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INTERNATIONAL ASSOCIATION OF FIRE CHIEFS

Stepping Through the Fire

Reflections of the Economy and Recovery
in the Fire and Emergency Service

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The recession is over...but its imprint remains.

- fire departments
- local governments
- people we protect



- Understand the “Big Picture”
 - National, local, department
 - Data, data, data
- Seek and understand alternatives
 - Operations
 - Administration
 - Funding
- Build partnerships
- Lead recovery, don't just react to it



- Economic impact is difficult to gauge
 - “If you’ve seen one fire department... you’ve seen one fire department”
 - Divisive political environment
 - All levels of government
 - Conflicting data /opinion on recovery
 - Political posturing / finger pointing
 - Mostly anecdotal evidence; lack of FD data
 - Local budgets are lagging indicators



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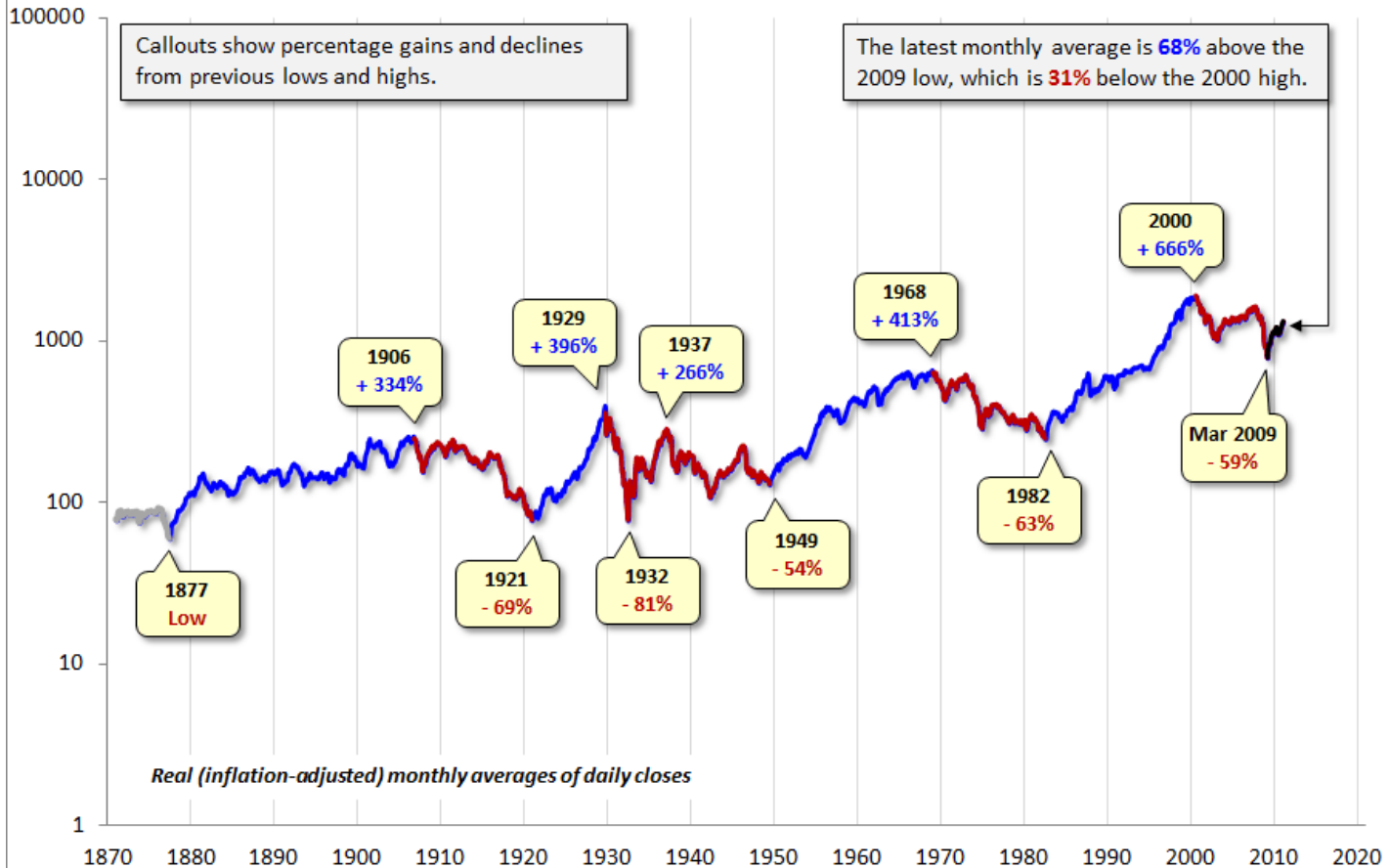
National Economic Environment



