

Shoreline Contract Proposal Clarifying Questions Response

The following document should provide more details clarifying our proposal and is in response to the questions posed by the sub-committee of the Northshore Board of Commissioners. We believed that providing thorough details and thought process in our initial proposal was warranted for such a significant decision. I apologize that it made the evaluation of the proposal more difficult.

First, we thought it would be good to summarize the larger points in our initial proposal, but clearly these can be discussed further depending on direction of the Board:

- All Operational and identified Administrative personnel will remain employed in the larger organization.
- Through attrition reduce the number of operational BC's on duty from two to one.
- Initiate a BLS transport program.
- Add a peak-hour aid car at Station 57.
- Create an interim Division or District Chief position to assist with the transition.
- Promote eight NFD Firefighters to Driver/Engineers.
- Assume IT, fleet, and facility maintenance responsibilities.
- Remain in NEMCO

All of these can be negotiated, and some are the subjects of requests for further clarification as posed in the document we received. The following is a list of the clarifying questions that were submitted to us. We answered them in the order that they were asked, but also tried to group the answers by subject whenever possible. The following are the general questions and answers related to the first portion of the document that was sent, and include the questions in the table.

1. **Reconciliation** – We did not provide for full reconciliation in our proposal because it is not absolutely necessary. You cannot give away services, but it does not need to be dollar for dollar. The following is a legal opinion from Brian Snure on RCW 43.09.210:

Under most interlocal agreements the funding portion is part art and part science. While the cited statute certainly applies, the true and full value language has been interpreted by the State Attorney General (and therefore the Auditor) as a general concept and goal that can factor in many types of consideration and does not have to include a dollar for dollar accounting.

Accordingly, while a completely one-sided agreement, i.e. Shoreline provides service to Northshore at no cost would clearly violate the statute, most consolidation and service ILAs I work on are geared toward full and fair consideration but often do not include reconciliation provisions because a decision is made that the cost of reconciling outweighs the benefits. I have not heard of the Auditor challenging service contracts like this on an absence of reconciliation language provided the payment formula is reasonable.

However, we are completely fine with reconciliation as it will eliminate the risk of being off-budget. Reconciliation language can be collaboratively developed by NFD and SFD for the ILA, but our initial thoughts are below.

- Reconciliation would be part of the annual budget process in October and an estimate of the year-end actuals would be developed. This would allow both parties to properly develop budgets for the following year.
- At the end of the year a reconciliation of actual costs would occur and be presented to the NFD and SFD Boards by the end of January.
- If money was owed it would be transferred to SFD by April 1. If there was a credit then there would be a transfer from SFD to NFD by April 1.

2. **Reserves** – Our initial proposal included a transfer of reserves for the different liabilities that SFD would incur. However, after further discussion we believe that a transfer is not necessary for most items. The following items are our new proposal for addressing these liabilities:
 - a. LEOFF I – We will manage the LEOFF I retiree liabilities and bill the NFD for these costs. Our Finance Manager has evaluated the scope of this work and has developed a list of duties, see the addendum at end of this document for specific details. We have been advised that there would also be a requirement for the retirees to join the SFD insurance plan, because with only LEOFF I retirees remaining with the NFD, they would become uninsurable. This would require NFD to pay SFD for these insurance costs on a quarterly basis. The direct costs of LEOFF I expenses will vary from month to month and will be billed accordingly, also on a quarterly basis. The management of this liability for SFD is estimated at an average of six hours per month.
 - Estimated cost of managing LEOFF I liabilities is **\$3,979 annually**, with varying direct monthly costs. No transfer of reserve funds is needed.
 - b. Accrued Benefits – Due to the reconciliation aspect as posed by the NFD, we accept the NFD offer of reconciling this liability at whatever the cost is at the time of ratification of the contract, currently estimated at \$1.362 million. Please let us know if you would like to discuss this further.
 - Transfer of reserve funds to be determined upon ratification of contract.
 - c. Operating Reserves – NFD labels this as “Unanticipated Loss of Revenue”. As previously discussed the need for these funds is to cover the increased operational costs at SFD. Similar to NFD, we retain funds to cover adverse economic shifts, etc. We never plan on using these funds, but need them “just in case” and to ensure that we continue demonstrating sound financial management. The reserve fund ratio also affects our bond rating and we could get downgraded if we don’t have proper reserves. NFD will not need to transfer these funds as long as there is a contractual clause that would allow the SFD to access those funds if needed. Furthermore, the NFD also needs to agree to increase their reserve fund commensurate with the operating budget increases. The SFD currently has approximately 23% of annual operating expenses set aside in a dedicated reserve fund and unallocated general funds. However, we propose that both the NFD and SFD Boards meet and decide on an appropriate level for these funds in 2022. After reviewing other agencies we believe that between 15 and 20 percent might be a better target reserve amount.
 - No transfer of reserve funds is needed, but contract language would need to allow for access to reserves, if the need arises.

