

Budget Summary Option 3a

Major concept: The Marion Fire Department provides emergency transport for the community. This option requires the hiring of 6 shift personnel, a full-time administrative position and the purchase of three fully equipped ambulances.

This financial statement is a depiction of the incomes and expenses that can be anticipated should this option be chosen. Each line item is footnoted with the source and/or methodology used to produce the estimate. The committee was cautious to use conservative estimates for all revenue and expense items to produce a realistic depiction of what we feel the maximum financial impact of this option might be.

A major component of this option is an increase in minimum shift staffing of eight employees per shift up from the current level of six. This option also includes a new administrative position that would be tasked with the management of the EMS division. The staffing needs were determined by the research committee based on the following assumptions:

- * Adequate staffing must be in added to manage the new program without impacting the Fire Department's ability to respond to fires and/or other emergencies.
- * Using overtime callback personnel was not considered to be a viable long-term solution to meet staffing needs.
- * Volunteer staffing is not a viable option for emergency response management.
- * A supervisory position must be added to manage and support the new EMS division.
- * Ambulance transports to a Cedar Rapids hospital will add an average of one hour to the time that a unit and its personnel are currently committed to each EMS call.
- *The shift commander that currently manages the non-transport EMS division will be reassigned to another functional responsibility.

All projections were calculated based on the 2004 Marion Fire Department emergency response data. Subsequent year totals are subject to fluctuations in run volume.

	<u>Year</u>	<u>Year</u>	<u>Year</u>	<u>Year</u>	<u>Year</u>
Estimated Income	\$548,364	\$591,873	\$638,863	\$689,613	\$744,421
Estimated Expenses	-\$680,240	-\$731,274	-\$783,721	-\$833,385	-\$870,822
Net	-\$131,876	-\$139,401	-\$144,858	-\$143,773	-\$126,401

Income Option 3a or 3b

Description	Income First Year	Income Second Year	Income Third Year	Income Fourth Year	Income Fifth Year
Patient Care Fee Schedule					
BLS ^a	\$236,810	\$255,755	\$276,216	\$298,313	\$322,178
ALS-1 ^b	\$216,171	\$233,464	\$252,141	\$272,313	\$294,098
ALS-2 ^c	\$11,257	\$12,158	\$13,130	\$14,181	\$15,315
Treated/Not Transported ^d	\$4,100	\$4,428	\$4,782	\$5,165	\$5,578
Mileage Charges ^e	\$75,026	\$81,028	\$87,510	\$94,511	\$102,072
Patient Care Fee Subtotal	\$543,364	\$586,833	\$633,779	\$684,483	\$739,241
Tiered response fee ^f	\$500	\$540	\$583	\$630	\$680
Elimination of Township response vehicle from Asset Replacement schedule ^g	\$4,500	\$4,500	\$4,500	\$4,500	\$4,500
TOTAL ESTIMATED INCOME	\$548,364	\$591,873	\$638,863	\$689,613	\$744,421

Explanation Detail for Income and Expense Line Items

INCOME DETAIL

The Ambulance Study Committee unanimously decided that a realistic collection rate would be about 65%. This percentage is in step with the collection experience of ambulance services in the area and fire departments which provide transport services. A 65% collection rate is interpreted as meaning that out of 100 patients, full reimbursement would have been collected from 65 patients and no revenue would have been collected from 35 of them. For those non-paying patients that are under age 65, the unpaid bills are essentially lost revenue. Patients who are over age 65 will produce a guaranteed Medicare benefit even if they do not pay themselves. Medicare has a fixed reimbursement rate structure that is \$248.73 for BLS and ALS-1 runs and \$272.11 for an ALS-2 run. The Medicare mileage reimbursement rate is \$5.90 per loaded mile. Total revenue is therefore not only based upon the life support level that is provided, but also on the age and payment status of the patient. Each scenario listed below lists the three possibilities. The first is for patients who are under age 65, of which we anticipate only 65% will produce any revenue. The second respective line is for the 35% of patients over age 65 where no revenue is collected. Therefore, the only revenue returned to the city is through the Medicare guaranteed reimbursements; finally, the last respective line is for those patients who pay their full bill with or without Medicare assistance. Subsequent years are increased by an assumed 5% increase in the number of patients and a 3% increase in fees. The original fee schedule is based on the fees that AAS is currently charging.