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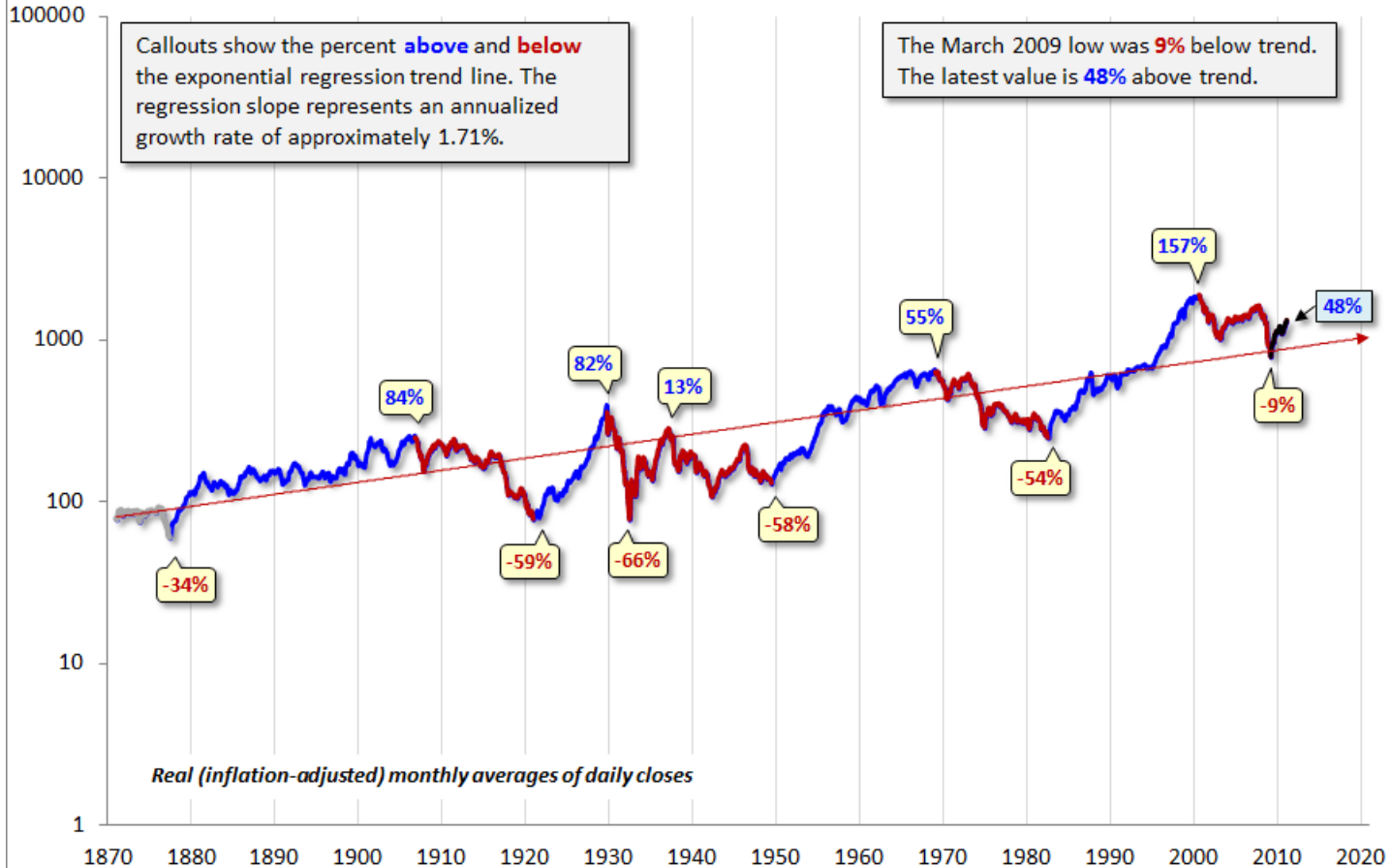
S&P Historical Composite: 1871-Present Inflation-Adjusted Secular Highs and Lows

