



Memorandum

TO: MAKING GOVERNMENT WORK
BETTER COMMITTEE

FROM: JEFFREY L. CLET
LARRY D. LISENBEE

SUBJECT: SEE BELOW

DATE: February 9, 2005

Approved

Date

SUBJECT: PROGRESS REPORT ON THE FIRE DEPARTMENT'S IMPLEMENTATION OF THE CITY AUDITOR'S RECOMMENDATIONS REGARDING OVERTIME EXPENDITURES

PURPOSE

The purpose of this report is to present to the Making Government Work Better (MGWB) Committee an update on the joint effort of the Fire Department and City Manager's Budget Office to develop a comprehensive report to address the Office of the City Auditor's April 2001 "Audit of the City of San Jose Fire Department's Overtime Expenditures."

RECOMMENDATION

Staff recommends that the MGWB Committee accept this status report and direct the Fire Department and City Manager's Budget Office to return to the MGWB Committee at its March 2005 meeting with the comprehensive analysis, costs, conclusions, and recommendations to respond to Audit Recommendations #1-6. Further, staff recommends that the MGWB Committee direct staff to return with a comprehensive report addressing Audit Recommendations #7-9 as part of the Midyear 2005/06 Budget Process.

BACKGROUND

Over the last several years, the Fire Department has struggled with bringing in its overtime expenditures at or under its annual budget allocation. Concern regarding the Fire Department's overtime budget over-expenditures was first expressed by the Fire Department in 1992. In an attempt to address this issue, the Fire Department developed a methodology for determining the most economical mix of relief personnel and overtime to meet minimum staffing coverage. This methodology was represented to the City Council and became the basis for determining the mix of relief staffing levels and overtime funding to meet minimum staffing levels. Regretfully, this did not remedy the situation, and the Fire Department continued to annually over-spend its overtime budget.

In April 2001, the Office of the City Auditor released “An Audit of the City of San Jose Fire Department’s Overtime Expenditures.” Specifically, the audit stated that the following actions needed to occur in order for the SJFD to better manage overtime:

1. Develop more accurate and complete management data regarding absence rates and vacancy rates;
2. Identify current staffing needs;
3. Improve its ability to project future staffing needs;
4. Make an assessment of the most efficient and effective means to meet minimum staffing and take into account various intangible factors that can affect the cost-effectiveness of using overtime versus additional relief personnel; and,
5. Proactively control those factors that increase absence rates and resultant overtime costs.

Since the release of this April 2001 Audit, the Fire Department and City Manager’s Budget Office have worked together to identify the issues surrounding overtime in order to implement a comprehensive solution. Additionally, the Fire Department has undertaken several steps to address the actions identified above. They include:

- ❖ In 2002, implemented the TeleStaff system, designed to ensure more accurate minimum staffing assignments and to enhance data collection;
- ❖ In 2003, provided Department-wide training on the use of the TeleStaff system and completed the integration of the system into the PeopleSoft payroll system;
- ❖ To address staffing needs, in mid-2004, promoted two deputy fire chiefs and hired two deputy directors, promoted two battalion chiefs, 10 fire captains, two fire prevention inspectors, and 20 fire engineers, and hired 24 new firefighter-paramedics;
- ❖ In 2004, assigned a staff captain, under the direction of the shift deputy fire chief, to monitor and manage for accuracy the TeleStaff system, and to ensure that minimum staffing guidelines and rules are followed;
- ❖ In 2004, initiated the process of upgrading the TeleStaff system to complete the full implementation of the system and upgrade its data collection tools to further improve the accuracy of minimum staffing and data collection;
- ❖ Commenced a discussion on proactive ways to address sick-leave usage that is included in the negotiations process with Local 230.

Most recently, in September 2004, the Fire Department provided a report to the MGWB Committee to provide a status update of the Fire Department's accomplishments in meeting two of the nine audit recommendations contained in the September 2001 Audit (Recommendation #s 5 and 6). At that time, staff committed to returning to the MGWB Committee in early 2005 with a comprehensive report to address the cost and operational drivers of overtime and with a recommendation on the most economical mix of relief personnel and overtime to meet minimum staffing coverage.