^a BLS < 65: 303 patients x 0.65 collection rate x \$660 standard rate	= \$129,987
BLS > 65: 207 patients x 0.35 no collection x \$248.73 Medicare guaranteed rate	= \$ 18,020
BLS > 65: 207 patients x 0.65 collection x \$660 standard rate	= <u>\$ 88,803</u>

TOTAL \$236,810

^b ALS-1 < 65: 204 patients x 0.65 collection rate x \$725 standard rate = \$ 96,135
ALS-1 > 65: 215 patients x 0.35 no collection x \$248.73 Medicare guaranteed rate = \$ 18,717
ALS-1 > 65: 215 patients x 0.65 collection x \$725 standard rate = \$101,319

TOTAL \$216,171

^c ALS-2 < 65: 7 patients x 0.65 collection rate x \$1000 standard rate = \$ 4,550
ALS-2 > 65: 9 patients x 0.35 no collection x \$272.11 Medicare guaranteed rate = \$ 857
ALS-2 > 65: 9 x 0.65 collection x \$1000 standard rate = \$ 5,850

TOTAL \$ 11,257

^d Treated and not transported represents calls where a patient is examined and supplies are used but the patient is not transported to the hospital in the ambulance. This total is based on a \$50 trip charge + the cost of supplies (estimated to be an average of \$50) = \$100 x 41 patients = \$4100. Subsequent years are increased by an assumed 5% increase in the number of patients and a 3% increase in fees.

^e Mileage charges are based on a standard charge of \$16 per loaded mile. Medicare reimburses mileage at the rate of \$5.90 per loaded mile. An average of 7 loaded miles from Marion to the Cedar Rapids hospitals was used. Subsequent years are increased by an assumed 5% increase in the number of patients and a 3% increase in fees.

BLS < 65: 303 patients x 0.65 collection rate x 7 loaded miles x \$16/mi standard rate = \$ 22,058
BLS > 65: 207 patients x 0.35 no collection rate x 7 loaded miles x \$5.90/mi Medicare rate = \$ 2,992
BLS > 65: 207 patients x 0.65 collection rate x 7 loaded miles x \$16/mi standard rate = \$ 15,070

TOTAL \$ 40,120

ALS-1 < 65: 204 patients x 0.65 collection rate x 7 loaded miles x \$16/mi standard rate = \$ 14,851
ALS-1 > 65: 215 patients x 0.35 no collection rate x 7 loaded miles X \$5.90/mi Medicare rate = \$ 3,108
ALS-1 > 65: 215 patients x 0.65 collection rate x 7 loaded miles x \$16/mi standard rate = \$ 15,652

TOTAL \$ 33,611

ALS-2 < 65: 7 patients x 0.65 collection rate x 7 loaded miles x \$16/mi standard rate = \$ 510
ALS-2 > 65: 9 patients x 0.35 no collection rate x 7 loaded miles x \$5.90/mi Medicare rate = \$ 130
ALS-2 > 65: 9 patients x 0.65 collection rate x 7 loaded miles x \$16/mi standard rate = \$ 655

TOTAL \$ 1,295

This yields a total mileage charge of \$75,026 for the first year projection.

^f A tiered response is when an out-of-town ambulance service calls for assistance from MFD. In most cases, this will be a basic-level ambulance hauling a patient that needs advanced level care. The fee is based on a \$50 trip charge + the cost of supplies (estimated to be \$50) or \$100. In 2004, there were five instances where MFD tiered with another ambulance service (5 calls x \$100 per call = \$500). Subsequent years are increased by an assumed 5% increase in the number of patients and a 3% increase in fees.

