

Agenda Report

TO: CITY COUNCIL **Date:** December 13, 2004

THROUGH: FINANCE COMMITTEE

FROM: CITY MANAGER

SUBJECT: AMENDMENT TO FIRE DEPARTMENT'S FY 2005
OPERATING BUDGET AND ADOPTION OF A RESOLUTION
AMENDING THE SALARY RESOLUTION

RECOMMENDATION

It is recommended that the City Council:

1. Approve a journal voucher increasing appropriations in the Fire Department's fiscal year 2005 operating budget by \$421,120 to provide for the reorganization of the Department's command staff (\$71,120) as well as additional funding for personnel related costs (\$350,000). Funds will be taken from the General Fund unappropriated fund balance and appropriated to various line items.
2. Adopt a Resolution amending the Salary Resolution to create the title and control rate for the new classification of Fire Bureau Chief.

BACKGROUND

This report is seeking City Council approval of an increase to the Fire Department's fiscal year 2005 operating budget to provide for the reorganization of the Department's command staff as well as additional funding for personnel related costs.

Proposed Reorganization

Since the arrival of the City's new Fire Chief in late fiscal year 2004, a review of the Fire Department's organizational structure and command staff has been undertaken jointly by the Fire Chief and Human Resources Department. The result of this collaborative effort is the proposed creation of the new job classification of Fire Bureau Chief.

Currently, two of the three divisions within the Fire Department are managed by Battalion Chiefs assigned to a 40-hour workweek. One of the Battalion Chiefs is given the working title of Executive Assistant and manages the Operations Division (Training Services, Fire & Rescue Services and Emergency Medical Response); the other

Battalion Chief fills the role of Fire Marshal and manages the Fire and Environmental Services Division (Prevention). As proposed, these Battalion Chief positions would become Fire Bureau Chief positions.

As proposed the Fire Department will not be adding to the current number of authorized positions. This action will convert two vacant Battalion Chief FTEs into two Fire Bureau Chief FTEs, which will be filled through a competitive recruitment process.

Analysis of Budget Expenditures

In fiscal year 2004, the Fire Department over expended its operating budget by 3.4%, a figure that represents approximately \$856,000 against a budget of \$25.9 million. The main area of over-expenditure was in the personnel category of expenditures.

In order to better understand expenditures related to personnel category line item of position coverage, which is used to maintain minimum staffing levels, staff engaged the services of CBIZ Accounting, Tax and Advisory of Orange County, Inc. As part of its services CBIZ was to: 1) document the conditions under which position coverage is utilized; 2) determine whether any abuse of the system appeared to be occurring; 3) determine how often the utilization of leave time (holiday, sick, vacation, and workers compensation) results in the need for position coverage, and 4) recommend a methodology for budgeting position coverage. CBIZ's findings are discussed later in this report.

Concurrent with the analysis performed by CBIZ, staff analyzed broader budget trends and expenditure patterns within the Fire Department.

Staff's analysis determined that while in prior years the Fire Department had sufficient funding, such was not the case in fiscal year 2004, as a result of several variables. The primary causes include vacancy factor, additional working days in 2004 and salary adjustments:

Vacancy Factor – The City budgets positions at their maximum rate (known as Control Rate or Top Step) and the budget assumes that positions will be filled for the entire fiscal year, however, in order to account for vacancies as well as the fact that not all employees are at the Control Rate, a *vacancy factor* is used to reduce total budgeted salaries. The vacancy factor for the Fire Department's Operations Division, which accounts for 85% of the Department's total budget and is the division where position coverage is most utilized, has been 2% for a number of years. Given historical staffing patterns a 2% vacancy factor was appropriate, however, in fiscal 2004 as a result of hiring 12 new Fire Fighters, the Division was fully staffed for the preponderance of the fiscal year. Consequently, the vacancy factor was too high given the actual staffing situation during this particular time period. Had the vacancy factor been more in-line with then current staffing, the Department would have had an additional \$274,375 in its budget. The Department has since experienced additional vacancies once again bringing the vacancy factor more in line with actual staffing levels. Nevertheless, as part of the fiscal year 2006 operating budget process, the vacancy factor will be carefully reviewed.

Additional Working Days in the Final Pay Period of Fiscal Year 2004 – The first paycheck issued in fiscal year 2005 included 3 days of work performed in fiscal year 2004.

Accounting practices necessitated that these days be accrued against (charged to) fiscal 2004. Since there were no accruals in 2003 the effect of this was to charge fiscal year 2004 with 263 working days instead of the normal 260. These additional three days, which were not budgeted for in fiscal year 2004 translated to an expense of \$240,480 to the Fire Department. In fiscal year 2005 there will be a net one-day, non-budgeted expense.

