



FEMA

R333

Dear National Fire Academy Student:

Welcome to *Fire Service Financial Management*! This course is designed to assist fire service managers in planning and managing fire department fiscal programs. Your 2 weeks at the U.S. Fire Administration's National Fire Academy will be challenging and will include some evening classes.

In order for the course to be meaningful, you need to do several things before coming to Emmitsburg.

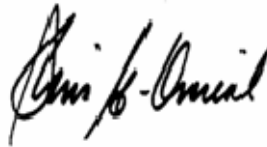
- 1) Read *Playing With Fire* by Scott Lazenby, Publisher: iUniverse, ISBN 0595194109, available from amazon.com. After reading the book, choose **any four** of the following questions and prepare a written detailed response to them prior to your arrival in class. These will be picked up as part of the activities on the first morning in class.
 - What were the financial and political issues that lead to the potential problems with the Trillium city budget?
 - Was the Fire Department senior management, Fire Chief Max Oatley, considered a part of the city's management team? Why or why not?
 - Did the firefighter's union play fair during the crisis? What role did ethics play with the way Union President Brian Gallagher approached the issues facing both the firefighters and the fire department regarding the potential for reductions in the fire department budget?
 - Taking the fire department operational issues out of the argument, did the proposal as submitted by the Assistant to the City Manager, Betty Sue Castle, make common sense and show economic savings to the non-fire service background person? Why or why not?
 - What role did the press play in this story? Was reporter Sabrina Chan fair and impartial?
 - What was the impression that City Manager Ben Cromarty had of the fire department and the firefighter's association? What approach/opportunities could be used to improve their standing with him?
- 2) Complete the 4-part pre-course preparation unit. See enclosure.
- 3) If your department has a written mission statement and goals, bring copies of them with you.

End-of-class graduation ceremonies are an important part of the course and you are expected to attend. Please do not make any travel arrangements to leave campus until after you and your classmates graduate.

Increasing numbers of students and instructors are bringing laptop computers to campus. You alone are responsible for the security and maintenance of your equipment. The Academy cannot provide you with computer software, hardware, or technical support to include disks, printers, scanners, etc. There is a limited number of 120 Volt AC outlets in the classrooms. A Student Computer Lab is located in Building D and is available for all students to use. It is open daily with technical support provided in the evenings. This lab uses Windows XP and Office 2003 as the software standard.

Should you need additional information related to course content or requirements, please feel free to contact Ms. Colleen Heilig, Planning and Information Management Curriculum Training Specialist, at (301) 447-1613 or email at Colleen.Heilig@dhs.gov.

Sincerely,

A handwritten signature in black ink, appearing to read "Denis Onieal". The signature is written in a cursive style with a large initial "D".

Dr. Denis Onieal, Superintendent
National Fire Academy
U.S. Fire Administration

Enclosure



FEMA

Dear *Fire Service Financial Management* Student:

Congratulations on your acceptance into the National Fire Academy *Fire Service Financial Management* (R333) course. As part of the course requirement, you are asked to review and complete this pre-course preparation unit. It consists of four sections:

- 1) A profile of your local department;
- 2) A monthly budget expenditure report for your local department;
- 3) A financial management topic of interest pertaining to your local department; and
- 4) A terminology list.

Please read the instructions, which follow for each of these sections, and complete activities as directed. Bring the materials and/or information with you to the first day of class.

Sincerely,

A handwritten signature in black ink that reads "Colleen Heilig". The signature is written in a cursive style with a horizontal line under the name.

Colleen Heilig
Training Specialist, Information Management

Enclosure

Local Department Profile

Complete the following questionnaire regarding your home department to the best of your ability. This is not intended as a test, so do not hesitate to seek out any information which you do not know from appropriate sources. You will be required to hand in the completed questionnaire on the first day of class. The information will be used by the instructors to help them focus the course on the needs of the students and may be used by you in some class activities. The questionnaire will be returned to you at the end of the class.

Name: _____

Department/Jurisdiction: _____

Is your jurisdiction a city, county/township, district, state, other? _____

Approximately how many square miles are in your jurisdiction? _____

In the past five years, has the geographical size of your jurisdiction increased, stayed the same, or decreased?

What is the size of the population served by your department? _____

In the past five years, has the population served by your department increased, stayed the same, or decreased?

