

City of Mercer Island Fire Services Study Memorandum

To: City Council

For: Regular City Council Meeting of October 6, 2020

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Following Matrix Consulting's July 2020 presentation of a draft Fire Services Study Report, I have guided a revision to the report and performed additional analysis of fire department data to assist the City Council in its discussion of the study's central question: "Can the Mercer Island Fire Department (MIFD) improve its efficiency in its delivery of services?"

This memo presents additional background, analysis and considerations for the City Council's review and use.

History

The City initiated this Fire Services Study in response to the question of whether the City was providing fire department-related services in the most efficient manner. Whether the department is cost-efficient is a question that has been circulating and resurfacing for several years, concurrent with discussions about the financial sustainability of the entire City budget. Year-after-year projected budget shortfalls, an inherent structural deficit, and the current Pandemic crisis have led to multiple years of challenging budget discussions, decisions and actions. Here are some key dates and steps that led to the Fire Services Study:

- The City conducted community engagement from mid-2017 to mid-2018 regarding City services and spending priorities
- The City Council referred Proposition 1 (levy lid lift) in the Summer of 2018
- Voters rejected Proposition 1 in November 2018
- The biennial 2019-2020 budget was adopted on December 4, 2018, and the City Council commenced with developing the Fiscal Sustainability Plan, building on the City's routine financial forecasting
- On April 2, 2019 the City Council made additional reductions to the biennial budget
- On April 16, 2019 Management Partners presented the Fiscal Sustainability Plan, which included a review of the financial forecast, additional budget strategies, recommendations for adjustments to expenditures and revenues, and a public engagement plan
- On June 21, 2019 the City Council conducted its Mid-Year Planning Session. The City Council also reviewed City Staff's responses to a selection of the Management Partners' strategies
- During the 2019/2020 budget approval process, funds were set aside to conduct department efficiency studies
- In October 2019, the City issued a Request For Proposals (RFP) for a "Fire Services Study," described as a staffing study conducted by performing an organizational and operational analysis
- On July 14, 2020 the selected consultant, Matrix Consulting Group (Matrix), presented a draft study report and collected feedback on that report from the City Council
- From August through September 2020, a new project team of Matrix, Chief Steve Heitman and local government management consultant Emily Moon gathered additional data and researched answers to councilmembers' questions. The draft report was expanded and improved.

This timeline led to tonight's presentation of the final report and the City Council's discussion of how to proceed.

Purpose of Fire Services Study: Evaluation of Efficiency

The fundamental question posed in the staffing and operational study was "Can the MIFD improve its efficiency in its delivery of services?" The RFP stated: *"The purpose of this evaluation is to assess the Department's current staffing level and operations in comparison to industry standards and best practices... Complete a comprehensive review of the Mercer Island Fire Department's current organizational and service delivery configuration."* Matrix analyzed this question by examining how the department's Calls for Service performance and its staffing levels relate to established industry standards. In addition, the RFP sought to have Matrix *"develop an inventory and analysis of opportunities under which the Mercer Island Fire Department can improve efficiency and effectiveness."*

Before measuring efficiency, it is important to define what that term means. Efficiency is the ability to maximize output given certain resources or while minimizing the use of resources. Efficiency measures usually fall into two categories: costs and productivity. Efficiency may not be the only appropriate way to evaluate the delivery of public services; quality of service and the achievement of preferred outcomes should also be evaluated. In addition to measuring efficiency, setting appropriate performance measures and goals are critical steps to attainment of desired efficiencies. Helpful performance measures include efficiency measures related to unit costs and productivity and measurements of quality and outcomes. The Fire Services Study examined a variety of inputs and outputs in each of these categories. Additionally, the study recommends areas where revised measures or goals would be warranted. Understanding how the department's performance is currently assessed, and what measures, outputs and outcomes are most important to the City Council and community members will help the department provide the services consistent with expectations. If those expectations are unknown, the City should spend time gaining clarity on that front.

The following sections provide data and context concerning the department's level or quality of service and its cost of service. Additional data can be found in the Fire Services Study report (attached to the accompanying Agenda Bill as Exhibit 1).

LEVEL or QUALITY of SERVICE

Data shows that the MIFD is performing its delivery of fire services well. For example, it is meeting established standards for its Public Safety Answering Point (emergency call handling), most measurements of turnout times (i.e., a portion of the overall response time), overall response travel times, and (for all but 2019) full alarm response concentration (i.e., ensuring all needed resources arrive on the fire scene on time). Short of building and operating another fire station, it is highly unlikely the MIFD can dramatically improve its fire suppression performance, as the island's unique road network and topography are the main factors preventing improved response times and, thus, additional fire suppression success (see four attached maps depicting call distribution in 2019).

As for emergency medical services, only Advanced Life Support (ALS) services may be improved through the addition of a dedicated aid unit stationed on the island. However, this is an expensive and improbable enhancement given the regionalized approach to ALS that already exists. (For more background information, see Matrix's report; also note that Fire Chief Heitman provided City Council with a response to Management Partners' report recommendation on this matter in June 2019.)

Another measurement of the department's performance is residents' satisfaction ratings. In 2018, when the City last conducted its biennial community survey, the two questions relating to the fire department scored exceptionally high. Ninety-two and 93% percent, respectively, of residents who had an opinion expressed being "very satisfied" or "satisfied" with fire and emergency medical services and how quickly fire and rescue personnel respond to emergencies.