^g It is likely that the unincorporated areas of Linn County will join the Ambulance Authority. In that event, the MFD ambulance will not serve the Marion Township. Medic 2 will still be used to provide first response in the township areas but will not be used in the city. Since Medic 2 was purchased by the Marion

Township with the understanding that the city would replace the vehicle after its useful life had expired, the city would not longer need to replace the vehicle since it would not be used in the city. The Asset Replacement amount needed each year to replace this vehicle is about \$4,500 per year. This is based on a \$45,000 vehicle and 3% increase per year.

Expenses - Option 3A

Description	Expenses First Year	Expenses Second Year	Expenses Third Year	Expenses Fourth Year	Expenses Fifth Year
Additional 7 Beginning FF/P Personnel					
Base salary ¹	\$254,912	\$285,537	\$307,202	\$324,751	\$334,628
Overtime ²	\$8,029	\$8,995	\$9,681	\$10,234	\$10,542
Clothing allowance ³	\$2,800	\$2,800	\$2,800	\$2,800	\$2,800
FLSA ⁴	\$2,226	\$2,492	\$2,681	\$2,835	\$2,919
Education pay ⁵	\$0	\$5,040	\$5,040	\$5,040	\$5,040
Holiday pay ⁶	\$8,379	\$11,732	\$15,148	\$16,016	\$16,499
Medicare ⁷	\$4,004	\$4,592	\$4,970	\$5,243	\$5,397
Worker's comp ⁸	\$1,428	\$1,470	\$1,519	\$1,561	\$1,610
Retirement ⁹	\$74,900	\$85,981	\$93,114	\$98,350	\$101,297
Health insurance ¹⁰	\$86,898	\$97,916	\$110,334	\$124,334	\$140,098
Life Insurance ¹¹	\$301	\$308	\$315	\$322	\$329
EMS incentive pay ¹²	\$0	\$0	\$0	\$0	\$0
Physical ¹³	\$5,600	\$101	\$104	\$2,142	\$110
Start-up uniforms ¹⁴	\$2,751	\$0	\$0	\$0	\$0
Background ¹⁵	\$98	\$0	\$0	\$0	\$0
Promotion Differentials for EMS Supervisor					
Capt to AC ¹⁶	\$1,505	\$2,603	\$4,342	\$6,215	\$8,233
FF to Capt ¹⁷	\$10,997	\$13,599	\$12,011	\$12,369	\$12,742
Brass for new AC/Capt ¹⁸	\$200	\$0	\$0	\$0	\$0
Addition - 1/2 time building inspector position ¹⁹	\$0	\$0	\$0	\$0	\$0
Capital Expenses					
Bunker gear ²⁰	\$10,850	\$0	\$0	\$0	\$0
Office furniture ²¹	\$500	\$0	\$0	\$0	\$0
Vehicle Operating Expenses					
Fuel ²²	\$2,670	\$3,083	\$3,561	\$4,113	\$4,751
Maintenance ²³	\$4,405	\$4,764	\$5,152	\$5,572	\$6,026
Equipment					
Supplies ²⁴	\$7,664	\$7,894	\$8,131	\$8,375	\$8,626
Insurance					
Vehicle, professional liability ²⁵	\$10,859	\$11,184	\$11,520	\$11,865	\$12,221
Pharmacy					
Drugs ²⁶	\$4,103	\$4,239	\$4,381	\$4,527	\$4,680
Billing and reporting					
Bill outsourcing set-up ²⁷	\$1,500	\$0	\$0	\$0	\$0
Billing outsourcing cost per call ²⁸	\$54,336	\$58,683	\$63,378	\$68,448	\$73,924

Medical reporting software ²⁹	\$200	\$206	\$212	\$219	\$225
Training and certification ³⁰	\$70	\$0	\$70	\$0	\$70
Loss of AAS contract ³¹	\$35,000	\$35,000	\$35,000	\$35,000	\$35,000
Asset Replacement and Debt Service					
Vehicle\vehicle equipment ³²	\$50,200	\$50,200	\$50,200	\$50,200	\$50,200
Office furniture ³³	\$52	\$52	\$52	\$52	\$52
Bunker Gear ³⁴	\$1,464	\$1,464	\$1,464	\$1,464	\$1,464
Debt service ³⁵	\$31,339	\$31,339	\$31,339	\$31,339	\$31,339
TOTAL ESTIMATED EXPENSES	\$680,240	\$731,274	\$783,721	\$833,385	\$870,822