How many of each of the following does your department operate?

Stations	_____
Engine Companies	_____
Truck Companies	_____
Medic/Ambulance Units	_____
Hazmat Units	_____
Airport Crash Units	_____
Fire Boats	_____
Other?(specify)	_____

What is the staffing level that your department routinely maintains on first line engine companies? (one person, two, three, four...?) _____

How many employees work full time in your department?

How many Paid-Call or Volunteer firefighters work in your department?

What is the total annual budget for your jurisdiction this fiscal year?

What is the total annual budget for your department this fiscal year? _____
(This total may be the same as for the preceding question if your Department is an independent fire entity, i.e., not part of a larger city or other jurisdiction.)

Over the past three years has the size of your budget increased, stayed same or decreased?
_____ If changed, by approximately what percent? _____

Approximately what percent of your department's budget is for personnel?

Approximately what percent of your department's budget is for capital items?

What are the approximate monthly salaries (top step, not including overtime) for the following positions in your department?

Captain (or company officer)	_____
Engineer (drives apparatus)	_____
Firefighter	_____

Approximately what percent of salary does your jurisdiction pay to provide benefits (retirement, health insurance, disability insurance, etc.) to your firefighting classes?

In what month of the year does your jurisdiction's fiscal year begin? _____

What type of budget process does your jurisdiction utilize (Line Item Budget, Performance Budget, Program Budget, Zero-Based Budget, etc.)?

Periodic Budget Report

You are to bring with you to the course a recent copy of the monthly budget expenditure report used by your department to track its expenditures. If your department does not utilize a formal expenditure reporting system, bring a copy of the information which is used by your department to track budget progress. The report will be used by the instructors to help them focus the instructional material to the needs of the students and will be used by you to complete some student activities. The report will be returned to you to take back home at the end of the course.

Financial Management Issues

Much of the classroom dialog and a number of the classroom activities will require you to contribute information about your fire department and its financial management system. You will also have an opportunity to share information about your financial management experience.

In preparation for one of the classroom activities, please prepare a list of two or more financial management issues your organization is dealing with or is concerned about. You will need this material for an activity that begins early in the first week of class.

Fire Service Financial Management

Terminology List

An understanding of the following terms will assist you in successfully completing the *Fire Service Financial Management* course. You are to review them and research those with which you are not familiar. Your knowledge of these terms and concepts will be evaluated on the first day of the course. (See attached Glossary)

Abatement	Economic Indicators	Mean (statistical)
Accrual Basis	Fiduciary Fund	Median (statistical)
Ad Valorum	Financial Statement	Municipal Bond
Amortization	Fiscal Year	Performance Budget
Appropriation	Fund	Program Budget
Arbitrage	Future Value	Property Tax
Assets	Increment	Revenue Bond
Audit	Integrative budget	Reversion (Revert)
Balance Sheet	Inflation	Sales Tax
Consumption Tax	Investment Pool	Spreadsheet
Contingency Fund	Lease-Back	Template
Debt Ceiling	Lease-Purchase	Staff Benefits
Decision Package	Line Item Budget	Subscription Fee
Depreciation	Liquidity	Zero-Base Budget

Glossary

Abatement	The cancellation of part or all of a past or prospective expenditure.
Accrual basis	A method of accounting whereby revenues and expenses are identified within specific periods of time, i.e., month or year (as distinguished from the cash basis).
ADA	Americans with Disabilities Act.
ADA	Average Daily Attendance.
Ad valorem	A phrase used to denote property tax assessments, from the Latin term meaning "according to value."
Amortization	The gradual extinguishment of any amount over a period of time, such as the retirement of debt or replacement of capital items by serial payments to a creditor or into a sinking fund.
Analysis	The systematic and explicit examination of alternative ways to reach public objectives. Analysis implies the use of intuition and judgment as well as the design and synthesis of alternatives.
Annuitant	A retired employee.
Annuity	A periodic payment to a retired employee; a pension.
Appropriation	An authorization from a specific fund to a specific entity to make expenditures/incure obligations for a specified purpose and period of time.
Arbitrage	The term used to describe the practice of buying, selling or brokering financial instruments (such as bonds, securities, derivatives, etc.) in a manner which allows profits over a short period from differences between the interest rates at purchase and sale.
Assets	Any owned physical object (tangible) or right (intangible) having a monetary value.