The research firm that conducted the study also asked respondents to rate 14 City services according to their satisfaction levels and those services' relative importance over the next two years. This analysis was called the Importance Satisfaction rating. Among those 14 major City service areas assessed, fire and emergency medical services were ranked #1 in satisfaction and #9 in relative importance for the next two years, resulting in weighted rank order priority rating of #14 out of 14. It is the national norm for fire services to be ranked highest or second highest among municipal services and for those services to score low on immediate-term prioritization lists unless a recent incident has raised the concern level in the community (such as a fire death, improprieties or encroaching wildfires). Residents are frequently happy with their fire service, and fire department services are rarely a public focal point until a crisis or tragedy unfolds.

When asked to consider which public safety-related services the City should prioritize over the next two years, residents rank ordered "how quickly fire and emergency services personnel respond" as #3 out of 7 services, with approximately one quarter of respondents naming this service among their top two public safety priorities.

COST of SERVICE

The fire department's adopted budget has grown 12.59% over the last 5 years while the City's General Fund Adopted Budget has grown 21.95% over that same period.

Total Adopted Budget		
	Fire Department	General Fund
2015	\$5,904,438	\$26,703,657
2016	\$6,240,104	\$27,723,094
2017	\$6,252,898	\$29,436,000
2018	\$6,443,305	\$29,413,162
2019	\$6,647,831	\$32,564,082
<i>Total 5-Year Percent Change</i>	<i>12.59%</i>	<i>21.95%</i>
<i>Average Annual Percent Change</i>	<i>3.15%</i>	<i>5.49%</i>

87.26% of the department's 2019 budget was related to personnel (salary, wages, and benefits) while the remaining 12.74% was related to its training, technology, supplies, contractual services, and equipment needs. This is a common ratio of staffing versus non-staffing costs for fire departments.

With personnel expenses being a main driver of the department's budget, any analysis of cost-effectiveness requires examination of staffing costs. As personnel in the department are covered under Collective Bargaining Agreements, many of the staffing costs are fixed for the duration of the contract. Salary and benefit levels are the result of numerous, successive negotiations, which considered Mercer Island Fire

Department's labor market comparisons, historical adjustments to the contract, and compromises on non-economic contractual elements. Some City Councilmembers and community members have raised questions about a perceived variable cost for overtime. This study thoroughly examined MIFD's policies, practices, and costs of overtime; those findings are discussed in a later section of this agenda bill and in the report.

While fire and emergency medical services are considered essential and the bulk of these services' costs are critical personnel-related, the MIFD has recognized the necessity of cost-containment. Here are a few of the ways the department has contained, offset, or reduced costs in the past few years:

- Training classes and related budgets have been reduced during budget development season and throughout the year. In the past five years, the Fire Chief has "locked down" the budget for training classes and associated overtime, with the exception of those items necessary for the continuity of operations, partway through the year to reduce spending.
- Purchases that are not essential require approval by the Chief.
- The Chief has proposed budget cuts in each of the three past biennia, including the upcoming 2021/2022 budget.
- The department delayed fleet replacements by a year to save costs in the capital budget.
- An early retirement incentive was negotiated in 2015/2016 with the intent to decrease duty related disabilities that were occurring in senior firefighters. Salary savings provided the necessary funding.
- The department eliminated overtime for special events that were not reimbursing the City for the costs of providing an aid crew.
- The department no longer requires that duty crews wear Class-C uniform shirts during operational responses. This has cut down on the number of Class-C shirt replacements, at a cost of \$110+ per shirt. This action has also reduced cleaning costs.
- The Union has taken over the groundskeeping of the fire stations, as Parks/Grounds maintenance staffing positions have been eliminated. This saves approximately \$1,000 per month.
- The Deputy Chief works a reduced schedule of 36 hours per week, resulting in a 10% salary savings of approximately \$17,000 per year.
- The department and City implemented the EFR recovery program, which provides approximately \$15,000 to \$20,000 per year for apparatus replacement. This program bills the insurance company of drivers involved in motor vehicle accidents to recoup cost related to the response.
- The department and City implemented the GEMT (Ground Emergency Medical Transport) program, a federal program that pays the City the difference between what the federal government allows and what is billed for transporting Medicaid patients. The program is expected to add approximately \$50,000 per year in new revenue.
- The department is currently researching a company called Tactical Athlete, which helps to expedite duty related disability diagnosis and treatment, therefore decreasing the amount of time an employee is off work due to injury. The department believes that if this service is procured, there will be savings in overtime coverage due to decreased time off for injuries.
- Management has continued to clarify the rules governing the use of sick leave through contract negotiations and policy development to ensure appropriate use. Management successfully negotiated a sick leave incentive to reduce sick leave liability. An outdated exchange of vacation for sick leave was removed (1-day vacation for 2 days sick leave).
- The department negotiated a contract with Eastside Fire and Rescue (EF&R) for apparatus maintenance, which is saving the City \$30 per hour for mechanic labor whenever it is needed. In addition, EF&R shuttles the apparatus to and from their facility, which has saved the City the overtime cost this transportation required previously.
- Starting in 2021, with City Council's consent, the Fire Marshal's Office will implement operational permits that are projected to bring the City \$20,000-\$30,000 in new revenue per year.