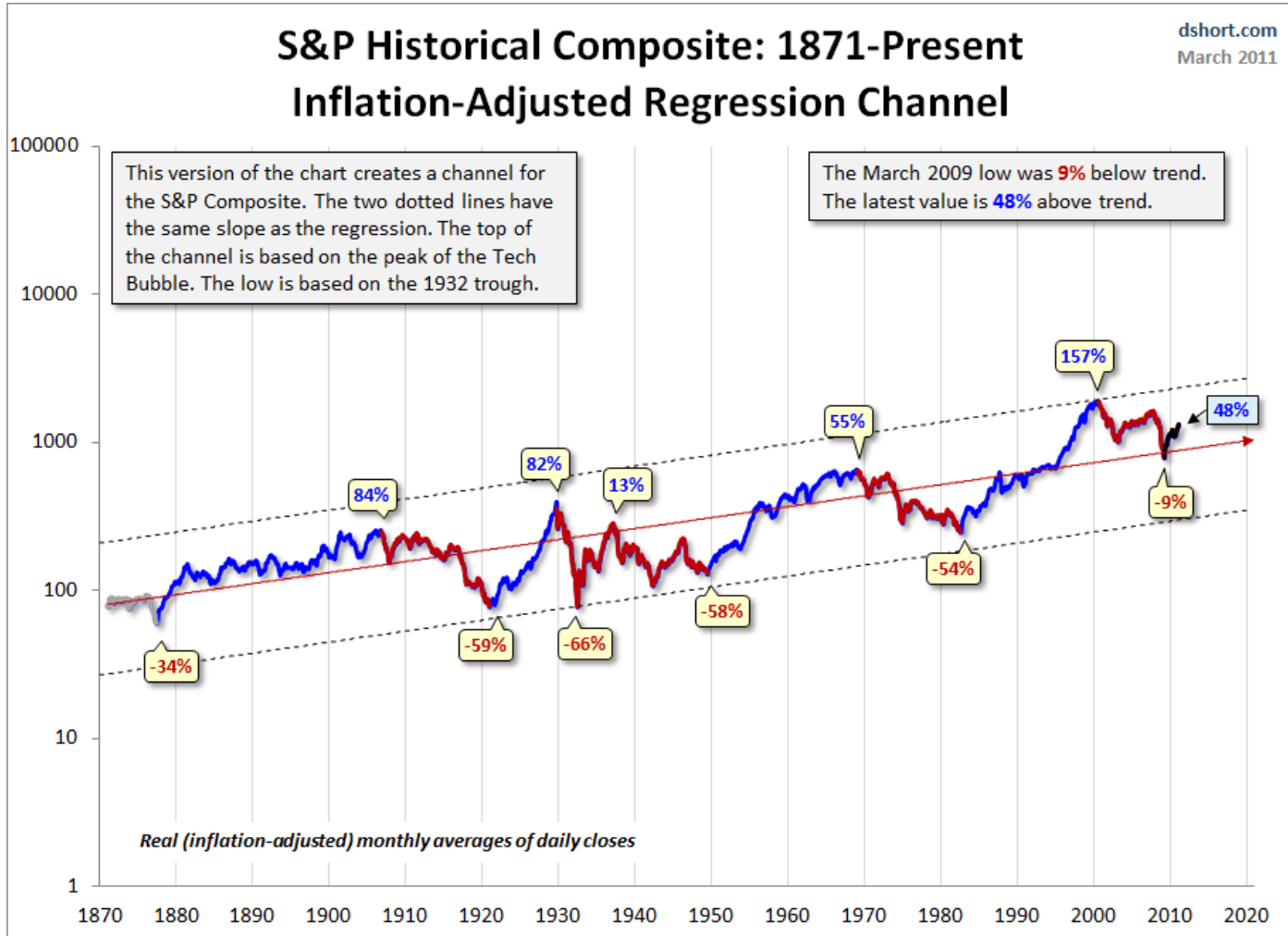
dshort.com
March 2011



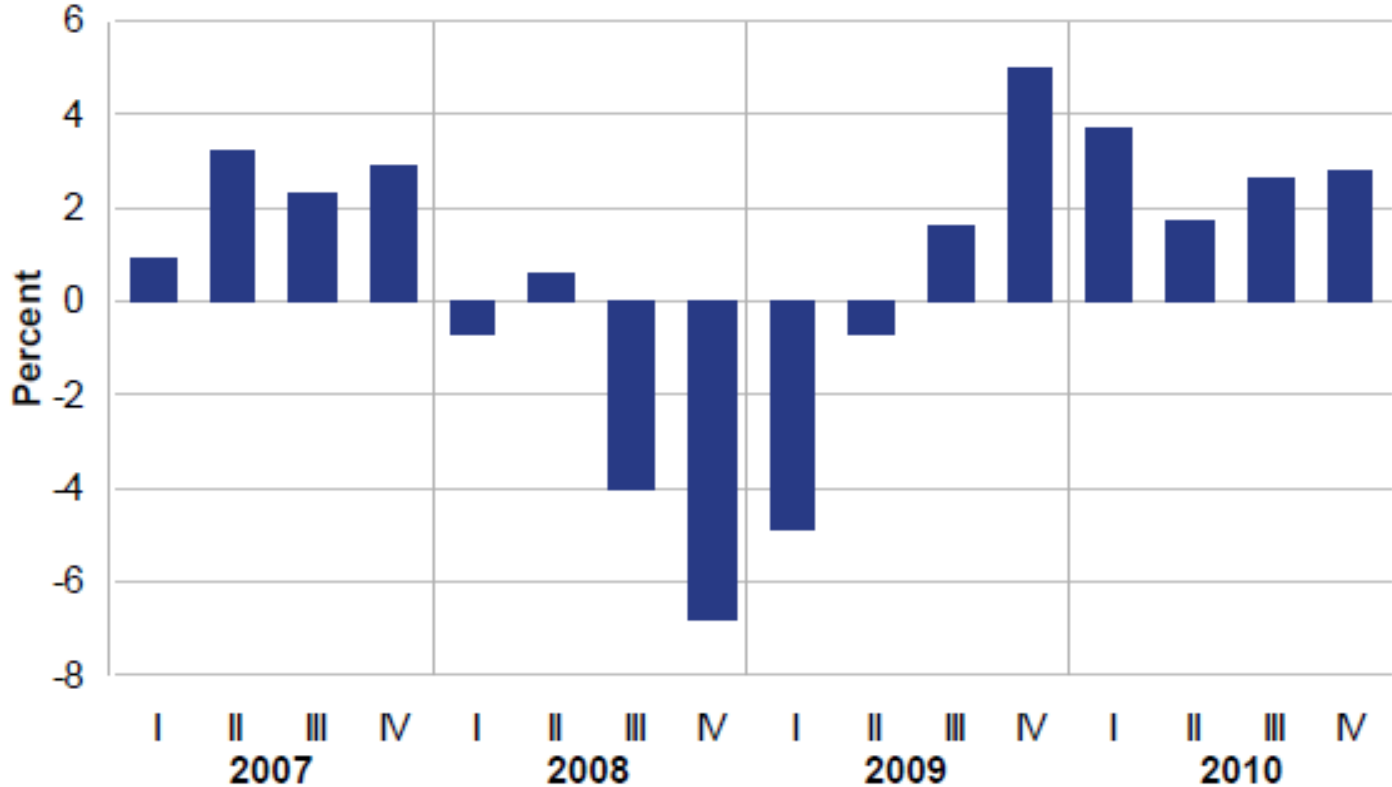
S&P Historical Composite: 1871-Present Inflation-Adjusted Regression to Trend

dshort.com
March 2011





Quarter-to-Quarter Growth in Real GDP



Real GDP growth is measured at seasonally adjusted annual rates.