Audit	Any inspection by a third person of accounting records; any systematic investigation or appraisal of procedures or operations.
Balance sheet	A statement of financial condition which lists assets, liabilities and equity.
Benefit-cost analysis	Compares the ratio of the monetary value of the benefits of a proposed action to the costs incurred. Variables should be quantified in comparable units (frequently monetary). <i>See also cost-benefit analysis.</i>
BLS	Basic Level Service.
Bond	See "Municipal Bond."
Bond counsel	The attorney, or firm of attorneys, that gives the legal opinion printed on the back of bonds confirming that the bonds are legal, valid and binding obligations of the issue.
Bond rating	A rating of the risk involved in investing in bonds issued by a particular entity based on that entity's past repayment record, current financial condition/level of debt and future prospects. The ratings are issued by financial rating institutions and are expressed alphabetically (i.e., AAAA, AAA+, AA, etc.).
Capital	A sum of money placed on deposit or the cash used to buy an asset.
Capital expense	Usually the expense to purchase assets.
Cash flow	Refers to cash on hand which is available to meet current obligations at any particular time.
Chance nodes	Point in a decision tree diagram which indicates the intervening uncertain events of a decision and all their possible outcomes.
CHIP	Cooperative Home Insurance Program.
Collateral	Assets pledged to a creditor as security in exchange for credit or a loan.
Compliance audit	An audit to determine whether rules set down by some higher authority are being followed.
Consumer Price Index	A numerical index which measures inflation as

(CPI)	experienced by the "average" household (also: "cost-of-living" or "retail-price" index).
Consumption tax	A tax which is assessed on the use of products such as cigarettes, liquor, hotel rooms, etc. (sin tax).
Contingency fund	A portion of available resources reserved for emergency expenditures or for transfer.
Contingency table	A statistical test to determine whether two variables are related or independent.
Cost-benefit analysis	Compares the ratio of the monetary value of the benefits of a proposed action to the costs incurred. Variables should be quantified in comparable units (frequently monetary).
Cost-effective analysis	A shorter version of benefit-cost analysis where alternatives are evaluated in terms of accomplishing a defined objective. Alternatives are compared to each other while the measurement of costs and benefits are in different units and not converted to dollars.
Cost-revenue analysis	The systematic comparison of two money flows: the amount any one sector pays in local taxes with the cost of government services to that same sector.
CPR	Cardiopulmonary Resuscitation.
Debt ceiling	The limit set on a jurisdiction regarding the amount of debt it is authorized to incur.
Decision analysis	A prescriptive approach to decision making. Decision analysis prescribes how you should make a decision if you aspire to rationality. It is a conceptual framework for resolving issues that involve a sequence of actions of which some are outside our control.
Decision nodes	A point in the decision tree that indicates all possible courses of action open to the decision maker.

Decision package	An integral part of a zero-base budget package which offers the choice of incremental levels of funding or performance for a program, such as 90% of proposal, 100% of proposal, 110% of proposal, etc. (called decision units).
Depreciation	An allowance for the fact that fixed assets wear out or become obsolete.
Derivatives	Financial instruments whose value is linked to, or derived from, the performance of some underlying asset or benchmark such as bonds, stocks or currencies.
Economic indicators	Factors such as prime interest rate, gross national product, stock market average price, etc. used to calculate indexes such as the CPI and to forecast economic trends.
EMS	Emergency Medical Service.
Enterprise fund	A fund used to finance an operation similar to private enterprise whereby all costs for providing the goods or service are recovered through user charges (examples: airport, golf course, etc.).
EPA	Environmental Protection Agency.
Equity	In this context, equity is a subjective concept that expresses a person's values concerning the "just" distribution of resources to members of society belonging to different economic classes. Equal opportunity proponents claim that all members should receive the same share of benefits and services regardless of the amounts contributed by the recipient. Market equity proponents claim that benefits and services should be distributed on the basis of one's ability to purchase those services. Those who contribute the most should receive the greatest benefits. Equal results proponents claim that those who demonstrate the greatest need should receive the most benefits and services, regardless of the amounts contributed.
Ethics	A set of principles of right conduct. Rules or standards governing conduct.

