

Fire Budget: Focus On: Firefighter Overtime vs. Additional Firefighters

This four page brief is designed to be at the front of the Fire Department budget and provides the administration's analysis and justification for restoring 5 firefighters in-lieu of overtime for the Natick Fire Department.

Over the course of the last year, administration has been working to study the costs and benefits of staffing the Natick Fire Department. Specifically, this analysis has focused on whether the Town can afford to restore all or some of the 5 positions which were eliminated in the FY 2010 budget through the Town's Early Retirement Incentive program.

For the last several years, administration has held the position that adding positions is cost prohibitive and that incrementally increasing the budget for overtime in the department was a more cost effective approach. This was based on two overarching assumptions: 1) Although Overtime is more expensive hourly than regular time (by a factor of 1.5), it is far more flexible than a uniformed firefighter because it is not assigned to a particular group and 2) Although the direct cost of a firefighter is cheaper, when the additional costs are factored in (benefits, pensions, etc.) funding a new position actually costs as much if not more in the long-term than the commensurate reduction in overtime.

Unfortunately, cost containment of Fire Department overtime has not been achieved. The demands of maintaining a 17-man minimum on all shifts, reduced budgeted staffing levels, contractual cost increases (in salaries and hourly overtime rates) and increased unplanned absences have forced ever increasing expenditures in overtime in the Fire Department.

Overtime	FY 2009	FY 2010	FY 2011	FY 2012*
Original Budget	\$ 513,206	\$ 517,960	\$ 666,853	\$ 843,551
Revised Budget	\$ 536,206	\$ 632,960	\$ 826,853	\$ 843,551
Actual Spent	\$ 527,684	\$ 627,086	\$ 819,414	\$ 454,769 *year-to-date

Increasing overtime expenditures combined with a higher level of unplanned absences over the last four years (on average) have caused administration to seriously evaluate additional budgeted personnel and associated reduction of overtime for the FY 2013 budget.

We have concluded that, financially speaking, even with the additional costs of benefits, it is cost effective to add a new firefighters rather than staff with overtime.

Each new firefighter costs:

Salary (incl. of stipends, clothing, etc.)	\$ 58,080
Benefits	\$ 11,938
Total Cost	\$ 70,018
Shifts Added for each firefighter*	182

*Shifts Added first year may vary. If new hires have not attended the Fire Academy, then this number could be reduced by one-quarter. Regardless, for first year of service they have no vacation. Once they have been in the department for one year, they receive 2 weeks.

For an equivalent amount of money:

	Cost \$ 70,018
/ (divided) by the maximum overtime shift cost	\$ 479
OT Shifts for equivalent cost of adding a new Firefighter	147

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Changes in the Fire Department Budget From January 1 to January 31

Given the findings that financially it is sound to restore positions rather than add overtime, we are proposing to make the following adjustments to the Fire Department Budget:

	<u>1-Jan</u>	<u>31-Jan</u>	<u>Diff.</u>
Firefighter/Paramedics	54 (net 3 over FY 12)	56 (net 5 over FY 12)	
Salaries	\$ 6,408,287	\$ 6,524,446	\$ 116,159
Regular Overtime	\$ 667,500	\$ 527,465	\$ (140,035)
Training Overtime	\$ 132,500	\$ 132,500	\$ -
Total Compensation	\$ 7,208,287	\$ 7,184,411	\$ (23,876)
<i>Amount moved to Fringe Benefits to cover the costs of the additional two firefighters</i> 			

Budgetary Line-Item

Changes (found on page IV.32)	<u>1-Jan</u>	<u>31-Jan</u>	<u>Diff.</u>
Salaries Operational	\$ 3,040,124	\$ 3,125,948	\$ 85,824
Oper. Staff Other Comp.	\$ 728,634	\$ 758,970	\$ 30,336
Overtime Operational	\$ 355,000	\$ 214,965	\$ (140,035)

What does this mean for Overtime?