U.S. Bureau of Economic Analysis





Employment Trends Index



Help Wanted OnLine



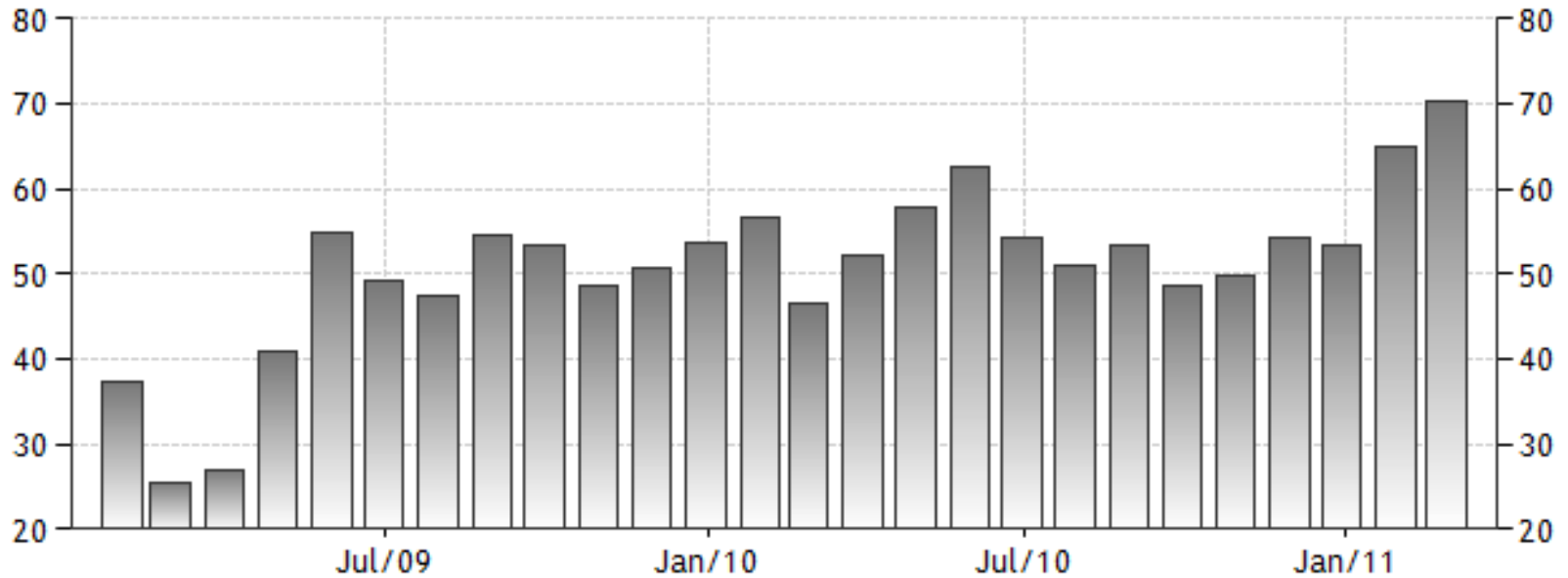
Measure of CEO Confidence



Consumer Confidence

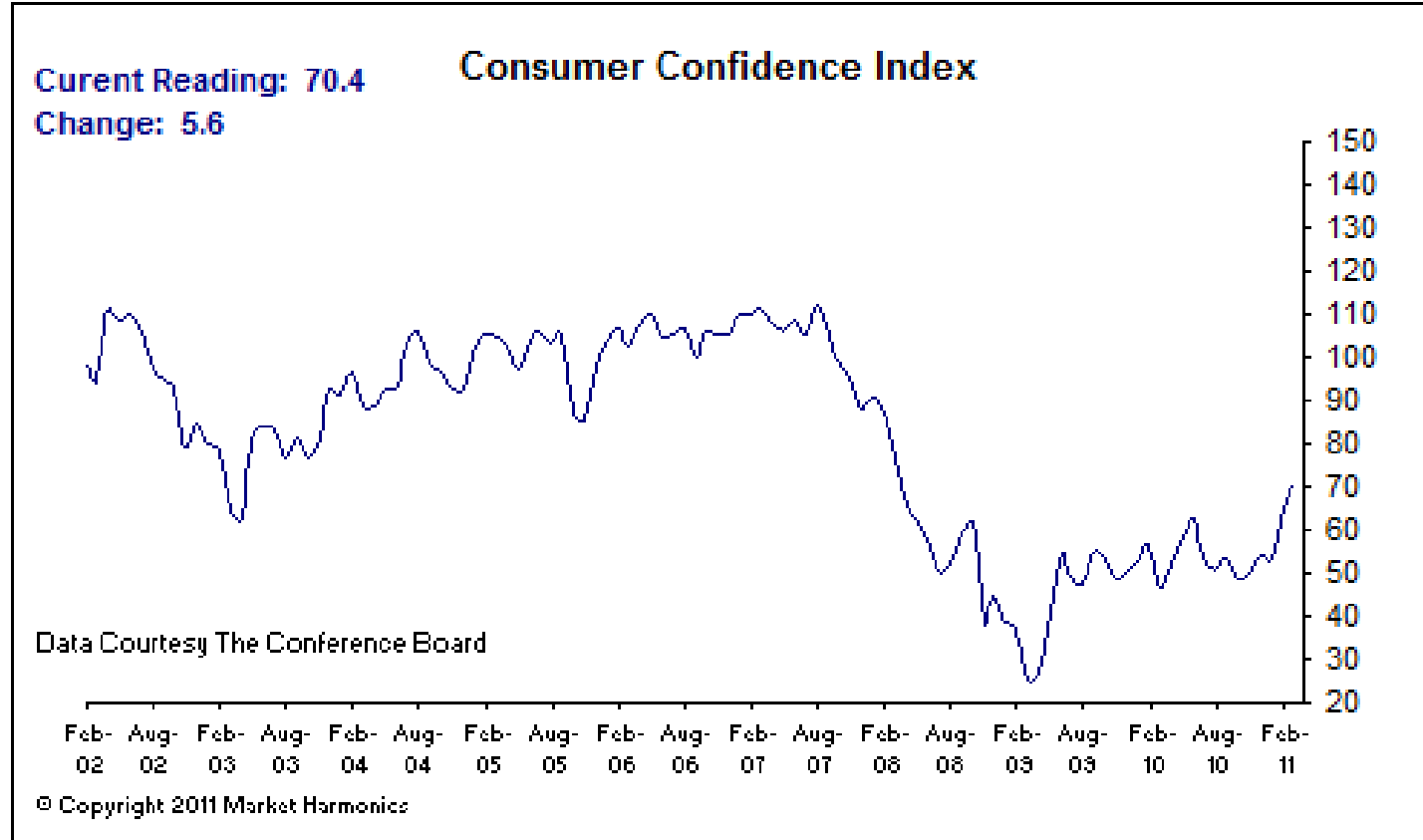


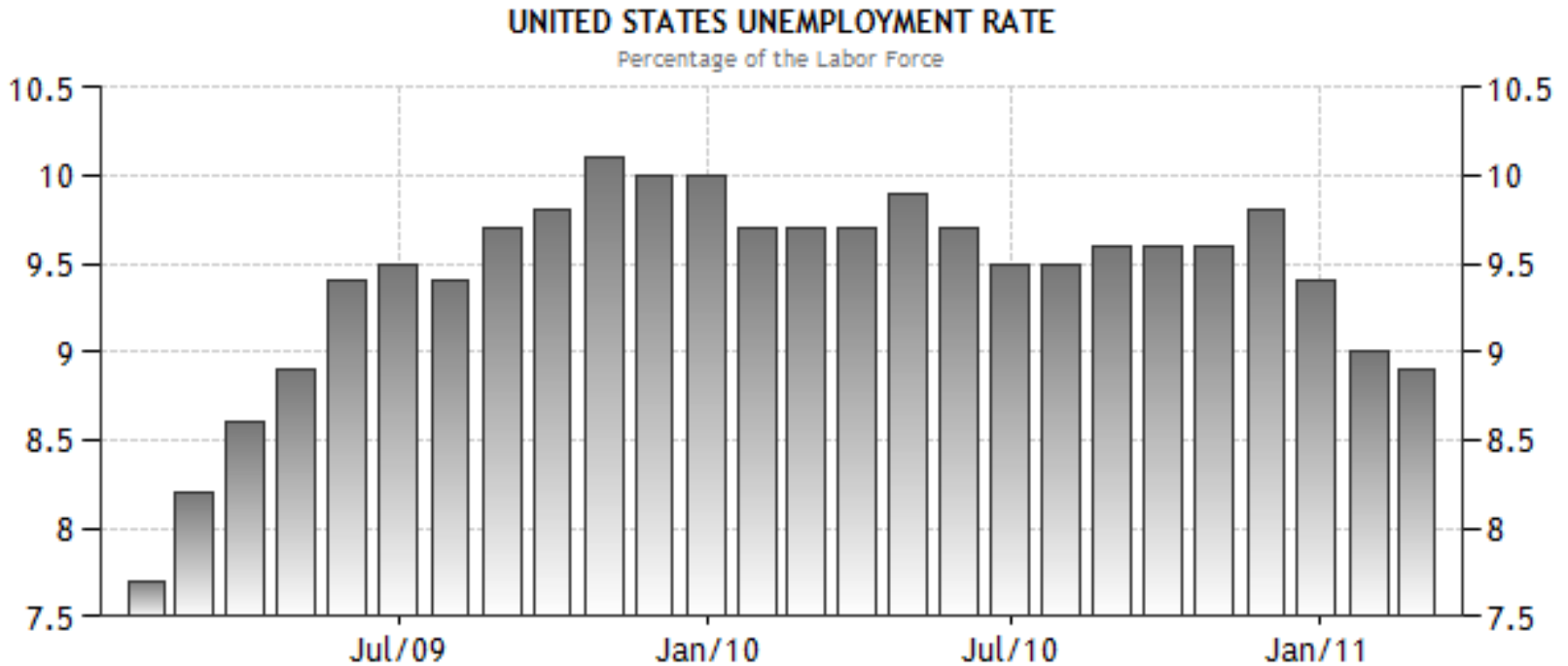