- The Fire Marshal's Office has streamlined their processes and reduced the Assistant Fire Marshal's hours to the point that the Chief has been able to remove \$30,000 from this overtime budget.
- The Chief and the City negotiated with Sound Transit for reimbursement of the hours the Fire Marshal spent on the light rail project.
- The Fire Chief reevaluated and implemented changes to the Training Battalion Chief's responsibilities, transferring more of the duties that were resulting in overtime to the Deputy Chief (who is exempt).

Personnel Costs

The consulting team performed a substantial review of the department's staffing structure, practices, policies and costs. Some areas of total compensation were evaluated more thoroughly than others. For example, benefit levels for health insurance and pension were not assessed.

Budgets

While the total department budget for salaries and wages (most of which has been dictated by contractual obligations) has grown an average of 3.38% in the last three years, budgeted overtime has not kept pace and has only grown 2.69%. This is often the case for municipalities. With an inherent aversion to overtime spending, overtime budgets are sometimes kept artificially low and are exceeded. Many communities have begun to look at their three-year averages and contractual wage increases as better parameters for budgeting overtime.

Budgeted Salary and Wages

	Administration	Fire Marshal/Community Risk Reduction	Operations/Fire Suppression	Training	Dept. Total
2017	\$418,425	\$134,560	\$2,965,607	N/A	\$3,518,592
2018	\$428,081	\$137,872	\$3,083,805	N/A	\$3,649,758
2019	\$431,883	\$143,673	\$3,180,925	N/A	\$3,756,481
<i>Total 3-Year Percent Change</i>	3.22%	6.77%	7.26%		6.76%
<i>Average Annual Percent Change</i>	1.61%	3.39%	3.63%		3.38%

Budgeted Overtime

	Administration	Fire Marshal/Community Risk Reduction	Operations/Fire Suppression	Training	Dept. Total
2017	16,820	95,000	461,335	101,792	674,947
2018	16,820	90,000	461,335	102,549	670,704
2019	17,703	80,000	505,555	108,019	711,277
<i>Total 3-Year Percent Change</i>	5.25%	-15.79%	9.59%	6.12%	5.38%
<i>Average Annual Percent Change</i>	2.62%	-7.89%	4.79%	3.06%	2.69%

Overtime

MIFD's overtime policy is the product of best management practices, labor market comparisons and collaboration with the union. The policy is administered consistently and in an equitable fashion. However, resulting overtime hours and wages earned vary considerably between individuals; there is not equal distribution of overtime.

The policy (see **Attachment #1**) requires that union members are offered overtime shifts according to the level of overtime they have earned since September 1 of each year, where those with the fewest hours remain at the top of the call list and have the first right to take or refuse available shifts. The policy allows for each union member to accept or reject offers, and to put him/herself on either an automatic accept or a "do not call" list. A review of a sampling of the 2019 TeleStaff data shows that it is common for personnel to list themselves on the "do not call" list for 60-80% of the shifts that were available to them. Some shifts and assignments are only available to members who are eligible to perform the required tasks. For example, a firefighter is not eligible to fill an open battalion chief shift. The negotiated collective bargaining agreement specifies promotional opportunities, such as serving in an acting capacity, and Civil Service eligibility requirements.

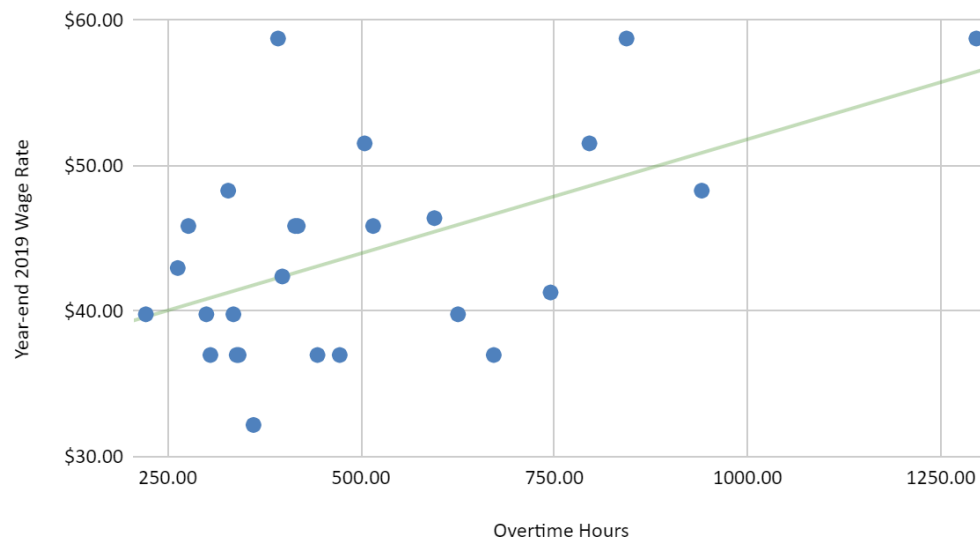
Due to the fact that only certain assignments (e.g., acting battalion chief) are available to be filled at certain times, that these positions are paid at higher wages, and that fewer individuals make up the eligibility pool for those assignments, it is also not surprising that higher paid individuals in the department have greater probabilities of earning more overtime hours and overtime wages. During 2019, although rank was not a prerequisite, two part-time and/or temporary assignments were performed by a Lieutenant and a Battalion Chief: Training Officer and Assistant Fire Marshal. Due to the voluntary nature of accepting or rejecting overtime shift offers and to the department's demographics, it is also not surprising that there is considerable variability within the personnel for the number of overtime hours worked and the amount of overtime pay earned. Here are a few illustrations of the distribution of overtime, with and without regard to rank. Note, these data points represent individuals who were employed for all of 2019.

