and responsibilities had changed. Today, the department is a target of further budget cuts and possible lay-offs.

Research on staffing was done and results were examined in an effort to find a balance between a flat budget and the amount of staff to reduce in order to maintain that budget.

The research focused on examining Red Wing's current delivery system and staffing structure based on call load.

Staffing is heavier during the times when calls are most common, leading to the conclusion that staffing is distributed appropriately and the organizational make up is adequate to handle the current call load.

Additional research was performed to look at budget projections and the bottom line. The City Council directed the fire and ambulance division to predict the impact on its five-year budget of losing three staff. Research showed that by reducing staff would actually decrease the cost by \$25,167 at the end of five years. However, this does not take into account any increased overtime that might be incurred to maintain current service levels as a result of the reduced staffing. It does not take into account increased revenues that might help offset any increased costs.

Generating income is becoming more of an issue today than it was in the past. By using an enterprise fund, municipalities can generate billings to offset the cost of running the department (Dowd, 1995). This not only can be applied to ambulance services, but to fire suppression as well. Contracts with neighboring townships for fire protection are a viable resource for income. Taking this further, the city of Issaquah, Washington, operates on the philosophy that "any service is potentially billable" (FEMA 1993) and the city charges for a number of services that include EMS call, controlled burns, permits, use of foam, wrecks on the interstate and CPR classes.

Red Wing needs to keep on top of its ambulance revenue and look for ways to increase collections. Red Wing also needs to

explore other area of revenue that would help offset its operational expenses.

Improved public perception can be accomplished by marketing the fire department. Dowd (1995) and St. John (1994) emphasized the importance of marketing a fire department and treating it like a business. By looking for ways to generate revenue, fire departments can help offset operating costs. This combined with positive marketing can foster positive attitudes with city officials.

Major building blocks, such as marketing the department, improving the relationship with city officials and implementing cost effective measures, could impact the number of staff mandated to be reduced by city officials.

RECOMMENDATIONS

Based on supporting data and information obtained through this research, recommendations would be made to reduce staff by one, not three and then evaluate it's impact based on revenue projections and other cost reducing measures.

A reduction of one staff could be accomplished by eliminating one of the specialist positions. Duties for that position could be assumed by the other administrative staff or absorbed by the shift personnel.

In addition to the one position, the Red Wing Fire Department needs to actively search out other revenue sources in addition to ambulance revenue. Township contracts for fire

protection, charges for business inspections and charging for classes such as CPR are viable options. Streamlining purchasing and watching all other operational costs are essential. An examination of delivery method of peer cities would help augment information of cost-per-capita and answer the question, "what are they getting for their money"?

In order to meet the flat budget mandate of City Council, an annual review and projection should be made in order to examine the impact of these other cost savings measures.

It would be difficult to reduce staff and maintain service. This recommendation acknowledges the need to be fiscally responsible and while trying to maintain quality of service without the drastic impact of reducing staff by three.

The problems and recommendations presented are not necessarily unique to the Red Wing Fire Department and are intended to be shared with other departments so they may be able to benefit from them as well.

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Appendices Not Included. Please visit the Learning Resource Center on the Web at <http://www.lrc.fema.gov/> to learn how to obtain this report in its entirety through Interlibrary Loan.