UNITED STATES CONSUMER CONFIDENCE



source: TradingEconomics.com; Conference Board







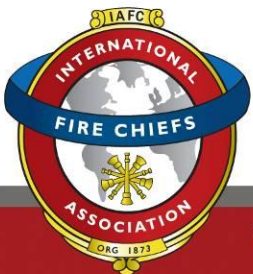
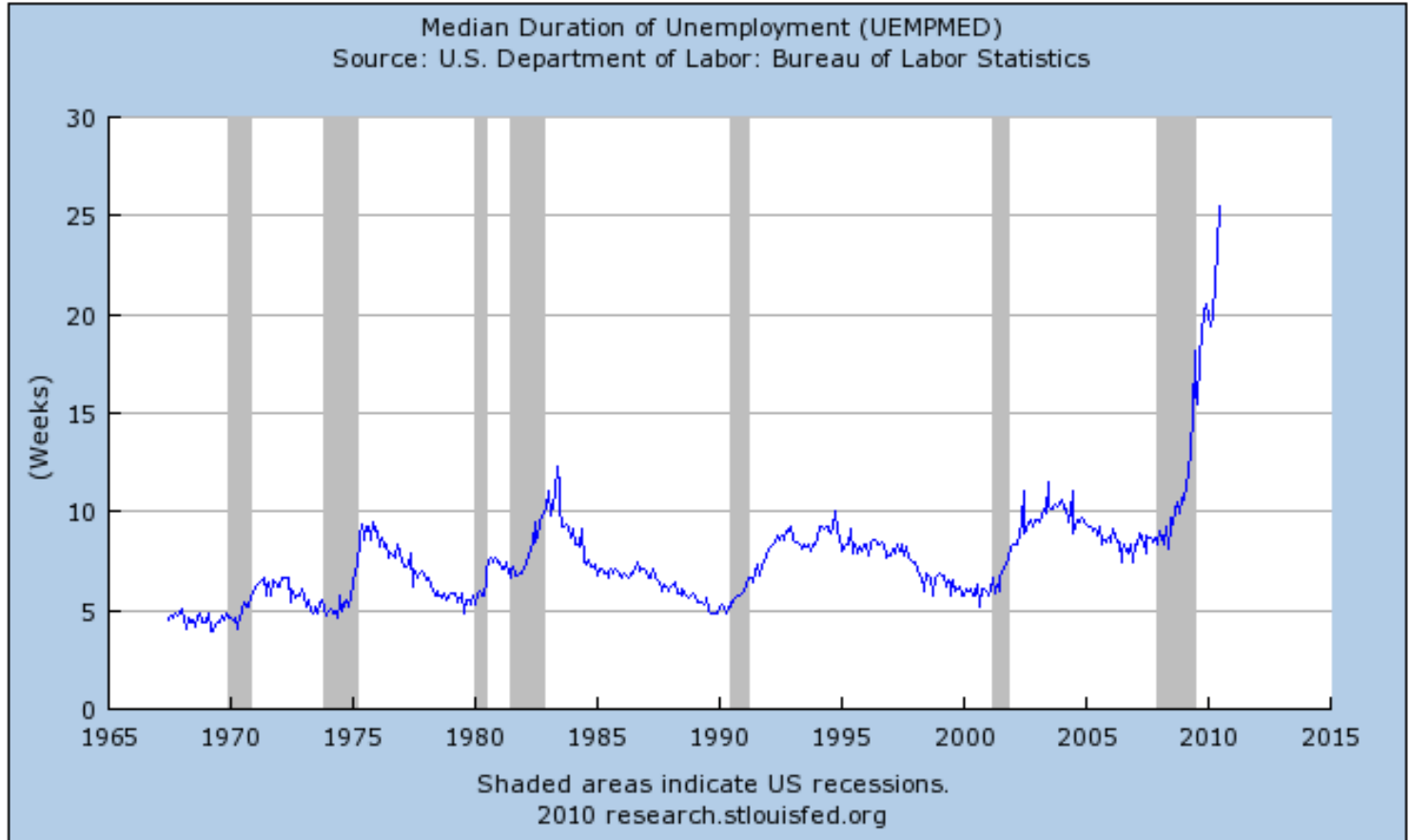
source: TradingEconomics.com; Bureau of Labor Statistics