	Minimum OT Hours Worked	Maximum OT Hours Worked	Average OT Hours Worked	Total OT Hours Worked
Battalion Chief	392.75	1,296.00	844.08	2,532.25*
Lieutenant	328.25	940.75	593.75	3,562.50*
Firefighter	221.75	745.25	414.78	7,051.25

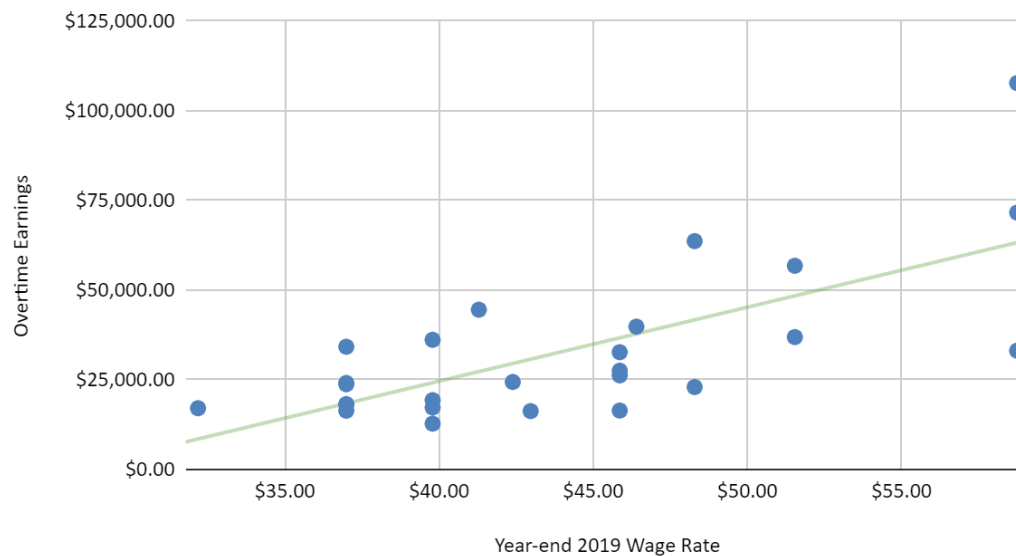
* Hours include working in the capacity of Assistant Fire Marshal and Training Officer.

With fewer individuals able to serve in the battalion chief and lieutenant capacity, and departmental operations policies requiring a certain level of coverage in these positions at all times, these two ranks account for 46% of the overtime hours worked in 2019. Although battalion chiefs, on average worked the greatest number of overtime hours in 2019, this group had the greatest variance of hours worked. Conversely, firefighters (the largest pool of workers and available shifts) had the least variance of hours worked. Across the board, each rank had similar minimums (i.e., only seven shifts'-worth of difference over the course of a year), suggesting there is equal access to a baseline amount of overtime. It is important to note that Operational (or Shift) overtime, which is the greatest category of overtime, can be and is equitably distributed. Most of the position- or assignment-related overtime opportunities (such as Training Officer) are also available to qualified individuals of any rank.

Year-end 2019 Wage Rate vs. 2019 Overtime Hours



2019 Overtime Earnings vs. Year-end 2019 Wage Rate



Here are a few other statistics and facts concerning overtime and salaries:

- Twenty-one (21%) percent of 2019 total earnings were overtime compensation.
- In 2019, overtime compensation was equal to 27% of regular earnings (base pay).
- The overtime budget represented 10.7% of the department's total budget in 2019.
- Overtime expenditures are "on budget" for 2020.

- Mercer Island aims to situate its salary ranges at the 50th percentile for its labor market and collective bargaining comparison entities. MIFD's salary ranges are reviewed during each collective bargaining season.

2019 was a particularly challenging year to maintain minimum staffing and, thus, relied on filling shifts through issuing overtime. The department's daily staffing level and its minimum staffing level (i.e., the minimal number of personnel that is required to perform fire suppression services in the community) are the same number. Each platoon has nine personnel assigned, with one to two of those members assigned a Kelly Day on a rotating basis. In addition, the City guarantees one available vacation day for each scheduled shift. This results in minimal staffing for almost every day of the year, after vacation days are picked. As such, anytime more than one individual on the shift is absent for any reason, the department has no staffing cushion and must fill the shift via overtime.

Departments rarely can afford to budget overtime for "bad years." Instead, many departments attempt to budget overtime for predictable operational needs and a small amount for the more difficult to predict circumstances. It is becoming more common for fire districts or associations (less so for standalone departments) to create personnel or operations' reserve funds that are carried over from year to year. Larger departments sometimes have more flexibility to cover their overtime needs, as they sometimes "overfill" positions as a technique to ensure new hires can quickly fill attrition vacancies. Larger departments also may have more individuals in specialized positions that can be reallocated to regular duty when needed. A minority of departments have moved away from having constant shift strength to adding positions to cover portions of the day when calls for service are higher. This is a difficult model to employ in a small department. Lastly, some departments work longer work week shifts, which tends to reduce a minimal amount of overtime but requires additional salary expenditure. Work week schedules and staffing configurations (e.g., daily and minimum staffing levels) must be bargained.