ANALYSIS

Since presenting this report in September 2004 to the MGWB Committee, the staffs of the Fire Department and City Manager's Budget Office have spent countless hours conducting extensive analysis and research regarding the variables affecting overtime and the use of relief staff. These include the following:

- ❖ Absence and vacancy rates;
- ❖ Minimum staffing levels;
- ❖ Formulas for determining the most economical mix of relief staffing and overtime;
- ❖ Salary cost drivers, especially benefit and retirement rates;
- ❖ Activities of line personnel that are required to meet the administrative and non-emergency operational needs of the Fire Department;
- ❖ Costs impacting the Fire Department budget when an employee retires or separates from the City;
- ❖ Costs associated with the firefighter-paramedic accreditation process and the new-hire firefighter recruit academies; and,
- ❖ The nature and scope of the Fire Department's current light and modified duty programs.

Staff is nearing the end of the data gathering and analytical process and is also close to completing the comprehensive staff report to address the April 2001 Audit Report.

Staff will deliver this comprehensive report to the MGWB Committee at its March 2005 meeting. It is anticipated that this report will contain several recommendations, including:

1. Increasing or reducing relief staffing numbers in each line rank to align staffing levels with the revised methodology for determining the correct mix of relief staffing and overtime (battalion chief, fire captain, fire engineer, firefighter-paramedic, and firefighter-EMT);
2. Adjusting the Base Budget to bring budget levels into alignment with overtime drivers and expenditure trends;

3. New budget proposals to be included in the Fiscal Year 2005/06 Budget Investment Strategy for the Fire Department;
4. Providing actions and recommendations for addressing Recommendations 7, 8 and 9 related to sick leave management and a wellness-fitness program as part of the Fiscal Year 2005/06 Midyear Budget process.

CONCLUSION

Understanding, analyzing, quantifying, and explaining the issues that drive Fire Department overtime and relief staffing levels are dynamic, complex, and wide in scope. As a result, preparing the comprehensive report to address Fire Department overtime expenditures and relief staffing levels has required a significant investment of staff time. As a result, the analysis and report are not fully completed in time for the February MGWB Committee.

In March 2005, the Fire Department and Budget Office will return to the MGWB Committee with this detailed and comprehensive report. In the end, this additional time will permit staff to deliver to the MGWB Committee a comprehensive report that will comprehensively and completely address the decade old problem of Fire Department overtime over-expenditures.

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Attachment No. 1
Office of the City Auditor
April 2001 Audit of the City of San Jose
Fire Department Overtime Expenditures
Audit Recommendations

Recommendation #1 – Ensure that fire personnel that are held over properly document the absence they are covering.

Recommendation #2 – Calculate an absence rate for each rank using the most reliable and accurate absence rate data available for determining SJFD staffing and overtime needs and management reporting purposes.

Recommendation #3 – Analyze vacancy rate data separately for each rank using the most reliable and accurate vacancy rate data available when determining staffing and overtime needs.

Recommendation #4 – Develop procedures to ensure that the correct data and proper adjustments are entered into the PeopleSoft and SEARS systems and designate a staff person to monitor and evaluate the PeopleSoft and SEARS data on a regular basis.

Recommendation #5 - Report to the City Council updated staffing information December of each year including staffing levels and vacancies by rank, the number of personnel on disability and modified duty, and projected short-term and long-term vacancies.

Recommendation #6 – Update its 1992 study regarding the use of relief staff and overtime to meet minimum staffing requirements and annually determine the most efficient and cost effective mix of relief staff and overtime to meet minimum staffing needs.

Recommendation #7 – Review sick leave data to establish benchmarks for sick leave use and identify possible patterns of abuse and take appropriate follow-up actions.

Recommendation #8 – Implement a proactive sick leave reduction program to inform line personnel of the benefits of conserving sick leave and rewarding personnel with perfect attendance.

Recommendation #9 – Evaluate the feasibility of implementing a comprehensive Wellness-Fitness Initiative Program for the SJFD and prepare a budget proposal should the initiative appear cost beneficial.