Fire and Emergency Services

Background: Each work group was assigned the task of determining how to balance the budgets for the departments/functional areas included in their area of review as there are further declines in property tax revenues. We were told to assume a worse-case scenario where the tax digest value drops by 10.0% more, or the equivalent of over $34.0 million in lost property tax revenues for General Fund. (For more information, refer to document entitled "Digest Reduction Scenario" which is posted on Engage Gwinnett website.)

In the scenario, 13.8% of the loss, or about $4.7 million, was allocated to Fire and EMS. Thus, our assigned task was to determine action steps that could be taken to address this shortfall through spending cuts, revenue increases or some combination of the two.

Spending Cuts

To ensure that a range of options was considered, we first looked at what spending cuts would be required to offset the revenue loss if no revenue increases were possible. Brainstorming about possible spending cuts yielded the following list of possibilities:

- Delay opening of new and re-located stations (#18, #29 and/or #30) (10% budget decrease equivalent to 1.5 to 2.0 stations, depending upon apparatus assigned)
- Cut existing personnel by eliminating/removing from service some apparatus
- Reducing salaries (0-10%) on a temporary basis
- Close currently operating stations

Taking this approach was very difficult for the group since there are no easy reduction targets and the potential consequences of the necessary reductions are not desirable. Nonetheless, the action alternatives for spending cuts identified by the group are discussed below.

Option A – Avoid incurring costs that cannot be sustained.

Option A should be considered if the further loss of tax revenues is identified prior to the opening of the three stations currently completed but not occupied: re-located station #18, new station #29 and new station #30. With the idea that postponing the hiring of additional staff is preferable to having to lay off employees, our group suggested that costs that cannot be sustained over the long run should not be incurred. Thus, the opening of some combination of the three stations yet to be occupied should be delayed. One possible combination likely to generate sufficient savings is described below:

- Open new station #29.
- Open re-located station #18 but without the new ladder company. (Est. savings: $1.5 million)
- Delay opening of new station #30, which has both engine and ladder companies. (Est. savings $2.8 million)
- Cuts in operating expenses other than personnel costs. (Est. savings $0.4 million)

Option B – Reduction in personnel costs through a combination of temporary pay cuts and elimination of positions

Option B would be employed in the event the further loss of property tax revenues occurs after the three completed but unoccupied stations are opened. While we believe that salary reductions and laying off of existing employees should be considered only in the direst of circumstances, we understand it is the only feasible approach to cost cutting in this situation. With such a large portion of the budget for Fire and EMS, 90% or more, dedicated to personnel costs, there is no way to cut the budget by $4.7 million without affecting personnel costs.

Accordingly Option B is based on instituting some combination of salary reduction and cutting existing personnel, including eliminating / taking out of service selected fire apparatus. One example includes an across-the-board temporary salary reduction of 2.5% coupled with cutting staff and other costs associated with equipment removed from service. Estimated savings are generated by removing equipment from service at the levels shown below:

- Ambulance: $700,000 (23 units in total)
- Engine: $1.3 million (28 units, one in each station)
- Ladder $1.5 million (8 units in total)

We would suggest relying on the Fire Chief to select the specific equipment to be taken out of service, based on minimizing the unavoidable impact on the ability to deliver service.

Consideration: In order to achieve any substantial cuts in Fire and EMS, cuts would have to be made to personnel. This would likely have a negative effect on the ISO rating which could potentially cause an increase in the cost of property insurance for homeowners and businesses.

Revenue Options

Property tax increase

In looking at a solution to the budget shortfall in this exercise, we could not ignore the potential effect of staffing reductions on the ISO rating and the impact that a worse ISO rating has on property insurance premiums. Gwinnett is scheduled in a month or two for its first ISO rating process in over 20 years, so this is of immediate interest. If the rating worsens by even one level, the insurance premiums for most homes would likely be larger than the additional taxes to be paid based on the millage rate increase (0.20 mil increase) needed to maintain funding for Fire and EMS.

- .20 mil increase to avoid potential equivalent of 0.60 mil increase in insurance premium resulting from worsening of ISO rating
- For example, if ISO rating worsens, annual property insurance premiums for a home valued at $200,000 would likely rise by more than $50. This contrasts with an increase in property taxes of $15 or less should the millage rate be increased by 0.20 mil.

Sales tax

While sales tax cannot happen fast enough to address this issue, it bears further exploration as an overall option in the upcoming years.

Exchange revenue/fee for service

- Current fees (most related to ambulance transport) cover 15% of the Department's expenses.
- Limited ability to collect higher fees for ambulance transport services due to reimbursement maximums imposed by Medicare/Medicaid and insurance companies.
- Even doubling fees would not generate substantial funds since amounts above limits will often end up uncollected.
- Gwinnett is already at the high end of EMT transport rates.
- Increases in fees not practical overall for Fire and EMS.
- Amounts raised through potential new user fees would be negligible, difficult to administer and not enough to make a difference.