The Mercer Island Fire Department will continue to explore how to efficiently deploy personnel. As Matrix's report states, MIFD is currently using overtime as a critical component of its staffing methodology. Best practices for overtime include efficient deployment of personnel and carefully balancing budgeted staffing levels at the replacement factor (i.e., the point in time where using overtime to meet the department's operational needs is more expensive than hiring additional personnel). That type of staffing system needs to be monitored for when the optimal use of overtime has been exceeded and additional personnel are required. Matrix's report describes how performance indicators or other catalysts (such as increased injury rate) may be triggers to modify the staffing plan.

Sick, Family Medical Leave ACT (FMLA), Duty Related Disability (DRD) and Vacation Leave

Policies governing the accrual and utilization of sick and vacation leave, in addition to the as-needed use of Family Medical Leave Act and Duty Related Disability leave were examined during this Fire Service Study, as these leave benefits contribute most significantly to absences that are filled through overtime.

Employees earn 20 hours of sick leave per month, capping at 1,440 hours (equivalent to allowing them to be off work for 6 months). They reach this cap, if no hours are used, in six years. Duty Related Disability (DRD) is also available for another six months of leave, per incident. MIFD's sick leave accrual appears to be more generous than some comparable jurisdictions, but that allowance may have been the product of other concessions in bargaining. While both types of benefits are typical and DRD is offered at a level consistent with those of other jurisdictions, the sick leave and DRD benefits together create the potential for long-term leaves that can create significant impacts on staffing levels. The median number of days of sick leave used in

2019 was approximately 7; this utilization level has not changed in several years and remains within the national average range for fire personnel.

Accrual and utilization rates for vacation appear to be within the norm, but the practice concerning use of “carryover” vacation earned appears to be more generous. The average number of days of vacation used in 2019 per employee was 12.

Some national research shows that shorter work weeks (such as MIFD’s schedule) can lead to higher use of sick and vacation leave and, therefore, overtime. It does not appear that MIFD is utilizing more sick or vacation leave than is allowable under the Collective Bargaining Agreement nor more than what occurs in other fire departments. However, the department’s sick leave utilization is slightly higher than elsewhere throughout the City organization (7 days versus 4.5 days). Leave use statistics should be monitored over time.

During the past three years, a total of 6 individuals used time off via the Family Medical Leave Act (averaging 20 days or 480 hours off per person; FMLA allows 12 work weeks or 576 hours for MIFD shift personnel to care for themselves and 26 work weeks or 1,248 hours to care for family member) and 7 individuals required Duty Related Disability (DRD) time off (averaging 30 days off per person). These statistics are well within the norm experienced by other departments, but each of these absences create a significant disruption in a smaller department that is providing daily staffing levels at its minimum staffing level requirement. It is worth noting that, for the most part, these individuals who used FMLA or who were on DRD were not the same individuals. In addition, in some fire departments, there is a correlation between employees who work a substantial amount of overtime and those who require Duty Related Disability leave. That is not the case in Mercer Island. Nevertheless, City and department management are aware that Union Leadership spoke with members about the burden of having too few members fill shift slots, and the potential problems that could result from having too many members listing themselves too frequently on the “do not call” list, some of which include employee burnout or a potential for increased injury rates.

CONTRACTING/MERGING DISCUSSION

The scope of work for the Fire Services Study included investigating opportunities for regional partnerships or other means of providing fire services to Mercer Island in the future. One of the questions posed was: Could the City of Mercer Island achieve efficiencies in service delivery by contracting or merging its fire department with another entity?

At this point in time, there is a limited ability to calculate the costs and benefits of contracting or merging with another fire entity. However, the consulting team has examined initial inquiry responses from Seattle Fire (SFD), Bellevue Fire (BFD) and Eastside Fire and Rescue (EF&R), formulated a list of decision variables (see **Attachment #2**) or considerations, researched the experiences of partner agencies and sought to develop possible timetables, cost estimates, and processes for conducting a RFP.

Choosing to contract or merge with another entity requires a willing partner agency that sees mutual benefit in the endeavor. When SFD, BFD and EF&R were originally contacted, they were asked what it would cost if they were to provide services to Mercer Island. These agencies were selected primarily due to their proximity to Mercer Island. These agencies’ actual interest level and the benefits they would expect to receive through entering into an agreement with the City of Mercer Island are largely unknown. Maintaining their existing service levels while reducing current or future costs will be the aim of any potential partner. All four agencies have similar levels and quality of service, with some providing additional resources or programs in functions such as the Fire Marshal’s Office, public education, or community health services.

The following is a list of potential decision variables (i.e., effectiveness and efficiency factors that should be weighed) and other considerations regarding contracting or merging. Should City Council wish to further contemplate issuing an RFP, the consulting team highly recommends that the City Council discuss and come to a consensus on which factors are the most critical and what the City hopes to achieve for those factors. How and how well are these services performed - now, as MIFD, or in a possible future partnership?

