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Sink or Swim

I learned to swim the hard way. My father and I were out riding our horses one day. It was right outside of the community of Riverton Kansas. We had gotten all hot and sweaty in the course of our adventures. There happened to be a nice cool creek that ran along side of the road in which my father and I were riding on. We dismounted and walked down and dipped our feet in the creek in an attempt to cool off.

My father is long since gone, but I don't think he would regret me telling the story of what happened next. He turned to me and asked me if I knew how to swim yet. With all the wisdom of a nine-year-old child I bragged to him with; "of course I do". What I really wanted to say to him was that, I had been in the water and that I had splashed around a lot but I really wasn't sure if I knew how to swim. Reaching over with his right hand to grab me with the back of my t-shirt his other hand grabbed my belt, hoisted me off the ground and tossed me out in the middle of the creek. It was literally sink or swim. As I came up spitting and sputtering my dad laughingly asked, "well, how good are you at it?"

Obviously the story has a positive outcome because I am still around 64 years old now to tell that story. My father has passed on but I will still never forget how quickly I went from being somewhat smug and evasive in answering his question and quickly learning that I had to actually put it into practice.

In some cases I think that we are seeing a parallel in that phenomenon going on in the funding of fire protection on a national basis. In the past most fire agencies have been engaging in the process of budgeting for fire protection that was done by using a calculator that added merely digits on an annual basis to show how much our budgets could or should be improved because of a rising revenue sources. We might have known how to swim in calm waters but things are getting a little tougher these days. The water is getting deeper and in some cases the surface is much more tumultuous. One year we are flush, the next we are broke. It's like the tide is going in and out.

Of course what I am referring to is the entire area of responsibility for fiscal control of fire departments. I anticipate by even raising this issue there are some people that will resent the assumption that there is a problem.

On the other hand I know that there are many fire chiefs out there today who bear witness to the fact that we are seeing a brand new era when it comes to dealing with the financial side of the fire service. This particular debate has resulted in many different "camps" of individuals with respect to whether we really have a problem or whether it is ever really going to be solved.

For example, there are those that believe that there is more than enough money out there in the hands



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of the taxpayers and that they should be more willing to turn it over to us so that we can utilize it to manage our problem. Then there is a philosophical camp that takes the position that a fire departments job is to budget how much it costs to do fire protection and let somebody else worry about whether or not it is adequately being funded. There is also a camp that is expressing deep concerns about the financial stability of fire protection and are questioning whether or not there should be a reform in that process. Then there is one camp that I have a certain amount of pity for. That is the group that lives in the state of denial. And of course I am not referring to a river in Egypt I am talking about the fact that they act as if there is no problem and therefore they anticipate that it would go away with some significant event in the future such as the turn of a calendar year or the end of a fiscal year.

Although I am not entirely sure who is right on the philosophical perspectives but I do believe that there are some specific things that we as fire officers should start paying a lot more attention to if we are going to be perceived as being part of the solution. For purposes of this discussion I would like to classify these three areas of interest into the following; revenue, expenditure and accountability.

First off let's look at the revenue side of fire protection. I am under the impression that if someone wanted to write a book of how fire departments are funded throughout this nation they would have to probably take a crash course in understanding every type of fiscal system that is known to the human race. There is no consistency across the landscape of the fire service about where our money comes from nor is there any direct nexus in a lot of cases with the services that we are providing for that money that we are receiving. If I were to compare to another business it is sort of like somebody who is offering a service and from some people they accept payment in cash and others they accept it in trade for services and in the last case people expect it to be given to them for free.

The vast majority of the fire service community doesn't pay an awful lot of attention to the revenue side of the budget unless they are organized along the lines of an independent fire protection district. They know what I am talking about. These are truly the types of fire departments that are the closest to the grass roots of where their money comes from. Unfortunately a significant number of other firefighting agencies receive their money through what is commonly referred to as "the general fund". I one time asked the City Finance Director if he could define for me exactly what the general fund consisted of and his answer was "nobody really knows – and I am not sure that anybody really cares as long as there is enough of it to go around."

Unfortunately a lot of the time and effort spent in developing individuals for succession planning in the fire service is focused only on budget development. Learning how to set up a excel spreadsheet that shows you what your personnel costs are and to develop formulas for coming up with the rates of your benefits being applied to your personnel costs or capital improvement, etc. is an exercise mainly conducted with an adding machine.



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Any fire chief that expects to be able to win their portion of any revenue stream that is coming their direction had better start becoming more expert in the sources of revenue rather than merely figuring out how to spend it. Let me carry it one step further. The degree to which a fire chief understands how the revenue is generated in the community in relationship to those things he has control over the more likely he can draw a strong connection between revenue substance and the needs of the fire service.

Let me give you an example. Have you ever stopped to think of how important it is for the twenty-five biggest sales tax revenue generators are to your community? Who are they? What kinds of buildings do they occupy? What kinds of employment forces do they occupy? If you look at the largest sales tax revenue generators in our community you will often discover that these also have other names given to them in the fire context, i.e. target hazard or they are part of the fire prevention workload.

I once completed an audit of the sales tax generators in my community by working with the finance department and discovered that three buildings in the town generated sixteen percent of the total sales tax revenue collected and utilized by the city. Those three buildings any one of which could have had a serious fire were vital to the revenue stream of the community. I made it my business to learn as much as I could about those buildings in order to justify a series of strategies to make sure those buildings stayed in business.

There is another element. What are your largest property tax contributors? There is a tendency sometimes for us to think of property tax as sort of a “given” tax. The fact is when buildings burn down they go off the tax rolls. It is extremely important that the fire department know also where the major employers in a community are. You may be saying to yourself that seems like an awful lot of detail work.

