
OFFICE OF THE INDEPENDENT BUDGET ANALYST REPORT

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The Impact of Budget Reductions on Fire Inspection Fee Revenue

OVERVIEW

As a part of the December 2009 Budget Adjustments, rolling brownouts were approved as a \$5.8 million midyear cost savings measure for FY 2010 and an \$11.5 million cost savings for FY 2011. The Fire-Rescue Department began the implementation of the rolling brownouts in February of 2010. With the rolling brownouts, on a daily basis up to eight fire engine companies are temporarily out-of-service. Displaced firefighters from browned-out companies are then available as relief staff as a part of their regular shift for other station companies.

Since the implementation of rolling brownouts, the Fire-Rescue Department has provided regular updates to the Public Safety & Neighborhood Services (PS&NS) Committee regarding the emergency and non-emergency impacts. Beyond response time impacts, non-emergency impacts on the completion rate for fire inspections conducted by fire engine companies has been noted. At the November 17, 2010 PS&NS Committee meeting, the report from the Fire-Rescue Department noted that since April of 2010, there has been an increase in the number of inspections that are 90 days overdue. This is attributable to the limited availability of fire company staff due to out-of-service status or commitment to an incident.

At the November PS&NS meeting, the Committee Chair Marti Emerald requested that the Office of the IBA report back to the Committee with further information regarding the impacts of fire inspection delays on Fire-Rescue Department inspection revenue. This report will detail the impact that the delays have had on revenue since the implementation of rolling brownouts and provide a projection of the total impact for FY 2011.

FISCAL/POLICY DISCUSSION

The Fire-Rescue Department conducts fire inspections for structures and special events to identify fire code violations in order to remedy potential fire risk. Inspections fall within one of five categories: Combustible, Explosive and Dangerous Materials (CEDMAT), the Fire Company Inspection Program (FCIP), High-Rise, Special Events, and Technical Services. The inspection delays referenced in the Fire-Rescue Department Engine Company Brownout and Lifeguard Reductions Monthly Report to PS&NS particularly pertains to annual FCIP inspections that, unlike other inspections, are conducted by fire personnel from engine companies. Other inspections are conducted by Fire Prevention Inspectors, and thus have not been impacted by the implementation of the rolling brownouts. Although Fire Inspectors can conduct FCIP inspections in lieu of fire companies, the fire company personnel primarily conduct these inspections. The department cites that with using fire companies to conduct the inspections, they can familiarize themselves with the business operations at facilities, use their familiarity with the business structures and operations to update pre-fire plans for use in emergencies, and build community relations. Overall, the use of fire company personnel is seen as viable resource in addressing the annual fire inspection demand within the context of a limited number of Fire Inspectors and available fire company personnel.

The FCIP inspections are conducted on an annual basis throughout the year, depending on a business's last inspection date. On a monthly basis, inspection assignments are allocated evenly among engine companies. The inspections are completed based on the availability of fire company personnel during the month, with incomplete inspections assignments carrying over to the following month.

Per the most recent Monthly Report, as of October 2010, 27% of inspections were more than 90 days overdue. Before the implementation of the December 2009 Budget Adjustments, the performance target for annual fire inspections completed within 90 days of the due date was 90%, with 10% being overdue. Associated with an increase in late inspections is an increased fire risk due to a delay in the identification and correction of fire code violations that would otherwise be identified in an inspection. Based on data received from the Fire-Rescue Department, FCIP inspection activity has declined by 13.6% when comparing post and pre rolling brownout periods. The chart below depicts the declines in inspection activity from April-December 2010, after the implementation of rolling brownouts, to the previous year period.