Contracting decision variables/considerations:

Customer satisfaction levels
EMS response times
Fire response times
Suppression success
Investigations
Public education
Fire control (codes, permitting, plan review, pre-plans)
Training
Dispatch; reporting; records management
Resiliency in staffing (from having a larger pool)
Specialty teams and services (e.g., Marine Patrol)
Emergency management planning/coordinated response
Insurance (Washington State Ratings Board) ratings and costs
Governance and oversight structure
Costs to execute the RFP, evaluate responses, negotiate with prospective partner
Costs to resolve the current contract with the Collective Bargaining Unit; cost implications to a successor agreement undertaken with discussing a merger; costs to mitigate any impacts of merging or contracting with another entity
Organizational culture and characteristics
“Back of house” administrative services (Human Resources, Information Technology, Finance, City Management)
Departmental leadership
Community values
Performance monitoring and management
Accreditation and professional standards
Ownership and maintenance of physical assets (e.g., rolling stock, land, buildings, equipment)
Cost per capita
Cost per assessed value
Transfer/transition costs
Revenue impacts (sharing and loss)
LEOFF 1 liability
Any other outstanding liability or pending claims
Branding/perception of ownership
Timing of decision-making and process
Community involvement in decision-making
Schedule for collective bargaining for other entities
Partnership termination/withdrawal rules and impacts

Potential impacts of another entity joining after MIFD, or substantial annexations
Impacts of capital replacements/upgrades on annual budgets
Length of term of contract/Interlocal Agreement

Contracting or merging with another entity may or may not reset the department's cost baseline. If the baseline is reset, the City of Mercer Island would be able to assume a single-year downward budget adjustment for fire services. That budget reduction may occur in Year 1 or, due to transition and close-out costs, Year 2 of a new agreement. The overall amount of costs avoided, saved, or increased during a multi-year period, as a result of contracting or merging and as compared to MIFD continuing on its solo budgetary path, will be dependent on many factors. No outcome can be guaranteed.

Matrix's analysis of the cost for SFD, BFD or EF&R to provide service to Mercer Island suggests that any pairing is likely to result in higher first year costs than Mercer Island would have on its own. Seattle Fire Department's estimated costs to provide service to Mercer Island appear to be higher in every year. Without taking the one-time costs into consideration, it appears that all of the proposals (except Seattle's) may result in cost decreases in at least the first year. However, only EF&R's Contract #2 and Partnership proposals remain lower than Mercer Island's estimated costs by the end of 2025. If BFD's and EF&R's (average estimated) first-year costs are spread over a five-year period (to mitigate the impact of those first-year costs), it appears that only EF&R's Contract #2 and Partnership proposals may result in a cost savings for the City of Mercer Island (excluding the large unknown of legal/collective bargaining costs).

It is important to note that all the cost estimate proposals submitted to the City were rough estimates, subject to re-calculation and negotiation. It is also critical to note that this illustration relied on Mercer Island's 2019 year-end actual expenses as the baseline year and grew the future years' cost estimates by the average annual increase in actual expenditures since 2017. As 2019 was a particularly high actual expenditure year, the future year costs for Mercer Island are likely overstated. (Chief Heitman expects to request a 2021 budget of approximately \$6,932,544 (\$222,464 or 3.2% lower than the figure the consulting team has used in this illustration.) The same base year (2019) and three-year actual cost experience period (2017-2019) were used for the other agencies, thus allowing for a consistent comparison.

Potential Partnership or Contracting Expenses

	MIFD	BFD	SFD	EF&R
2021 Estimated Budgets	\$7,155,008 ¹	\$6,693,996 ²	\$7,588,623 ²	\$6,451,434 ^{2, 5}
One-time Transition Costs ³	-	\$1,617,132	\$2,911,997	\$202,564 to \$1,247,564
First Year Subtotal Cost	\$7,155,008	\$8,311,128	\$10,500,620	\$7,176,498 ⁶
Legal and Collective Bargaining Costs ⁴	unknown	unknown	unknown	unknown
First Year Total Cost	unknown	unknown	unknown	unknown

Notes:

1. For illustration purposes: 2019 actual expenditures increased by average increases in actual expenses (3.92%, 2017 to 2019) for both 2020 and 2021. Likely overstates 2021 yet-to-be adopted budget.
2. 2019-basis cost estimates provided by jurisdictions, increased by average increases in actual expenses (2017 to 2020) for both 2020 and 2021 (BFD = 3.4%/year; SFD = 3.0%/year; EF&R = 2.25%/year)

3. Potential partners indicated these costs may include technology/info systems, risk management, uniforms, equipment, dispatch, training, leave liability, benefits transfer, supplies, KC EMS levy revenue transfer
4. May include costs to close out current Collective Bargaining Agreement, costs to mitigate impacts of contracting/merging, legal counsel for bargaining and for negotiating contract with potential partner agency
5. Average of the three estimates EF&R provided
6. Includes average of one-time cost estimates provided

Extrapolations of Potential Partnerships or Contracting

		2021	2022	2023	2024	2025
MIFD budget estimates	¹	\$7,155,008	\$7,269,488	\$7,385,800	\$7,503,973	\$7,624,036
BFD cost proposal	²	\$6,693,996	\$6,921,592	\$7,156,926	\$7,400,262	\$7,651,871
EFR cost proposal	²					
"Contract #1"		\$6,997,985	\$7,155,440	\$7,316,437	\$7,481,057	\$7,649,381
EFR cost proposal "Contract #2"		\$6,564,745	\$6,712,452	\$6,863,482	\$7,017,911	\$7,175,814
EFR cost proposal "Partnership"		\$5,791,571	\$5,921,882	\$6,055,124	\$6,191,364	\$6,330,670
BFD cost proposal plus 20% of the first year, one-time costs		\$7,017,423	\$7,245,019	\$7,480,353	\$7,723,688	\$7,975,297
EFR cost proposal "Contract #2" plus 20% of the first year, one-time costs	³	\$6,854,771	\$7,002,478	\$7,153,508	\$7,307,936	\$7,465,839

Notes:

1. MIFD's estimated budgets are for illustration purposes: 2019 actual expenditures increased by average increases in actual expenses (3.92%, 2017 to 2019) for 2 years to get 2021 estimate. Likely overstates 2021 yet-to-be adopted budget.
2. Does not include first-year, one-time costs
3. Utilizes EF&R's average of one-time, first year costs.

