

Of costs and competencies



RONNY J. COLEMAN

Ronny J. Coleman has served as fire chief in Fullerton and San Clemente, Calif., and was the fire marshal of the state of California from 1992 to 1999. He is a certified fire chief and a master instructor in the California Fire Service Training and Education System.

Competition and competency: The fire service uses these two words often. Firefighters' necessary skills and attributes are well-defined: pulling hose, donning equipment, crawling into hostile environments.

Competition and competency have different implications at the chief-officer level. It no longer is about the ability to lay hose or don PPE, and the hostile environment looks more like city hall than a house fire. You had better be prepared than the others competing for the same dollars. You don't have to be the best firefighter — you have to be the best justifier. And that requires a different set of tools.

One such tool is the Municipal Cost Index, or MCI, which was introduced to me by San Rafael (Calif.) Fire Chief Robert Marcucci (Ret.). The MCI draws on monthly statistical data collected by the departments of Commerce and Labor, along with independently compiled data, to forecast a composite cost picture for the immediate future.

The cost of providing fire protection and maintaining a level of service appropriate for the identified community risk is indirectly related to the MCI. When the cost of providing fire protection exceeds the level of effort — or the amount of funding a community is willing to contribute to fire protection — and there is an unexpected increase in the MCI, the level of service may need to be adjusted to match the available revenue or the increase in the price of supplies.

Fire-service managers can use the MCI to:

- n Demonstrate, justify or illustrate increased expenditures attributed to inflation when preparing and submitting annual budgets, or other cost estimates.
- n Provide fire managers a sense of price trends, and how this may affect their department, and in turn how they may minimize their budget shortfall.
- n Help control price increases for commodities purchased by the fire department by monitoring price increases and purchasing in quantity or anticipating price fluctuation or increases.
- n Measure the effect of inflation on fire department budgets and expenditures over time.

The MCI is composed of three major indicators: the Consumer Price Index (CPI), the Producer Price Index (PPI) and the Construction Cost Index (CCI), all published by Commerce Department. The CPI measures changes in the price of goods and services such as food, housing, clothing, transportation, and health and recreation for urban consumers. The PPI shows the rate and direction of price movement for individual commodities and groups of commodities, from construction machinery and motor vehicles to fuels. It also measures cost fluctuations in goods and materials, which could total approximately 20% of a department's budget. The CCI reflects changes in the cost of materials and skilled and unskilled labor in both general and building construction in municipal areas.

No single price index will provide inflation relief to communities across the country. The MCI will, however, provide a yardstick against which locally developed indexes can be measured. To learn more about the MCI, visit www.americancityandcountry.com/municipal-cost-index/.

Fire-service leaders should embrace the MCI to help understand the impact and consequences of budget formulation. The budget process is pretty simple: You write down how much you need to do the job and how much revenue you're going to get. Then you add up the two columns and see if the income is more or less than the expenditures. The degree to which you can keep them in balance makes it far easier to operate the budget and dealing with spikes.

The MCI takes you one step further back than merely starting on the budget document. It gives you a much better understanding of what your community capacity is in meeting your needs. Once you know that, you're better prepared to address the budget process. You are also more competent than the average department head in understanding this concept. ■

Robert Marcucci contributed to this column.