Expendable item	An item to be procured which is, by its nature, depleted or worn out through use.
Expenditure category	A grouping of similar types of budget expenditure objects (i.e., personal services, operating, capital, etc.).
External audit	An audit which is conducted by an independent accounting or regulatory agency as opposed to one conducted by internal agency auditors.
Fiduciary fund	A fund held by a government agency in a trustee capacity for individuals, private organizations or other government agencies.
FLSA	Fair Labor Standards Act.
Financial audit	An audit focused on accounting records.
Financial statement	A statement of an entity's financial condition, at a specific point in time, which usually includes balance sheet, income statement and statement of changes in financial condition.
Fiscal year	The twelve-month accounting period for which a given budget is adopted and implemented (i.e., obligations are incurred, encumbrances are made and appropriations are expended).
FmHA	Farmers Home Administration.
FTE	Full Time Equivalents.
Fund	A self-balancing set of accounts established to accomplish a specific purpose (i.e., general fund).
Future value	The amount to which a sum of money will grow if invested at a given rate of interest.
General fund	The fund used to account for revenues and expenditures which are not specifically designated to be accounted for by any other fund.
General obligation bond	Financial instruments issued by government entities to generate revenue with a promise to repay with interest over a specific period. A method to incur debt which generally requires voter approval.

GSA	General Services Administration.
HLS	Hotel Life Safety—a program designed to provide specialized training for hotel personnel.
ICMA	International City/County Management Association.
Increment	That portion of tax revenue which represents an increase or decrease over prior year revenue.
Incremental decision making model	Decision makers take what they are currently doing and make small, incremental, marginal adjustments. Changes in policy occur gradually. Many social and economic scientists contend that this model is more consistent with political realities.
Integrated budget	A budget system which uses the best features of other common types of budgeting such as line item, performance, program, etc. while discarding deficiencies (program expressed in line item format, etc.).
Inflation	A general rise in the level of prices.
Interest	The price paid for the use of a sum of money. The standard charge is a percentage, and the standard period is one year.
Internal audit	An audit performed by an internal bureau, department or function of the government entity.
Investment pool	A pooled account of funds from several agencies which are surplus or temporarily idle, combined to take advantage of the investment advantages of a larger fund balance (leveraging, etc.).
JPA	Joint Powers Agreement.
Lease-back	The practice of selling a government improvement to a private investor, then leasing it back from that investor at an annual rate.
Lease-purchase	A method of acquiring assets without affecting debt ceiling through shorter term financing. The government entity may not own the asset outright at the end of the payment term.

Least squares	A statistical method used to find the curve that most closely approximates a set of data: it is based on minimizing the sum of the squares of the differences between expected and observed values of data.
Liability	An amount owed or promised.
Lie	A haunt or hiding place of an animal (<i>as used in Unit III SM</i>).
Line item budget	A budget system which concentrates on resources to be consumed during the budget year. Expressed as a listing of objects of expenditure.
Linear regression	A statistical method for identifying straight-line relationships between two sets of data.
Liquidity	The amount of an entity's assets which are available as cash or which can immediately be converted to cash.
Long term debt	Debt incurred by an entity to meet long term needs such as acquisition of capital assets—usually through the issuance of long term municipal bonds.
Mean	A statistical term to denote the average (i.e., an everyday guide to the mid-point in a set of numbers).
Median	A statistical term to denote a value, within a set of values, that has an equal number of values greater than it as there are less than it.
Mill rate	A term used to describe the rate of property tax assessment.
Mode	A statistical term used to denote a value, within a set of values, which occurs most frequently.
Municipal bond	A financial instrument which provides a means for local or regional government to borrow money for general needs or special projects such as building streets or other infrastructures. Investors are guaranteed a fixed rate of return which is exempt from federal, state and local income taxes.
NAACP	National Association for the Advancement of Colored People.