The consulting team has attached a spreadsheet labeled "Fire Service Comparisons: Population, Assessed Value, Employees, Budget," which depicts a few ways the MIFD could be compared to Seattle Fire Department, Bellevue Fire Department and Eastside Fire and Rescue (see **Attachment #3**). A couple of take-aways from that data are: MIFD is protecting a higher level of assessed value property for its budgetary and personnel resources; and MIFD is the median value amongst these entities for its ratios of budget to population and budget to employees.

It is important to mention that these entities are not entirely the same entities that Mercer Island uses to compare itself for performance and collective bargaining purposes; again, these entities were largely chosen for their proximity and potential ability to provide service to Mercer Island. The Public Employment Relation Commission prefers that cities use similar sized departments as market comparisons for the purposes of

bargaining. (In past years, Mercer Island’s collective bargaining comparisons have included: the cities of Bothell, Kirkland, Redmond, Shoreline, Tukwila and Woodinville, Northshore Fire and Valley Regional Fire.)

The consulting team has also attached a spreadsheet labeled “Fire Department Staffing Comparisons,” which shows budgetary, schedule, and staffing level data (see **Attachment #4**). The data depict how each department except for MIFD has a higher daily staffing ratio (i.e., the number of personnel assigned to a shift each day out of the total staff) than its minimum staffing level (i.e., the number of personnel required each shift). The data also depict MIFD and SFD have higher overtime Operations expenditures per person and as a percentage of their department’s overall Operations budgets. The data also show an inverse relationship between the daily staffing ratio and the Operations OT budget level, where the lower the daily staffing ratio, the greater the Operations OT budget is as a percentage of the overall budget.

	MIFD	EF&R	BFD	SFD
2019 actual expenditure of Operations OT per person	\$23,714	\$13,012	\$12,091	\$28,077
Total personnel/daily staffing	4.00	4.19	4.22	3.71
Total personnel/min staffing	4.00	5.06	4.40	4.21
2019 actual expenditure for Operations OT as % of total budget	9.99%	6.97%	4.65%	11.64%

Other Considerations

Apart from direct cost experiences, other implications exist for cities who have contracted for fire services. These implications vary considerably and are difficult to measure but are nonetheless important to mention. Some cities have found that they continue to invest a significant amount of time performing the governance and oversight roles in their partnerships. Frequently, the city manager/administrator, city attorney, finance director and one or more members of City Council spend time in meetings, reviewing data, examining policies, and helping to steer the partnership agency. In some cases, depending on the balance of assets in the partnership, the joining member must also dedicate Information Technology, Human Resources, fleet/grounds/facility maintenance, risk management, city administration, finance and legal personnel and other resources to keep the entity running effectively and efficiently, and to ensure the municipality’s interests are met.

Some cities have found that its fire entity partners do not always share their objectives and values, making organizational decision-making cumbersome or contentious. When the municipality is no longer the only party providing direction and controlling the allocation of resources, absolute local control is replaced with negotiation and consensus building. For example, one member may feel the need to advocate for expansion of services (such as the addition or relocation of a station) while another may be highly cost-sensitive or cost-avoidant. Long-term strategic plans and a clear organizational mission and vision can help keep the entity on a consistent path. Partners also may have very different Calls for Service drivers and dissimilar abilities to pay for services. As such, expenditure and revenue sharing formulas can become a frequent topic of discussion. Policies that address how frequently or under what circumstances these formulas are updated can help keep this discussion from taking over the board’s agenda.

Some cities have found that removing the fire department from the auspices of the municipality have led to a perception that it is more difficult to influence the fire service’s performance, community connection, legislative focus, and budget priorities. When the municipality’s interests have deviated from those of the fire

service, it has sometimes been challenging for the elected officials to wear two hats as board representatives and city councilmembers. Clear policies at the municipal and board level can help limit these occurrences.

All of the benefits and drawbacks of contracting cannot be fully known until after an RFP is issued and, certainly, until the experience has been lived. However, City of Mercer Island and City of Bellevue staff have identified these potential pros and cons for each party (in that possible partnership):

Potential Pros for City of MI, MIFD or MIFD staff

- Potential lower WSRB rating
- Dedicated training division
- Increased Fire Marshal capacity
- Increased public education programming
- BFD's CARES program
- Additional promotion opportunities for fire fighters (includes ability to train as aerial crew)
- Scale of economy savings for hiring processes
- Scale of economy savings on overtime
- Staffing resiliency (if BFD has additional positions above minimum staffing or is able to reallocate personnel in specialized functions to line duty)
- Some "back office" administration tasks, time and expenses may be reduced due to scaling up or the ability to use more efficient systems
- Could retain Mercer Island branding
- Higher base salaries for personnel

Potential Pros for City of Bellevue, BFD or BFD staff

- Increased Fire Marshal capacity
- Addition of a Battalion Chief position
- Ability to spread costs among more partners, reducing City of Bellevue's share of future increases
- Additional scale of economy for purchasing, etc.