The chart below shows the impact on overtime staffing for FY 2013. With a further reduction of \$140,035 in regular overtime from the proposal of January 1, this results in the loss of 293 shifts of budgeted overtime. This is, however, being offset by the addition of potentially 340 shifts by the addition of two more firefighters than was originally proposed in the FY 2013 Budget. This would create a large surplus of potential shifts between a return to "full" staffing and dropping overtime only by an equivalent dollar amount.

Firefighter/Paramedic Shift Staffing - FY 2013

	FY 2013 Budget (+5)
	Revision Proposed
A) Total Shifts Needed	12,410
B) Gross Shifts Budgeted	14,742
C) - less contractual offsets*	-2,186
D) (B-C) Net Shifts Budgeted	12,556
E) (A-D) Difference	146
F) <u>Unplanned Absences (Sick, ILD, etc.)</u>	<u>-1,105</u>
G) (E+F) Total Net Budgeted Shifts (negative = needed shifts)	-959
Total Overtime Shifts Budgeted	1,255
Net OT Shifts Available	296

*includes vacation, etc.

The logical question is, if we are forecasting a surplus of OT shifts why not reduce overtime further in FY 2013? The answer is because the hiring and staffing of these new Fire Personnel is dependent on many factors. Most importantly is that these new personnel may not be Fire Academy trained. If they are not, then the possibility exists that they would miss 14 weeks each of FY 2013 while at the academy. This automatically means that 245 budgeted shifts of regular time would be eliminated while they are away.

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The chart below shows the detail behind the 1,255 budgeted shifts of OT for FY 2013.

FY 2013 Overtime Budgeting						
Division	Max. Rates per Position	10-hour shift	14-hour shift	Average Cost per 24 hours. of OT	Average Cost per shift of OT	
Admin.	\$ 50.05	\$ 500.46	\$ 700.64	\$ 1,201.10	\$ 600.55	
Super.	\$ 45.50	\$ 454.97	\$ 636.96	\$ 1,091.93	\$ 545.96	
Oper.	\$ 39.91	\$ 399.09	\$ 558.73	\$ 957.82	\$ 478.91	
Tech.	\$ 50.05	\$ 500.46	\$ 700.64	\$ 1,201.10	\$ 600.55	

FY 2013 Budget for Overtime

	Regular	Training	Total
Admin.	\$ 82,500	\$ 20,000	\$ 102,500
Super.	\$ 185,000	\$ 25,000	\$ 210,000
Oper.	\$ 214,965	\$ 72,500	\$ 287,465
Tech.	\$ 45,000	\$ 15,000	\$ 60,000
Total	\$ 527,465	\$ 132,500	\$ 659,965

Number of shifts budgeted in FY 2013

	Regular	Training	Total
Admin.	137	33	171
Super.	339	46	385
Oper.	449	151	600
Tech.	75	25	100
Total	1000	255	1255



Total number of budgeted shifts of Overtime in FY 2013	1255
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It is also important to recognize that it is not proper to count personnel who have not been sent to the Fire Academy in the compliment of a 17-man minimum of those who can actually fight a fire. They certainly can staff an ambulance, and will certainly be deployed on that piece of apparatus as soon as they come into the Fire Department, but they can't actively fight fires until they have passed their academy training (thus cannot be counted toward minimum manning).

It is the hope of administration that other non-financial factors, such as firefighter fatigue and unplanned absences will be reduced by this infusion of new personnel into the department. The Natick Fire Department has performed to the standards expected of it by the community and the taxpayers over the last several years, but it, like so many departments has been pushing the limits of what it is expected to do with the limited staffing it has. This restoration should go long way to ensuring safety for the front-line employees. We wish that this could be done throughout all of Natick's public safety and other departments, and we will do what we can over the ensuing years to achieve this.

What about the future? Can this reduction of cost be sustained?

The simple answer is, well, no. The reality of staffing the Natick Fire Department (just like any organization) is that the newest personnel are always the cheapest. They have the lowest amount of accrued benefits, and in the environment of the Natick Fire Department where you need to maintain a minimum amount of staffing at all times, the more time off accrued by Firefighters translates into more overtime to back-fill those vacancies. The chart below shows the costs of a Firefighter for the first 5 years of their employment in the department.