- d. Capital Apparatus Replacement – It is our understanding that the NFD wishes to continue funding apparatus purchases out of their own replacement program. The SFD will provide a rolling, six-year, major, apparatus purchasing plan as part of our 20-year Capital Plan. This should allow the NFD to properly prepare for upcoming expenditures. The NFD portion of apparatus replacement will equal 40% of the cost, currently estimated at about \$220,000 per year starting in 2022. Future years will need to be increased to keep up with inflation.
 - No transfer of reserve funds is needed.
 - e. Capital IT – Our initial proposal included a large amount of needed capital IT purchases due to the state of repair at the NFD. It is our understanding that this will not be necessary due to ongoing purchases currently in process.
 - No transfer of reserve funds is needed.
3. **Staffing** – Our initial proposal for total personnel costs in 2022 was \$7,568,068, which included salary and benefits, shared personnel costs, overtime, and credit of transport revenue, see page 23 or our proposal for the specific details.

The salary and benefits portion of that amount is \$6,850,420. This includes all staff in all divisions; Administration, Training & Development, Community Risk Reduction, and Response Operations. It also includes the reduction of two Battalion Chiefs by the middle of the year. The following is a breakdown of our salary and benefits proposal for 2022, see Appendix B of our proposal for specific details, and the figures below do not include the reduction of BC credit:

Administration	\$578,005
Training & Development	\$208,372
Community Risk Reduction	\$173,028
Response Operations	\$6,107,427
Total S&B	\$7,066,832

It is challenging to separate out the different costs as some are tied together, but the following sections are to address the different questions that were posed.

- a. S&B - The cost of providing current level of services at stations 51 and 57 including all administrative positions, support services, and operational personnel including a NFD Battalion Chief is **\$7,066,832**. However, due to changes in 2022 staffing due to unplanned attrition and adjustments in step raises, additional savings are anticipated in the overall salary and benefits. These adjustments will also extend into subsequent years with additional savings as well.
 - Changes in 2022 staffing and compensation will **reduce S&B by \$174,721**.
- b. Admin - The SFD proposal was to absorb the NFD administrative employees as we believe that it is the right thing to do and that there will be a need for some of the positions depending on the desire of the NFD Board. For example, we believe that there should be a front desk presence at station 51 to answer phones, greet the public, receive deliveries, etc. It is not our recommendation to eliminate the administrative personnel from our proposal, but to make it easier to compare proposals we have identified the cost savings if there was not a transfer of administrative personnel.

- No transfer of Administrative personnel, **reduce S&B by \$578,005.**
- c. BC - We have proposed reducing the eight combined operational Battalion Chiefs to four and splitting the savings 50/50. This would not be possible if we were not contiguous, and five stations is within a proper span of control. We are anticipating between three and five BC positions becoming vacant between the two agencies, prior to the middle of 2022. If the Board wants details on this upcoming vacancies please ask and they will be provided. Some of these positions will be vacated earlier in the year, and if this were to occur as projected, the savings would be increased to \$316,615. However, to be conservative we are identifying savings for only half the year. Please note that there are additional savings in 2023 due to the full savings occurring of approximately \$445,809, including a 3% COLA.
 - Reduction to one operational BC on duty by the middle of 2022, **reduce 2022 S&B by \$216,412**
 - Reduction to one operational BC on duty, **reduce 2023 S&B by \$445,809**
- d. BLS Transports and Aid 157 - As previously discussed we believe that the NFD performing BLS transports is the right decision, for many reasons, from a level of service standpoint. It may also be difficult from a legal standpoint to not charge for these transports as a consistent approach is required. However, there are financial components to this as well. DC McDonald provided SFD with transport data that shows a projection of about 1,194 BLS transport will be completed in 2021, or an average of about 3.3 transports per day. This equates to an average of 4.3 hours of out-of-service time on a daily basis. Our proposal includes adding a peak-hour unit because we felt that taking one third of the current in-service resources to perform transports was not acceptable. However, this is a fundamental decision that the NFD will need to determine. If NFD decides to not perform BLS transport then there is no justification for a peak-hour aid unit.