**FCIP Fire Inspection Activity Post Rolling
Brownouts Compared to Previous Period**

Month	FY 2009	FY 2010	FY 10 vs. FY 09
April	645	533	-17.4%
May	554	473	-14.6%
June	471	601	27.6%
Month			
Month	FY 2010	FY 2011	FY 11 vs. FY 10
July	647	374	-42.2%
August	503	372	-26.0%
September	478	459	-4.0%
October	580	474	-18.3%
November	309	471	52.4%
December	606	384	-36.6%
Total	4,793	4,141	-13.6%

The reduction in fire inspection activity has resulted in a \$251,446 or 40.3% reduction in revenue during the period April-December 2010 as compared to that of the previous year. In the current fiscal year, there has been a \$135,863, or 27.7% year-over-year decline for the first half of the year. The chart below details the declines in fire inspection fee revenue from April-December 2010, after the implementation of rolling brownouts, to the previous year period.

**FCIP Fire Inspection Revenue Post Rolling
Brownouts Compared to Previous Period**

Month	FY 2009	FY 2010	FY 10 vs. FY 09
April	120,094	24,628	-79.5%
May	101,887	39,365	-61.4%
June	80,714	76,269	-5.5%
Month			
Month	FY 2010	FY 2011	FY 11 vs. FY 10
July	67,515	4,913	-92.7%
August	34,063	58,383	71.4%
September	22,692	69,554	206.5%
October	12,682	24,980	97.0%
November	15,533	41,505	167.2%
December	169,217	33,354	-80.3%
Total	624,397	372,951	-40.3%

The FY 2011 Budget for FCIP inspection fees is \$1,397,108. A continuance of the current decline trend over pre rolling brownout periods, particularly of that observed in

the first half of FY 2011, would result in an annualized decline of approximately \$340,000. The FY 2011 Budget was not adjusted to reflect this reduction in revenue that would result from the impact of the brownouts on inspection fees.

Month-to-Month and Year-over-Year Variance in Data

The monthly inspection and revenue data provided has notable variance from month to month, although the total time frames show a decline. The variation and seeming discrepancies in the data is due to a number of factors. One factor is the inclusion of both initial annual inspection counts and follow-up inspection counts for corrective actions in the data. The follow-up inspection activity varies given the particular circumstances relating to each initial inspection. An additional fee is not charged for follow-up inspections. The Fire-Rescue Department was not able to isolate initial annual inspections in the data provided to better refine the data to activity relating to revenue generation.

Another factor that makes it challenging to relate the actual inspection activity in one month to the revenue collected for the month is a time lapse between when inspections are conducted and when related revenues are received. Typically it takes 2-3 weeks to generate an invoice for an inspection. Businesses are then given 30 days to pay the invoice. This time lapse of 1 month and three weeks, in addition to the receipt of delinquent payments, skews the relationship between inspection activity and the revenue collected in a select month. In order to account for the delay in the receipt of revenue, a period beginning in April 2010 was selected for the analysis of revenue decline trends with the rolling brownouts beginning in February 2010.

In comparing year-over-year data, there are other considerations that must be taken into account. In our office's review of the FY 2010 inspection activity data in the months before the implementation of the rolling brownouts, there was an evident decline trend of approximately 17% in the revenue collected. This decline is especially notable given that it took place despite a 6% increase in fees in FY 2010. The department has expressed that business closures, delinquent payments, and variations in the number of inspections completed could have contributed to the decline. Despite these factors, a significant incremental decline is still observable in the months during the post brownout period.

Mitigation Efforts

Fire-Rescue has attempted to mitigate further declines in inspection activity by using available light duty personnel to assist with the completion of fire inspections, and in some cases, Fire Inspectors. In looking at the inspection activity and related revenue, decline rates have improved in the July 2010-December 2010 period from the April 2010-June period 2010. During the April-June period, there were revenue declines of 53.7%. The July-December declines are less at 27.7%. Despite these mitigation efforts, negative impacts will remain as rolling brownouts have limited staff available to conduct the inspections.

CONCLUSION

As requested by the PS&NS Chair, this report provides additional information on the impact of rolling brownouts on fire inspection fee revenues. At this time, the Fire-Rescue Department has made efforts to mitigate further declines in inspection activity. A decline in department inspection fee revenues will have to be taken into account in the department's year-end projections that will be reported in future Budget Monitoring Reports.

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