Unemployment – Lagging Indicator

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- Increase: Gas and fuel
- Increase: Food at home
- Increase: Apparel
- Increase: Shelter
- Increase: Airline fares
- Increase: Recreation
- Decrease: New vehicles and used cars and trucks.



- Current environment
 - Housing starts go up and down monthly
 - Home pricing / value down
 - Tax revenue down
 - Controversy on foreclosures continues
 - Demand to slow process
 - Political discord in Washington



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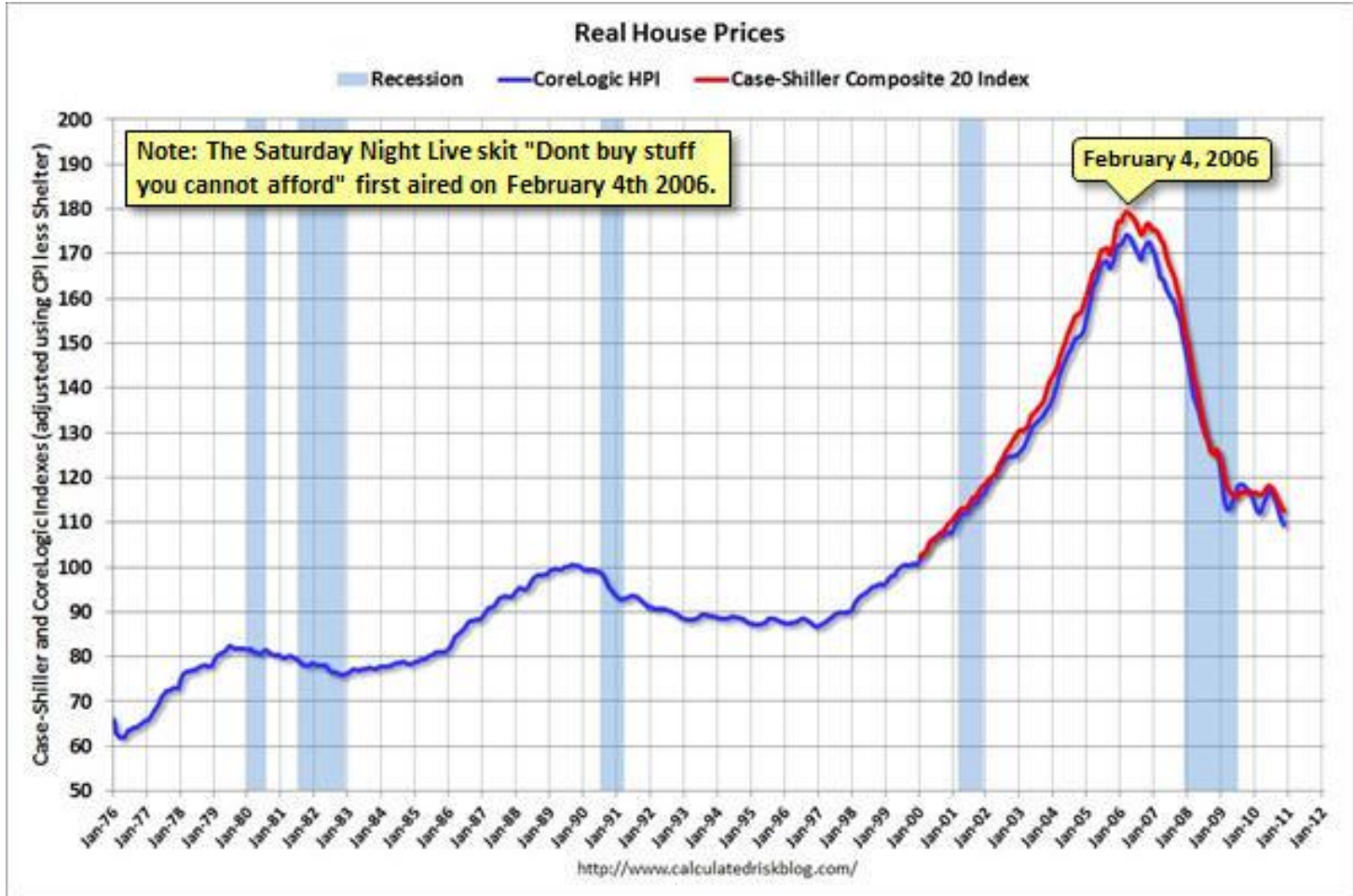
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Solution

Don't Buy Stuff



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State and Local Economic Environment



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Expect lots of government layoffs at state, local level

Silicon Valley
MercuryNews.com
Firefighters are the new heroes in deficit battle

The CHRISTIAN SCIENCE
MONITOR
Did Wisconsin Senate choose nuclear option in collective-bargaining fight?