EXPENSE DETAIL

¹ Base salary is the projected contracted salary for a 0-1 year firefighter/paramedic on July 1, 2007 multiplied by seven new firefighters for Option 3a and six for Option 3b. Average increase of 3% per year was added to subsequent years. Additionally, a new firefighter/paramedic will progress through three additional step raises in his/her first five years.

² Overtime was calculated by taking the average number of overtime hours the full-time staff during FY 04-05 and multiplying it by the hourly wage of the firefighter/paramedic. This total was then multiplied by the number of new firefighters. The hourly overtime wage was automatically adjusted in subsequent years by using the updated hourly wage projection for each year.

³ Through a Letter of Agreement, the City provides each firefighter with a clothing allowance of \$400 per year (\$200 in April and \$200 in October).

⁴ To comply with the Fair Labor Standards Act and in accordance with the contract between the City of Marion and Local 1937 of the International Association of Fire Fighters, fire fighters are paid ½ time for all hours worked in excess of 212 hours worked in two consecutive pay periods. This amount was the average FLSA pay for all staff members in 2004 times the number of new firefighters. Adjustments were made in subsequent years with the increases in hourly wage as described above.

⁵ The Contract provides for monthly payments of \$1 per accepted credit hours per month to a maximum of \$60 per month times the number of new firefighters. This amount is an average of the current staff payment. (Note: Probationary employees are not eligible for education pay the first year hence the zero figures in the first year.)

⁶ Employees earn eleven monthly holidays per year that may be used either as time off or sold. At his/her discretion, the employee can sell as many as ten of those holidays. This number represents the average number of holidays sold at the prevailing per hour rate times the number of new firefighters. The hourly wage was adjusted in subsequent years as described above.

⁷ Medicare payments are calculated by taking 1.45% times the sum of base salary, overtime, clothing allowance, education pay, FLSA pay, and holiday pay.

⁸ Worker's compensation is based on the current rate provided by the City of Marion Human Resource Specialist and assumes a 3% per year increase.

⁹ Retirement payments are calculated by taking 28.21% times the sum of base salary, education pay, FLSA pay, and holiday pay.

¹⁰ Health insurance costs are based on the current rate provided by the City of Marion Human Resource Specialist and assume a 12% per year increase.

¹¹ Life insurance costs are based on the current rate provided by the City of Marion Human Resource Specialist and assume a 2% per year increase.

¹² Ambulance Study Committee members agreed that additional employee incentives for providing ambulance transportation of patients over and above the increased amount of overtime that could be earned were not necessary at this time. This does not preclude the possibility that such a request might be made in subsequent contract negotiations as indicated in the staff survey (supportive document #7).

¹³ Employment physicals are quite extensive and involve other tests over and above the annual respiratory physical evaluation. Currently, an employment physical costs about \$800. Following employment, employees undergo a respiratory evaluation each year. For employees under the age of 30, a respiratory questionnaire evaluation (cost is presently \$14) is required every year and a physical exam (cost is approximately \$280) is required every three years. For employees between the age of 30 and 40, a respiratory questionnaire evaluation is required every year and a physical exam is required every other year. For employees over the age of 40, a respiratory questionnaire evaluation is required every year and a physical exam is required every year. (NOTE: The respiratory questionnaire evaluation cost is built into the \$280 in those years when employees have a physical.) The assumption is that the newly hired personnel will fall in the "under 30 years" of age category and therefore need a physical every third year. The cost of respiratory questionnaire evaluation and physical examination was increased 3% per year for subsequent years.

¹⁴ It has been a department practice that newly hired employees is given two start-up uniforms and a winter jacket.