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	<u>1Yr Service</u>	<u>2Yr Service</u>	<u>3Yr Service</u>	<u>4Yr Service</u>	<u>5+Yr Service</u>
Base Pay	\$ 840.76	\$ 952.50	\$ 990.04	\$ 1,027.30	\$ 1,064.25
Paramedic	\$ 113.53	\$ 128.62	\$ 133.65	\$ 138.68	\$ 143.71
Water Rescue	\$ 12.61	\$ 14.29	\$ 14.84	\$ 15.40	\$ 15.96
30 Credit EDU	\$ 25.23	\$ 28.58	\$ 29.69	\$ 30.81	\$ 31.93
Total weekly pay	\$ 992.13	\$ 1,123.99	\$ 1,168.22	\$ 1,212.19	\$ 1,255.85
Total yearly pay	\$ 51,574.00	\$ 58,447.48	\$ 60,747.44	\$ 63,033.88	\$ 65,304.20
Holiday Pay	\$ 3,831.00	\$ 3,831.00	\$ 3,831.00	\$ 3,831.00	\$ 3,831.00
Educational Stipend	\$ 2,000.00	\$ 2,000.00	\$ 2,000.00	\$ 2,000.00	\$ 2,000.00
Clothing Allowance	\$ 675.00	\$ 675.00	\$ 675.00	\$ 675.00	\$ 675.00
Total Costs (within Fire)	\$ 58,080.00	\$ 64,953.48	\$ 67,253.44	\$ 69,539.88	\$ 71,810.20
Health Care	\$ 11,937.60	\$ 13,131.36	\$ 14,444.50	\$ 15,888.95	\$ 17,477.84

Total Costs per Firefighter	\$ 70,017.60	\$ 78,084.84	\$ 81,697.94	\$ 85,428.83	\$ 89,288.04
Number of Shifts	182	171	171	171	167

For the same amount of money:					
Equivalent amount of overtime	147	163	171	178	186

Notes:

- Shifts per year worked are 182 in year 1
- Shifts per year worked are 171 in years 2-5 (8 shifts of vacation and 3 personal days)
- NO COLAs have been factored into these projections
- Assumes 10% increase in health care costs annually.
- Pension costs NOT factored into the analysis. Although they certainly exist, the Town is limited to an annual increase in the overall pension assessment of 8%. Given the current large unfunded liability the Town has, it is a foregone conclusion that regardless of the personnel added or reduced, the overall costs will go up 8%. For the record, however, estimated pension costs are as follows:

	<u>1Yr Service</u>	<u>2Yr Service</u>	<u>3Yr Service</u>	<u>4Yr Service</u>	<u>5+Yr Service</u>
Pension Costs	\$ 9,636	\$ 10,407	\$ 11,239	\$ 12,139	\$ 13,110

By the fourth year of hiring this compliment of 5 firefighters, the pendulum will begin to shift back where OT is more cost-effective than regular staffing. But a lot can happen in the next four years, and the entire exercise of attempting to budget for overtime has many, many shifting pieces. If the overall level of unplanned absences drops, it is certainly possible overtime costs will not rise. True cost savings can be achieved in years 2 and 3 of this proposal as the cost of new firefighters and the extra shifts they add once trained at the academy will allow us to reduce overtime from the requested amount.

Overtime Shift Forecast:

	<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2015</u>	<u>FY 2016</u>	<u>FY 2017</u>
Needed Shifts	1809	959	971	983	995	1027
Overtime Shifts Budgeted	1647	1255	1010	1010	1010	1010
Surplus Shifts	-162	296	39	27	15	-17
Estimated OT Budget	\$ 843,551	\$ 659,965	\$ 536,886	\$ 536,886	\$ 536,886	\$ 551,253

We believe to invest in the department at this time is a prudent financial move.