The Washington Post
State and local budget cuts are slowing US economy

FLATHEAD BEACON
After Win Against City, Firefighters Could Face Layoffs



Fire Stations Cut Services As City Budgets Shrink

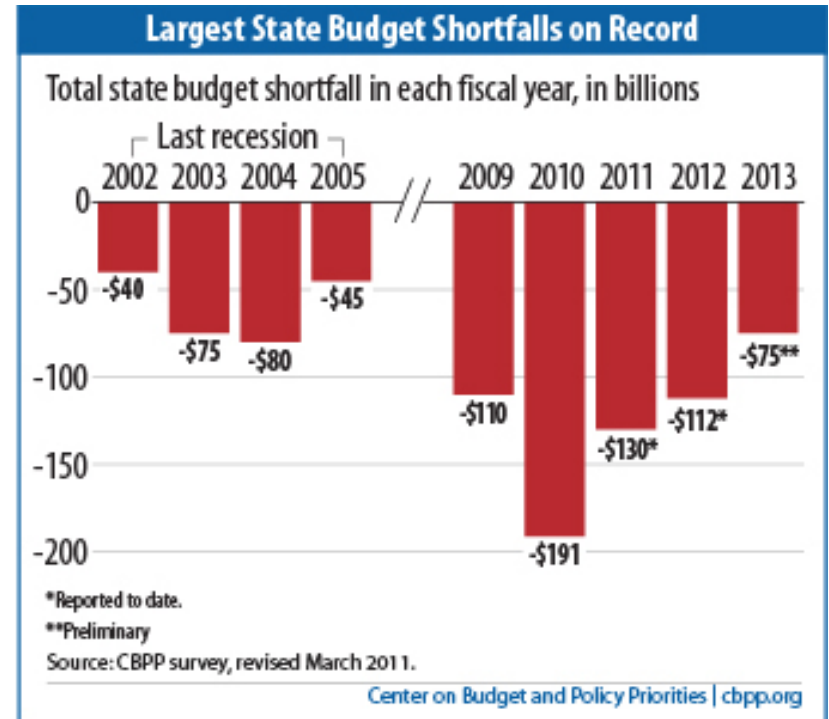
by RACHEL DORNHELM



- Recent National League of Cities survey shows:
 - Largest spending cuts in the 25-year history of the survey
 - 87% of city finance officer report they are worse off than 2009
 - NLC president: “The easy cuts are gone”
 - 25% of cities cutting back further on public safety, making deeper cuts in services usually seen as an area of last resort.



- Steepest decline in tax base on record
- Demand for services increasing
- Severe cuts in vital state funding:
 - Health care (31 states)
 - Elderly/Disabled (29)
 - K-12 Education (34)
 - Higher Ed (43)



- Tax Base

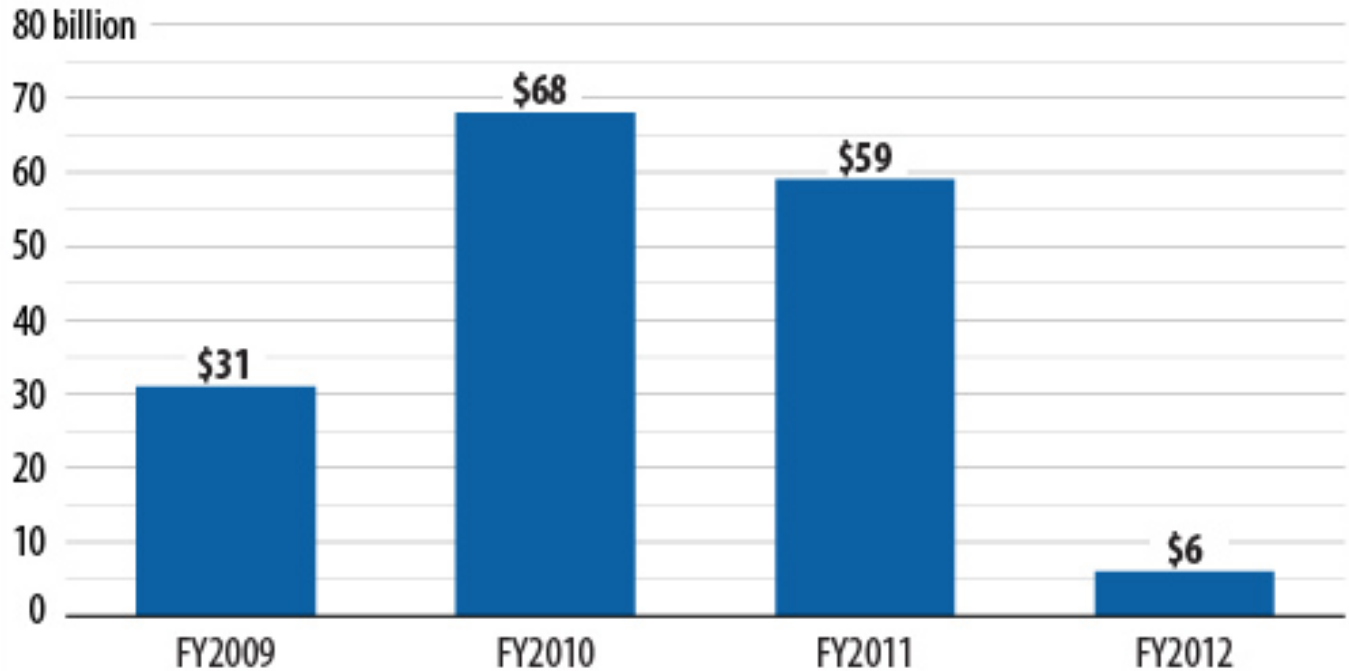
- Devaluation of Assessed Property Values (property tax)
- Unemployment (income tax)
- Low consumer spending (sales tax)
- Loss/Profit Loss of Industry/Commerce (corporate income tax; employment, property tax)
- Housing – 5 year trough 2008-2013
 - Must build new buildings to get new revenue



- Legislative Assessment Caps
- Sources of Revenue
 - General Fund: competition for scarce resources
 - Special Revenue Fund: inability to shift financial resources
 - Sales Tax: highly elastic; consumer confidence down



Few Recovery Act Funds (Including August Extension) Available After 2011



Revised September 2010.