Potential Cons for City of MI, MIFD or MIFD staff

- Loss of direct local control
- Costs of executing the contract (legal, collective bargaining and other transition costs)
- Increased apparatus maintenance costs
- Higher base salary costs
- Loss of the Fire Chief position
- Fewer opportunities or less ability to utilize FD resources to assist with other City needs (e.g., serving on employee task teams,

Potential Cons for City of Bellevue, BFD or BFD staff

- Cede some governance power
- Unforeseen or non-negotiated transition costs
- Need to integrate large, one-time number of personnel

- assuming miscellaneous duties, helping reduce budget gaps)
- Less efficient means of oversight for City Manager and Finance Director

If the City Council wishes to improve the efficiency of the MIFD, there are a limited number of broad actions it could direct to either focus on performance improvements or costs. If the City Council desires to focus on reducing the operating cost of providing fire services to the community, choices are limited given the bulk of the department's costs are related to personnel and all of those options will require engaging the collective bargaining units, which will result in offsetting expenses.

These broad options include:

- Retaining a standalone MIFD, as is,
- Retaining the MIFD and reducing costs through negotiations with the Collective Bargaining Unit,
- Retaining MIFD, as is, and improving performance (which could include adding EMS enhancements in/out-of-house),
- Retaining the MIFD, but reducing costs (through bargaining) and improving performance,
- Contracting with another fire entity for some or all services,
- Merging with another fire entity for some or all services (merging assumes giving up all governance control), or
- Forming a fire protection district.

City management could attempt through collective bargaining to negotiate changes to cost drivers such as salaries and benefits (the net reduction would likely be minimized by give-backs to employees). The staffing structure could be altered to reduce overtime but would require augmenting the minimum staffing level (thus negating the cost savings). The City could evaluate whether another entity could provide the same or better level of service for all or some of MIFD's services.

While this Fire Services Study and agenda bill provide some initial glimpses at potential costs in year one and beyond, the only way to get a fully-burdened cost estimate is to conduct a Request for Proposals, engage in negotiations with an interested party, and bargain impacts with the Fire Department's Collective Bargaining Units. Before setting on that path, the Council should discuss the decision variables/considerations (see **Attachment #2** and listed previously in this agenda bill) and come to consensus on its goals and objectives for conducting the RFP. City Council should also discuss the process, timetable, and budget for any potential RFP (see **Attachment #5**).

Should the Mercer Island City Council wish to further explore the cost-benefits of contracting with another fire service entity, there are perhaps five critical pieces of information to keep in mind before taking that path:

1. Public engagement, information and input are needed to ensure a successful outcome. For example, City Council and community members could embark first on a conversation regarding the desired level/quality of service the community wants to establish or maintain, and the cost of attaining that desired outcome. If a Request for Proposals is ultimately conducted, the City Council may also wish to consider how to involve stakeholders in the development of the RFP and the review of the proposals.
2. The full process of conducting a Request for Proposals, negotiating with a potential partner, working through the collective bargaining process, providing public engagement and seeking input, City Council deliberations, amending the municipal code, transitioning assets, etc., will not be completed in a short

timeframe. Many cities who have gone through similar processes took many years to arrive at a final decision (and some chose not to proceed) and even more time to complete the transition (some included “bridge” years of partial changes).

3. Discussion of contracting may occur at the same time the City is attempting to negotiate a successor agreement with the union.
4. The impacts of contracting and of transferring personnel into the employment of another entity will have to be bargained with the union. The Washington State Public Employment Relations Commission (PERC) has made it clear that respect for the bargaining process includes giving the union an opportunity to suggest alternatives. In addition, any union that represents the personnel of the agency Mercer Island would join would also have the right to bargain any impacts of the new partnership.
5. Currently, all cost implications are largely unknown. Initial hard and soft costs, even prior to City Council potentially executing an agreement, are likely to be significant. Expenses may include contractual services’ fees for legal or special counsel, project management, collective bargaining, and consulting. Without knowing all necessary variables currently, it is difficult to estimate this expense. Some of the scope of work may be able to be performed by the City Attorney’s Office, but given the workload in that office and the specialized expertise that may be helpful in this matter, it is likely that external resources will be needed. An early cost estimate for the professional services needed for this scope of work is \$50,000 to \$80,000. Final costs incurred as a result of executing a potential contract are also largely unknown. As the highly conditional and conjectured estimates that the City received from three potential partners demonstrate, the transition and one-time/first-year costs each would charge the City of Mercer Island were wildly varied (ranging from \$200,000 to \$2.9 million). In addition, the City’s costs to close the bargaining unit’s incumbent contract, the costs to mitigate the union’s impacts of the new partnership and the costs the partner agency will incur due to its need to bargain impacts (which the City will likely absorb a portion of, over time) are all unknown now. Soft costs would likely include prioritizing and reserving time in the workplans of the Fire Department, City Manager, Finance, IT and Human Resources.

Attachments:

1. Overtime policy
2. Decision variables and considerations
3. Fire Service Comparisons: Population, Assessed Value, Employees, Budget
4. Fire Department Staffing Comparisons
5. Contracting preliminary process/timetable and budget
6. Maps