
MEMORANDUM

To: Kerri L. Donis, Fire Chief, City of Fresno Fire Department

From: Nicole Kissam, Director, NBS

Date: January 24, 2020

Re: **Fresno Fire Prevention and Inspection Service Fee Costing Analysis**

In 2011, NBS completed a User and Regulatory Fee Analysis for the City of Fresno Fire Department's Fire Prevention and Investigation Division. To date, the City has not implemented the recommended fee structure or fee amounts supported by NBS' September 16, 2011 Final Report.

Recently, the Fire Department initiated a proposal to update the Department's Master Fee Schedule, referencing NBS' 2011 Final Report as the foundational supportive document for their recommendations. However, as noted in the NBS report, the financial basis for the 2011 Study was the City's Fiscal Year 2011-12 adopted budget and the Department wanted their recommendations for the Master Fee Schedule to reflect the costs of services in today's (Fiscal Year 2019-20) dollars.

As such, the Department analyzed the percentage increase in salary levels for Fire Prevention and Sworn Safety positions included in the NBS analysis and arrived at a 15.63% average increase for Fire Prevention positions, and a 13.66% average increase for Sworn Safety positions. The Department also reached out to NBS and requested a basic professional review of their approach to updating the fee for service calculations in NBS' Final Report based on the salary increase percentage described above.

NBS Review and Recommendations

In reviewing the Department's salary increase calculations, we agree with the approach of considering salary cost increases as one reasonable and industry-standard approach to updating fee amounts between years of comprehensive analysis. However, it is NBS' recommendation that the Department consider a total labor cost increase factor to include increases in salaries, wages, and benefits. Because labor costs are approximately of 75% of the total costs analyzed in the 2011 Study, consideration of total labor cost increases are more reflective of the full costs of providing services.

In order to calculate the total percentage increase in labor costs as it would apply to the details and inner workings of the 2011 NBS fee model, we reconfirmed the Fiscal Year 2011-2012 budget details assumed in the fee model and also reviewed a copy of the Fiscal Year 2019-20 adopted budget as provided by the Department's Business Manager, Mike Getty.

The focus of the NBS fee model’s recommendations were on fees for services in the areas of both Fire Prevention and Fire Operations. The number of individual fee items evaluated were mostly for Fire Prevention, however, the full costs of services eligible for collection through fees were provided approximately 40% by Fire Prevention staff to include items such as annual operational inspections, fire systems review and inspection, development review and inspection, and 60% by Operations staff to include fire hydrant services provided to the Public Utilities Department, and hourly standby and response services.

The 2011 fee model considered Department-wide staffing and operational costs in order to provide an analysis of the fully burdened costs of providing both Fire Prevention and Fire Operations fees for services. The fee model incorporated all types of direct and indirect costs that are eligible for recovery in fees for services and therefore included an allocated share of the Department’s administrative and support staff. A labor cost increase percentage should recognize the increase in total Department labor costs between fiscal years 2012 and 2020. As shown below, our analysis supports a 17.25% average increase in fees without performing a comprehensive fee analysis.

Department Labor Costs – Fiscal Year 2012 vs 2020

Cost Category	2012	2020	% Change
Salary Costs	\$ 28,758,800	\$ 32,202,500	11.97%
Wages and Benefits	\$ 14,088,000	\$ 18,034,800	28.02%
Total	\$ 42,846,800	\$ 50,237,300	17.25%

The Department could also consider applying a Consumer Price Index adjustment, which is slightly higher than the labor cost increase. The cumulative CPI increase between August 2012 and August 2019 would be 17.7%¹. The rationale for using CPI instead of labor cost increase could be the CPI also incorporates changes in the cost of operational supplies and is a general economic indicator of the change in costs of providing services. We have seen policies adopted for annual updates of fee amounts that would accept CPI or labor cost increase, whichever is higher at the time the annual update takes place. We also recommend the Fire Department check with the DARM Department, which relies heavily on fee revenue each year to sustain its regulation of development activity, as well as the City Finance Department for fee update policies of a similar nature in order to be consistent with City policies and practices.

Regardless of which update approach the Department wishes to apply to the NBS 2011 fee analysis outcomes, applying a cost inflation factor in between study years is a recommended best practice.

It should also be noted that throughout this review process, we performed a high-level review of the time estimate information gathered during the 2011 analysis. Chief Semonious met with first line supervisors to verify assumptions related to time and service levels are still reasonable. Though the Department’s organizational structure has undergone some changes since the 2012 budget year, the underlying processes and operational practices that support the provision of fee related services have not changed significantly since the last study.

Conclusion

Based on the outcomes presented in this analysis, NBS supports the Department’s desire to adjust fee recommendations to be reasonably in-line with today’s costs. This adjustment will provide better cost recovery to support the services being provided.

¹ Sourced from the Department of Industrial Relations California CPI calculator for All Urban Consumers.

We recommend the Department move forward as follows:

1. Update the Master Fee Schedule for Fire Services with either an 17.25% labor-increase factor or a 17.7% CPI factor.
2. Adopt a policy and procedure for an annual cost update factor to the City Finance Department's current practice. DARM may also be a good reference for an existing policy.
3. Perform an updated comprehensive fee analysis within the next three years.
4. Track time for provision of various fee related services on a periodic basis to support the assumptions applied to calculate individual fees. Complete a representative sample of time tracking prior to engaging in a comprehensive fee analysis.

Disclaimer: In preparing this report and the opinions and recommendations included herein, NBS has relied on a number of principal assumptions and considerations with regard to financial matters, conditions and events that may occur in the future. This information and assumptions, including the City's budgets, time estimate data, and workload information from City staff, were provided by sources we believe to be reliable; however, NBS has not independently verified such information and assumptions.