Source: CBPP analysis using data from U.S. Department of Health and Human Services, U.S. Department of Education, and Congressional Budget Office.

Center on Budget and Policy Priorities | cbpp.org



63%

**Percentage of U.S. cities
cutting back on police and
fire budgets**

39%

**Percentage of U.S. counties
cutting back on police and
fire budgets**



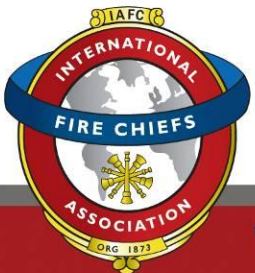
- Changes to federal grant programs
 - Cuts- Proposed reduction in AFG by Obama – 390 to 250, House is 390/420 (SAFER)
 - Spending requirements
- Public – Private competition
- Organizational culture
- Organizational structure
 - Loss of key planning positions
- Regulatory impediments



- PD, County Sheriff, State Police, Highway Patrol, ABC Officer, FBI, DEA, ATF, Customs and Border Patrol, Secret Service, Federal Protective Service, US Marshals, Federal Air Marshals, ICE, U.S. Forest Service Law Enforcement, Bureau of Indian Affairs, Bureau of Land Management, U.S. Park Service
- 18 different law agencies that can enforce laws
- Local F.D
 - 1 agency from local to federal to suppress fires.



- Public trust is failing
 - Apathy over cuts in service
 - Anger when something goes wrong
 - Grouping firefighters with “the government”
 - Outcry over salaries and benefits
 - Firefighters are now seen as the cause of what all is wrong with government in some areas





- 17 states with pending legislation
- \$1.5 - 3 trillion estimated shortfall for state and local pensions
- 41% of voters have no retirement benefits.
- 586 Fortune 1000 companies still offer pensions.



- More than 80 % of the U.S.' 27 million state and local government workers/retirees are covered by public pensions.
- Taxpayers face as much as \$3 TRILLION in unfunded workers retirement liabilities at the state level alone.
- Chicago's system will be broke by 2020
- Disparity in retirement contribution
 - Private sector average: \$0.92
 - Public sector average: \$3.04



- Election results highlight issue
 - Six newly elected governors are looking at 401(k)-style retirement plans
 - Eight of nine California cities and counties approved ballot measures slashing public pension benefits
 - More than 40 suburban Chicago communities approved a ballot question demanding that the Illinois Legislature lower benefits for future state workers, targeting public safety officers and firefighters.



- Too much promised or bad management?
- Financially sound for decades. What happened? What is broke and is there a better way to fix it?
- What is the cost to tax payers to convert the system? What if it fails?
- Immediate action vs. long-term consequence
 - Fit for duty?
 - Recruitment and retention?





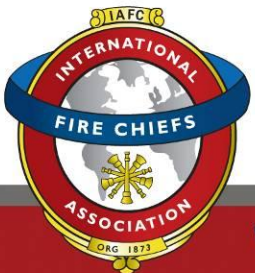
**What will be the
long-term
impact of the
Wisconsin
vote?**



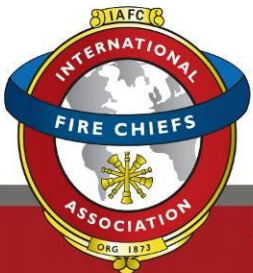
- Community impact
 - Reduction in service
 - Station closings
 - Brownouts
 - Increased call times
- Staff Impacts
 - Reduction in Force
 - Furlough
 - Benefit reductions
 - Safety concerns (NPFA 1710/20 compliance)



- Building a new reality
 - Leading, not reacting
 - Leveraging opportunity
 - Recovery plan
- Repair relationship with the public
 - Pub Ed: What we do / successes
 - Efforts to remain relevant in a dynamic environment
 - Clearer messaging on budget needs



- Are we wrapped up in doing things, “the way we always have?”
- Are our competitors innovating more rapidly than we are? (yes!)
- Do we want to be followers or leaders in public safety?
- Emergency service models in Europe seem strange at first glance to American eyes... but are they wrong? – They are now looking at what we are doing



- Risk analysis for program prioritization
- Multi-year revenue and expenditure projections
 - Forecasting
- Strategic planning
- Family of performance measures
 - Program Dashboards
- Decision-making matrices



- Program management efficiencies:
 - What programs are necessary to address the threats in specific communities?
 - Alternative staffing models to keep programs alive
 - Leveraging technology support department goals



- ✓ Budget scrubbing
- ✓ Revenue enhancements or diversification
 - Fee for service – partial to full cost recovery
 - Proffers for new development
 - Leasing space on station property
 - Fire levy funds (special taxing)
- Fire service consolidation/partnerships
 - Internal to local government
 - Regionalization



- Rethinking response
 - Peak staffing at peak hours
 - Light duty vehicles
- Public-private partnerships
- Outsourcing and privatization
 - Don't go overboard
- Accreditation
- Green initiatives
- Challenging cherished assumptions



Recovery is underway,
but will be a long and difficult road.

We have an opportunity to come out stronger,
if we take the time and energy to shape our
future now.

Will the fire service step-up to the opportunity?



- U.S. Bureau of Economic Analysis
 - www.bea.gov
- U.S. Census Bureau
 - www.census.gov
- U.S. Bureau of Labor Statistics
 - www.stats.bls.gov
- Center on Budget and Policy Priorities
 - www.cbpp.org



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