Salary Adjustments - When developing the operating budget it is customary to include funds in departmental personnel line items for anticipated salary and benefit increases. The fiscal year 2004 operating budget included an amount equal to 3% of salaries in each respective City department.

Compensation for fire safety personnel is based on salary surveys conducted during the fiscal year. And although there is some offset as a result of salary increases being implemented a few months into the fiscal year, the net result was that salary increases for fire safety personnel exceeded the allowance in the Department's budget by \$232,550.

It is not unusual for salary and benefit increases for fire safety personnel to exceed the allowance established in the Department's adopted budget. The City budgets a Personnel Reserve in the non-departmental portion of the General Fund budget and if increases are expected to exceed amounts available in a departmental operating budget, funds are transferred from the Personnel Reserve to the appropriate department. This did not occur in fiscal year 2004, as it was believed the Fire Department could absorb the incremental amount, which equals less than 1% of its total budget. It is worth noting that fiscal year 2004 was a particularly difficult year for the City as a result of the state budget crisis and the ensuing loss of revenue, a total of \$5 million in annualized reductions were made in the General Fund.

The cumulative impact of these three factors totals \$747,405. Consequently, had the Fire Department's Operating Budget not incurred these anomalous expenses it would have ended fiscal year 2004 less than one half of one percent over budget, or about \$109,000.

CBIZ has documented the use of position coverage in the attached report and has determined that those expenditures are legitimate and bona fide. CBIZ noted that while the position coverage line item was over expended in each year analyzed, the Fire Department as a whole remained within budget in all but fiscal 2004 (Actually there was a slight overage of 0.3% in fiscal year 2003).

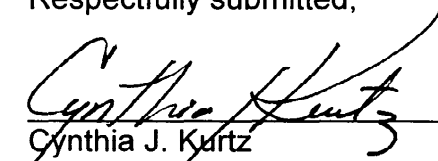
Working closely with city staff, CBIZ has developed a methodology for determining the budget for position coverage that is improved over what has been used traditionally. Applying this new method indicates that the Fire Department will need an additional \$350,000 for position coverage in the current fiscal year and is the basis for the staff

recommendation. Staff will utilize this methodology in the development of the fiscal year 2006 operating budget and subsequent budgets and will continue to monitor expenses closely.

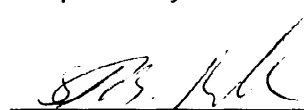
FISCAL IMPACT

The proposed actions will increase appropriations in the Fire Department General Fund Budget by \$421,120. Sufficient funding is available in the General Fund unappropriated fund balance.


Respectfully submitted,


Cynthia J. Kurtz
City Manager

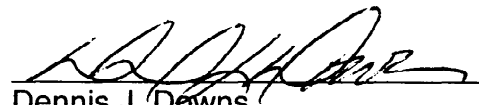
Prepared by:


Steve Mermell
Budget Administrator

Approved by:


Jay M. Goldstone
Director of Finance

Concurrence:


Dennis J. Downs
Fire Chief

RESOLUTION NO. _____

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF PASADENA
AMENDING THE SALARY RESOLUTION RELATING TO THE NEW
CLASSIFICATION OF FIRE BUREAU CHIEF

BE IT RESOLVED by the City Council of the City of Pasadena that the Salary Resolution is amended as follows:

<u>Page</u>	<u>Remove</u> <u>Dated</u>	<u>Page</u>	<u>Insert</u> <u>Dated</u>
3.10-E-1-x	December 13, 2004	3.10-E-1	December 13, 2004

This amendment shall be effective as of December 27, 2004.

Adopted by the following vote at the meeting of the City Council on December 13, 2004:

AYES:

NOES:

ABSTAIN:

ABSENT:

Approved as to Form:

Jane Rodriguez, City Clerk



Hugh A. Halford, Asst. City Attorney

Exhibit 3.10
MANAGEMENT/NON-REPRESENTED – TOP
Control Rates Effective April 5, 2004

<u>Classification</u>	<u>Control Rate</u>
Assistant City Attorney (Confidential)	131,954
Assistant General Manager of Water & Power	147,808
Budget Administrator	108,993
Chief Information Technology Officer	117,837
Deputy Finance Director	121,803
Fire Bureau Chief ¹	141,726
Finance and Management Services Administrator	108,993
Health Officer	148,116
Human Resources Manager (Confidential)	108,993
Police Commander ²	135,726
Police Commander (Non-Sworn) ²	135,726

¹ Fire Bureau Chief classification created effective December 27, 2004.

² Control Rates for Police Commander and Police Commanader (Non-Sworn) are effective July 5, 2004.

Amended December 13, 2004
Supersedes Page 3.10-E-1-x

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