However, the interesting part is from a revenue side you can develop this kind of information one time and it has a tendency to be highly predictable from that day forward.

That is unless the state or federal legislature is in session. It was once said that no man’s life or fortune remains safe as long as the legislature is in session. That is very true when it comes to revenue streams in government. Superior organizations such as regional, state and federal government have the ability to do two things that are of major consequence to the fire department. The first of these is that they can deny a revenue stream coming back to the city for a variety of reasons. Or they can mandate the performance of a duty on the fire department as a cost implication and walk away blameless on their part. They leave it up to you to figure out how you are going to pay for it.

In other articles I have talked a lot about using GIS as “the spreadsheet of the fire service”. This is especially true when it comes to looking at revenue projections. The fire service should become much more knowledgeable as to what data is available in our assessor’s offices and in our finance



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departments that can be keyed back to the very same properties that we are attempting to protect. On the revenue side my strongest suggestion is get to know as much as you can about how revenue is generated before you start making up the process of how you are going to spend it.

Which leads to step two. Budget preparation. I hesitate even beginning to discuss this because there are so many different philosophical approaches to budgets that they defy simplification. Therefore, I am going to chose to only make a couple of very specific observations about budget preparation. My first observation is that the budget should always be developed from the bottom up and not from the top down. Budget preparation should involve as many layers in the organization as is conceivable. My primary reason for advocating this is not that your budget is going to be any cheaper but rather that people have some degree of knowledge and ownership of what the implications are on budget expenditures. When budgets are developed in a vacuum at the upper end they almost take on an aura of entitlement on how to spend money. In other words, individuals do not understand what it takes to put together the expenditure side of the department; their objective is to spend every single dime of it.

I will readily admit to you that in government there is a tendency for the competent to be punished. I learned a long time ago that if you are really a good money manager and find money at the end of the year still left in your bank account there would be someone to come along and pirate it away for some other purpose. It is unfortunate that more city mangers don't read Fire Chief Magazine because what I would advise them to is to start rewarding their fire chiefs for their ability to manage resources rather than punishing them by living within the budget.

The second suggestion I have about budget implementation is that we become as creative as possible to stop the spiking of our costs in the fire service. I am not going to get into a real elaborate discussion of amortization versus acquisition or lease purchase versus outright purchase. What I am suggesting here as fire chiefs we should be trying to have a very predictable budget stream that can start being geared back to all that information we learned back in the revenue projection time.

Digressing for just a moment I know that many fire departments have now gotten into impact fees in development and that they are creating fee schedules, which are aimed specifically at improving a department's cash flow. It is the budget calculation that operationalizes those particular decisions. They cannot be kept separate from one another.

My last perspective about budgets is that when we prepare budgets we must be into impact consequence as well as incremental decision-making. It is very important that we understand as we are developing our budget documents to move forward to our governing bodies that we are clear regarding the consequences of anything that is in our budget that has a reoccurring cost theme to it.

A good argument could be made that this one area is where most fire departments get into their



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greatest amount of difficulty. They either adopt a pay me now or pay me later approach or they fail to realize the impact of balloon payments on the spiking phenomenon I mentioned earlier.

My last observation about budget preparation is, manage your budget every month instead of on an annual basis. It cannot be underestimated the value of being able to identify trends and patterns early in budgetary processes so that you can maintain control over them. I am not suggesting in all cases that this is being done strictly to contain costs but rather that it is being done to control costs. Those two thoughts are not necessarily the same.

This of course leads us to our third and final aspect of fiscal management and that is accountability. If you were almost in any other business besides being in the service business accountability would be something you would be real familiar with. People who spend more money than they make suffer a phenomenon called bankruptcy. Accountability in this sense starts with the concept of budgetary control but it also goes to the element of understanding how your budget expenditures are going to impact the revenue potential in the community. What I am talking about is the need for the fire service to become much more sensitive to its performance measures as it operates as a business.

I recently conducted a workshop with a group of fire officers and I asked them a series of questions and found that as I went down this list further and further I had fewer and fewer people with answers. For example I started off with: what is your budget for a fire department? What is the budget for each perspective platoon? What is the budget for each individual fire station? What is the budget for each specific fire company that you have within your overall deployment plan? What is the specific budget amount that it takes for the individual programs to function within your organization, i.e. training, fire prevention, fire alarm, etc? If you were confronted with a problem of which budget you must reduce by ten percent, how would you draw a comparison between the cost of various elements in relationship to the impact on the services being delivered?

To answer each of those questions requires a certain amount of interrogation of your system. But the answer to all of those questions is what determines the difference between mediocre fiscal management and highly accountable fiscal management.

While I never thought of it at the time I had an experience early in my fire service career that was parallel to my father's unceremoniously dumping me into the creek. As a fire captain I was brought into the chief's office one day and told that I was going to be responsible for the formulation of a departmental wide budget. At that point I had received very little information through the training environment as a fire officer. Fortunately for me I had been a union president and had spent a lot of time examining the city budget and therefore I knew how to dog paddle. I certainly wasn't prepared for doing the breaststroke in the budget pool.



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I survived that experience but just barely. That was over forty years ago. Today the fire service is much more intense than it was then and simultaneously I haven't seen a terrific increase in fire department succession planning in preparing individuals to cope with budgets. Granted many fire departments have now brought in civilian positions to help them work their way through the budget dilemma. What I am suggesting is that we shouldn't be paddling around unprepared for how deep the water is going to get.

Fire departments should be investing in the development of a body of knowledge on their revenue stream and become absolute expert at relating the revenue stream to the budget expenditures and then doing everything we possibly can to give it the powers at be, i.e. our bosses, and our political bosses that we are one of the best investments in town. If your feet can't touch bottom then you really be ready to swim.