NIOSH	National Institute for Occupational Safety and Health.
NFPA	National Fire Protection Association.
Note	A financial instrument held by a creditor which constitutes the promise to repay a debt.
Objects of expenditure (line items)	A sub-classification of expenditure items based on types of goods or services. There is usually a list of standard line item object of expenditure codes used by an entity.
Obligation	An encumbrance or other commitment to expend funds.
Operating expense	A category of related expenditure objects within a budget display used to fund the operating functions of an entity (i.e., communications, fuel, household, etc.).
Opportunity costs	Indirect costs that occur when personnel, money and time are dedicated to performing one function and thus are prevented from resolving other needs.
OSHA	Occupational Safety and Health Administration.
Payoffs	Consequences of each possible combination of choice and chance listed in a decision tree diagram.
Performance budget	A budget system which emphasizes outputs, or work to be done, in terms of unit cost (efficiency).
Personal service expense	A category of related expenditure objects within a budget display used to fund personnel-related functions of an entity (i.e., salaries, retirement, insurance, etc.).
Present value	The sum of money which would have to be put on deposit today, at a given interest rate, to generate a given sum in the future.
Prime rate	A key interest rate banks charge, as determined by market forces affecting the bank's cost of funds and the rates borrowers will accept.

Priority analysis	A technique that determines priority of community needs by estimating community impact, evaluating probability of future incidents, and predicting costs of preventive action.
Procedural audit	An audit to insure an entity is in compliance with policy or procedures as dictated by a higher authority.
Program budget	A budget system which emphasizes outcomes, or work to be done in terms of outcomes or results (efficiency).
Property tax	A tax based on the value of real or personal property.
Purchase order	A procurement instrument which constitutes an official order for goods and promise to pay upon receipt.
Rational-comprehensive decision making model	A method of decision making which prescribes a careful planning process in the selection of alternatives. The process requires goals, data base, alternatives, comparative analysis and established criteria for selection and measurement.
Rational Nexus	A legal term requiring that a fee be proportionate to the benefit received.
Recession	An economic trend which is characterized by increasing unemployment rates, decreasing tax revenues, decreasing interest rates, etc.
Remediation	Responding to a loss in the making, and seeking to reduce its cumulative effect.
Revenue bond	Financial instrument issued by government entities to generate revenue for the specific purpose of building improvements which will generate fees used to repay the bonded debt. Generally do not require voter approval.
Reversion	The transfer of funding which had been appropriated for a specific purpose but which was not used for that purpose back into the unallocated general fund.
RFP	Request For Proposal.

Risk neutral	An influence in decision making in which the course of action with the greatest expected value is selected.
Risk aversion	An influence in decision making in which the course of action selected does not have the greatest expected value but has less risk of losing. (People are most risk adverse when the potential loss is large.)
Sales tax	A tax assessed against retail sales revenue.
Sample	A statistical term used to denote a subset of a "population" (i.e., a group of ten fire engines used to estimate the performance of all fire engines in the department).
SARA	Superfund Amendments and Reauthorization Act.
Short term debt	Debt incurred by government entities to cover short term cash flow deficiencies.
Sinking fund	A fund used to hold periodic payments made in anticipation of future replacement expenses (i.e., set-aside account).
Special fund	A fund restricted by law for a specific purpose other than the general fund.
Spreadsheet template	A spreadsheet which has all headings, labels and formulas pre-formatted and ready for data entry.
Staff benefits	The costs associated with employee salaries to provide benefits such as retirement/pension, health insurance, workers compensation, unemployment insurance, etc.
Subscription fee	Annual fees or dues paid to receive a specified service (such as fire protection or ambulance services).
TARP	Technical Assistance Research Program.
Total cost purchasing	A method of purchasing/accounting which considers all the costs associated with procuring an item (i.e., buying costs, delivery, installation, warehousing, etc.).
Total replacement purchasing	A method of purchasing replacement items that considers replacing all at once in anticipation of predicted failure versus replacing each unit as it fails.

Transfer of budget accounts (TBA)

A voucher or other instrument which authorizes funds from one appropriation to be moved to another appropriation.

Use tax

A tax assessed on the use of a service or commodity (i.e., auto license fee, etc.).

Window of opportunity

The opportunities for action on given initiatives stay open for only short times. If the decision maker does not take advantage of these opportunities, he must bide his time until the next opportunity comes along.

Zero-base budget

A budgeting system which requires the government entity to rebuild its budget from "zero" or some other agreed upon level each year to insure adequate examination and justification of all programs. Includes decision packages at various funding levels for each proposed program based on adjustments (+ or -) from past levels of funding or performance.

Note:

See Section 5 for unique words appearing in the Orange County Scenario.