

# NORTH SHORE FIRE/RESCUE

## Long Range Financial Report Shows Challenges Ahead

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Maintaining service levels has been an ongoing challenge in many sectors of local government over the past several years. Costs to provide services are exceeding the revenues that local governments are able to raise in “built out” communities. Ideas such as consolidated services and intergovernmental agreements like the North Shore Fire Department are ways some communities have attempted to maintain exceptional service levels.

The North Shore Fire Department has been providing services to North Shore communities for 20 + years. A 2015 study by the Public Policy Forum of Milwaukee showed that if the seven North Shore communities, the Villages of Fox Point, Brown Deer, Bayside, Whitefish Bay, River Hills, Shorewood and the City of Glendale, had not consolidated their fire departments in 1995 they would have collectively paid \$2.8 million dollars more in operating costs in 2014 to provide the same level of service currently provided by the North Shore Fire Department. Despite those savings, a Long Range Financial Planning Sub-Committee of the North Shore Fire Department Board of Directors recently released a report reflecting three different areas of financial concern for the sustainability of the North Shore Fire Department and its current service level.

The Fire Department’s Board of Directors created the Long Range Financial Planning Sub-Committee after Fire Chief Robert Whitaker indicated in the Department’s 2017 Budget Proposal that continued reductions in staffing would likely result in the need to close one of five fire stations in the next one to two years. “We have reduced our daily staffing in the fire stations by 20% since 2004, yet in the same time period our emergency call volume has gone up 150%,” Whitaker said. “Our staff has implemented the use of new technology and continues to take on increased workloads in order to hit Department set goals of response times just under six minutes on average, but we are fast approaching a point where continued reductions are going to result in increased response times and decreased stations and personnel which will hinder the Department’s ability to safely respond to emergencies.” Whitaker continued.

What has caused the funding shortfalls for the past ten plus years resulting in these reductions? The subcommittee found the following:

- The North Shore Fire Services Agreement, the legal document that created the North Shore Fire Department, limits the annual municipal funding increase over the previous year to the Consumer Price Index plus ½%. From 2011 to 2017, the average municipal funding increase to the Department was 1.45% while costs increased 2.04% annually during the same time period.
- After 20 plus years in existence, firefighters working for the Department have begun to reach a full career cycle, thus costs related to retirement have increased to a point that should now remain fairly steady for the foreseeable future. The Department pays for a

portion of a retired firefighter's health insurance until they reach Medicare eligibility. Projections show that in 2018, the Department will have reached a point where the number of retirees eligible for health insurance will have reached what is expected to be "normal". As that number of retirees has increased over the past several years, so has the cost of health insurance. Those costs, like other operating costs have increased quicker than revenue can be raised to cover them due to the municipal contribution increases. In 2012, the Department reduced employee and retiree health insurance benefits and several firefighter positions to assist in managing these costs and began contributing additional funds to a savings account to future retiree health insurance costs. While the subcommittee report shows that sufficient funding for these costs has been allocated through 2030, the firefighter positions reduced have impacted the Department's ability to sustain service levels.

The subcommittee's report identifies the following options for the Board of Directors to consider for providing sustainable funding for a five-fire station deployment model, thus maintaining current service levels:

- Amend the North Shore Fire Services Agreement to allow for annual municipal contributions to increase CPI + 2%.
- Utilize a tax levy limit exemption for joint fire departments, like the North Shore Fire Department, currently in the State Statutes to provide sufficient funding to maintain service levels. Projections indicate that 2.5% annual municipal increases will be required to maintain service levels.
- Seek legislative changes that would exempt the spending of the funds raised through the tax levy increase for the joint fire department from the State's Expenditure Restraint Program limits. Projections show that annual increases to the fire department in the range of 2.5% would actually result in several of the municipalities no longer qualifying for State Aid provided through the Expenditure Restraint Program.

"Unfortunately an increase of 2.5% in the North Shore Fire Department budget would result in some, if not all of the municipalities, losing their Expenditure Restraint Funding. Losing this funding would mean the loss of in some cases over \$300,000 from their operating budget. This is not realistic for our North Shore municipalities. The State continues to encourage local governments to consolidate their services as a means to control property taxes and even passed legislation in 2006 that allows municipalities part of consolidated fire departments to exceed tax levy limits. However, if these communities spend the money they raise through an authorized tax levy, they will be penalized through the loss of their expenditure restraint payment. In many cases the levy increase required for the joint fire department would be less than the State Aid they would lose....it just doesn't make sense," Whitaker said.

The North Shore Fire Department is seeking legislators willing to support legislation that would clean up this conflict in the State Statutes. The levy limit exemption was created to reward fiscally responsible and innovative municipalities who work together to provide exceptional services to their residents. The limits imposed under expenditure restraint take that reward away therefore de-incentivizing the use of intergovernmental and shared service agreements. A change in expenditure restraint directly correlates with a change in services and response times.

The last section of the Long Range Financial Planning Report reviews the department's five fire stations. According to the report three of the five stations are currently in need of major repairs. Consultants retained by the Department have indicated that building a new fire station in

Shorewood is more cost effective than remodeling the building that was originally built in 1929. Repairs and updates to the stations in Glendale and Whitefish Bay are also needed. The total price tag for these projects is projected to be \$9.8 million plus the cost to acquire property.

“The Shorewood Station was originally built in 1929, the Whitefish Bay Station in the 1950’s and the Glendale Station in the early 1960’s. Besides an addition to the Shorewood Station, the buildings have had only minor updates during their life. Fire stations are generally expected to last 50-60 years,” Whitaker said. “These buildings all exceed 50 years old. The buildings are not equipped for a co-ed work force, and their infrastructure needs updating. Our firefighters, contractors and municipal public works staff work hard to maintain these buildings, but we are at the point of needing to make major repairs to the systems in these buildings and we need to provide a conducive work environment for our firefighters,” Whitaker concluded.

The financial planning subcommittee reached out to the Department’s financial advisors, Ehlers and Associates, to develop a financial plan for completing these projects.

Projections provided by Ehlers and Associates show that the cost of fire station projects would cost the owner of a \$300,000 home an average of an additional \$7.71 a year. Costs for providing 2.5% annual increases to the fire department annually for operating costs for the owner of a \$300,000 home would result in a \$9.86 increase per year.

Over the next several months, Department Staff will continue to work with the Board of Directors and the seven member communities to provide additional information to elected officials and residents on the report in order to determine a plan of action. [The full report can be viewed here.](#)