We do not have the hourly breakdown of transports over a 24 hour period, but typically a peak-hour aid car will capture over 80% of those transports. When not doing transports it would be an additional in-service unit to increase staffing levels and to minimize out-of-service time for the fire engines running aid calls. Our proposal was to staff a peak-hour aid car at 57 with either on-duty staffing when it was sufficient, or with overtime. It will be difficult to determine the exact financial impacts on this program until we are actually doing it. However, the increased cost of the overtime for this unit was estimated at about \$284,700. The net revenue from performing the transports, with the new data from Chief McDonald, is projected to be about \$292,742, a spreadsheet can be provided for specific details. This would result in around a neutral cost or even a net revenue of about \$8,042.

- Not staffing peak-hour Aid 157, **reduce overtime in total personnel costs by \$284,700**
- Not billing for BLS transports, **remove the \$292,742 credit for transport revenue.**
- e. Division/District Chief – Our proposal included an interim Division or District Chief to help with transition work and to ensure that the culture of the NFD is included in the overall organization. This position would either be filled by Interim Chief McDonald or

one of the current NFD BCs. We felt that this role was important to ensure that this was a collaborative transition and not a “take-over”.

- Remove Division/District Chief specific position, **reduce 2022 S&B by \$222,929.**
- f. Tech Rescue – The question was what is the cost of increasing technical rescue capability? It is unclear what the scope of this really entails. If looking for dedicated staff on Rescue 151 as a stand-alone apparatus, then that could be developed. However, a plan would be needed for the staffing, i.e. would it be two Firefighters or a Lieutenant and a Firefighter? This option would likely cost around \$900,000 for a 24-hour unit. However, looking at the ESFR proposal and trying to make a similar comparison it appears that the scope is in assigning Firefighters to Engine 151 with Technical Rescue Training (TRT). At SFD we already have TRT personnel spread out among our apparatus and all staff dedicated to the ladder truck are TRT. To co-locate the TRT that aren't assigned to Ladder 161 onto Engine 151 would be more of a logistical challenge and not a financial one. Even if there weren't existing TRT available to re-assign, we could train eight more Firefighters as staff for Engine 151. Our TRT personnel get a 1.5% specialty pay, so this would equate to an increase of about \$18,503.
- Two TRT Firefighters assigned to Engine 151, **increase S&B by about \$18,503.**
- g. Hazardous Materials – The SFD does not have a hazardous materials team as our fire department responds on about one, true hazardous materials call every three or four years. Our personnel are trained to an operations level, but not technician. Even though we are in Zone 1 and have access to that hazardous materials team, we have an agreement to use the Seattle Fire Department hazardous materials team for our responses. This team is excellent and has responded well on the very few occasions that we have needed them. We can use the South Snohomish County regional hazardous materials team as well. The cost of equipping and training a proper team is expensive and not a good business decision for the very few calls that occur. Training personnel to staff Engine 157 above the hazardous materials operations level is not recommended and not offered at this time by the SFD.
- No proposed plan to increase capabilities for hazardous materials response.
4. **Startup Costs** – There were no, significant, startup costs in our proposal. We included some minor supplies and uniform costs in the general expense budget, but there shouldn't be much else outside of increased transition workload.
5. **Contract Administrative Charge** – Our proposal does not have a specific contract administrative charge. Instead, we identified increased workload and assigned duties with an associated cost, see Appendix B of our proposal for specific details. For 2022 that equates to about \$366,817, or about 4.8% of the current personnel costs as identified in our proposal. If the NFD Board would prefer for it to be a percentage of the overall budget instead, then let us know and that can be calculated.

The remaining questions are listed as they are identified in the clarifying questions document that was sent to the SFD.

