



# ***CHIEF'S FILE CABINET***

*Ronny J. Coleman*

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## OF COSTS AND COMPETENCIES

Let's start this month's column with two words; competition and competency. And, two columnists. These two words are often used in our occupation. We start off using them in rookie school. We are admonished in the recruit Academy to the best we can be, and need to be prepared to provide the highest level of service we can to our communities. The skills and attributes we bring to the tasks are very well defined. These skills involve things like pulling hose, donning equipment, crawling into hostile of Fireman's, and if we do it right our community thanks us in many, many ways

Fast-forward from the rookie graduation to City Hall Council Chambers. The two buzzwords that were in the air at the rookie Academy now have a totally different implication. We are competing for funds, and we are competing with everyone else in government that once those funds to carry out their specific function. No hose lays, no PPE, but a hostile environment nonetheless. The skills and attributes that are going to be required to survive in this scenario are drastically different.

I recently heard a new phrase. "Survival is the new form of success". The vocabulary is different. The consequences are different of your going to survive you had better be prepared than everybody else is who is competing for the same dollars. You don't have to be the best firefighter but you had better be the best justifier. You need a totally different set of tools. The purpose of this month's column is to talk about a couple of tools you may have never used, or for that matter may have never heard about. These tools were brought to me in a discussion with retired Fire Chief Robert Marc the municipal cost index in order to improve your competition Marcucci. (San Rafael, CA) What prompted our discussion was a dialogue over comparing levels of service with costs of providing those levels of service today. I have listed Chief Robert Marcucci as my co-columnist in recognition of his bringing this tool to my attention.

The tool is called the Municipal Cost Index (MPI)

### **Municipal Cost Index**

The cost of providing fire protection, and maintaining a Level of Service appropriate for the identified community risk, is indirectly related to the Municipal Cost Index (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 Municipal Cost Index, the Level of Service may very well need to be adjusted to match the available revenue, or the increase in the price of supplies.

The Municipal Cost Index was originally established for the American City and County and reflected the composition of local government purchases in the base year of 1967. In April of 1988, the base year was switched to 1982. The MCI reflects changes in price over specific periods of time at the national level.



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The term 'municipal services' includes all governmental agencies, including those providing fire protection in towns, cities, fire districts, CSA's and volunteer fire companies.

The MCI draws on monthly statistical data collected by the U.S. Department of Commerce and Labor, in addition to independently compiled data, to forecast a composite cost picture for the immediate future.

The index is useful to fire service managers in at least four ways:

- To demonstrate, justify or illustrate increased expenditures attributed to inflation when preparing and submitting annual budgets, or other cost estimates.
- To 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.
- To 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.
- To measure the effect of inflation on fire department budgets and expenditures over time.

The Municipal Cost Index 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 the U.S. Department of Commerce. 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 Producer Price Index was designed by the Department of Labor to show the rate and direction of price movement for individual commodities and groups of commodities. In addition, the Producer Price Index measures cost fluctuations in goods and materials which could total approximately 20% of a department's budget. Commodities range, for example, from construction machinery and motor vehicles to fuels. The Construction Cost Index reflects changes in the cost of materials, skilled labor and unskilled labor, in both general construction and building construction in the municipal areas.

The MCI is adjusted by changes in the cost of materials and supplies, wages and contract services. However, 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 become more familiar with the specifics of the concept go to the following website;

<http://americancityandcounty.com/municipal-cost index>.

My observation regarding this toolkit is that we should be embracing this concept as part of our understanding of the impact and consequences of budget formulation in general. In general the budget process is pretty simple. You write down how much you need to do the job. You write down how much revenue you're going to get. 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.



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If you were in recruit school you would not pass the practical sans the proper PPE. Arm yourself with a few more of the facts that are described in this method of assessing Municipal Price Indexes and you will improve your competency at the budget table.

This tool takes you one step further back than merely starting on the budget document. They give 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.

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