1. We have removed most of the transfers and identified the impacts to the reserve funds above.
2. The staffing costs are identified above.
3. The startup costs are identified above.
4. **Water Rescue Program** – The SFD has a nearly identical program to the NFD. We are budgeting \$12,000 in 2022 for training costs, so a similar amount should be expected for the NFD.
5. **Capital Equipment** – Staff has provided the SFD with enough information to forecast equipment replacement costs for the next ten years. We would still need more information and spend time in 2022 for a fully developed replacement program. Fortunately, the NFD has made many purchases in 2021 to address ongoing equipment needs, which prepares the organization well for the future. We used the SFD life-cycle replacement plan, as listed on page 27 of our proposal, to develop a cost forecast of the listed equipment provided to SFD.
 - a. Equipment costs, including 3% inflation, is **\$56,231 annually for the next ten years.**
6. **General Facility Maintenance** – The SFD has a dedicated Facility Technician. Our proposal was to utilize him to perform appropriate maintenance work at stations 51 and 57. This will provide an improved level of service over current operations and, over time, lower overall costs. We would continue to sub-contract out work as appropriate for projects he was not able to complete. Therefore, we identified different costs included in the general expense budget that we proposed, to address this work as well as a portion of his salary and benefits, see Appendix C of our proposal for specific details. Also, this area is one that would need to be re-evaluated in 2022 to ensure that the work load and the type of work was appropriate. Using the NFD budget under “Facilities”, and including the Facility Technician salary and benefits, this cost is estimated at \$139,733 for 2022.
7. If the question is referring to the Administrative Cost Loading in Appendix B, then the answer is no. The two tables are from two different years, the first is 2022 and the second is for 2023. The reason for the two tables is that the full savings of our contract will not be realized until 2023, so two tables are needed. The resulting “Difference in Cost Sharing” for each year is reflected in the overall contract cost for 2022 and 2023 in the Personnel Costs Table on page 23 of our proposal.
8. This is identified above. BC reduction should occur by middle of next year, likely in the first third of the year. Due to the current equal sharing of eight operational BC’s by both NFD and SFD, the savings would be split 50/50.
9. The SFD does have a dedicated benefits reserve fund, but the funds for the Post-Employment Medical Benefits (PEMB) program is replaced on an annual basis to ensure that the impact doesn’t deplete the reserve funds. However, the cost of this program is offset by the savings in salary and benefits of Firefighters throughout the first six-years of employment. The SFD has a slower rate for step raises that results in savings that are re-invested at the end of an employee’s career. For example, a Firefighter starting in 2022 will result in about \$50,000 in savings for the SFD. We currently have seven new Firefighters in the academy, which will equate to about \$350,000 in savings for just those seven new hires. For 2022 we have budgeted

a total of \$82,509 for this program. The NFD would not incur the cost of covering any of the existing personnel that are enrolled in this program, but would cover 26% of future personnel. This would be included in the annual expense budget. There are many other benefits to this program that we can discuss further.

10. Reconciliation is identified above, but language would need to be developed for the ILA.

11. Operational overtime costs are a personnel cost, so the NFD would cover 26% of this on an annual basis.

We hope that this provides the details for a more direct comparison between the proposals, but please let us know if further clarification is needed. We can also develop an updated spreadsheet if that would help. Thank you for your consideration.

Chief Matt Cowan

Addendum

Accounting system setup (Finance Manager)

- Setup budget lines
- Setup vendor accounts

Collecting LEOFF 1 member paperwork (Executive Assistant)

- Collect requests for reimbursements
- Ensure invoice is valid for payment
- Assign vendor number and budget line

Accounts Payable (Admin. Assistant)

- Enter invoices in BIAS accounting system
- Prepare voucher batches for review and signatures
- Scan, email vouchers to King County finance for warrants processing
- Mail warrants

Review and Sign Vouchers

- Review, sign vouchers by Admin. Director
- Review, sign special district blanket vouchers by Fire Chief
- Review, sign special district blanket vouchers by Fire Commissioners

Interfund Billings (Finance Manager)

- Monthly invoice to Northshore Fire for LEOFF 1 reimbursements
- Make deposits
- Monthly reconciliation

Record Keeping

- Record keeping of vouchers/invoices processed
- Record keeping of LEOFF 1 payment history, etc.