¹⁵ This is the cost of doing a new-hire workman's compensation back-ground check. The background check is conducted as a part of the pre-employment candidate evaluation. It does not need to be repeated thereafter.

^{16, 17} An existing employee will be promoted to the rank of assistant chief in charge of the EMS division for Option #3a. This will most likely involve moving a captain to the rank of assistant chief and a firefighter or lieutenant into that vacating captain's position. The figures shown are the differential costs in those respective ranks and are increased by the average pay increase percentages of current administrative staff members for the assistant chief position. For the firefighter to captain position, pay will be increased by contract and step raise as described above.

¹⁸ Option 3b is based on the assumption that the housing inspection program can be moved to another department within the City of Marion. This action has been discussed at the staff level for several years as a desirable change. Putting the housing inspection program into the Building Department would result in a more consistent housing inspection, complaint, and nuisance abatement program by creating a single source within the City for this type of activity. This action would also better utilize highly trained and well paid professional firefighter to use his/her duties in a manner that is more consistent with their job description and skill base. (Wage impact to the Fire Department is estimated at \$45,939 for fiscal 06-07.

The wage impact of using a ½ time building inspector for the same period is estimated at \$14,880 – a difference of over \$31,000) The data found in the financial projection is based on the union wage scale and includes appropriate benefits. Although not specifically listed, the expenses associated with the Housing Code (office supplies, postage, etc.) will be transferred from the Fire Department budget to the Building Department budget. The Fire Department will also transfer the vehicle currently know as Medic #1 to the Building Department along with its associated costs. (fuel, insurance, asset replacement, etc.)

¹⁹ Following the described promotions, captain collar brass and assistant chief badge, pocket badge, and collar brass will need issued to the newly promoted employees. There is a potential need of lieutenant's bars as well.

²⁰ This is fire fighting gear to outfit the new employees. Turnout gear consists of a helmet, coat, pants/suspenders, boots, hood, and gloves and is provided by the Department for all employees. It is currently valued at \$1550 per set.

²¹ This is a file cabinet and other office supplies for the new EMS Division Assistant Chief workspace.

²² There were 393 Mercy transports, 514 St. Lukes transports, 20 "Other" destination transports (presumed to be either St. Lukes or Mercy), and 5 University of Iowa transports in 2004. This yields a total of 927 transports to the Cedar Rapids hospitals and 5 to the University of Iowa. An average trip of 7 (14 miles round trip) miles was used for trips to Cedar Rapids hospitals and 37 miles (74 miles round trip) to Iowa City. Ambulances average 8-12 miles per gallon of fuel (we used an average of 10 mpg). Cedar Rapids trips fuel usage:

$$(927 \text{ trips} \times 14 \text{ miles per round trip}) / 10 \text{ miles per gallon} = 1298 \text{ gallons}$$

Iowa City trips fuel usage:

$$(5 \text{ trips} \times 74 \text{ miles per round trip}) / 10 \text{ miles per gallon} = 37 \text{ gallons}$$

Total fuel used – 1335 gallons

Fuel cost = 1335 gallons x \$2.00 per gallon (after tax refund) = \$2670

The number of transports is predicted to increase by 5% each year and the price of fuel by 10% per year.

²³ This estimate is based on Johnson County Ambulance Service's \$0.33 per operational mile vehicle maintenance rate. It provides that significant maintenance will be done by dealership mechanics. Mileage was calculated by (927 trips x 14 miles per round trip) + (5 trips x 74 miles per round trip) = 13,348 miles X \$0.33 per mile = \$4404.84. The number of transports, and therefore the number of miles driven, is predicted to increase by 5% each year and the maintenance price is estimated to increase 3% per year.

²⁴ This is an estimated total for the consumable supplies that will be used based on a historic accounting actual supplies ordered from AAS by MFD. Money for the replacement of current capital and minor equipment is already included in the Department's budget and/or the asset replacement schedule. Subsequent year figures are based on 3% anticipated price increase.

²⁵ Mr. Jim Bouslog of Bouslog Insurance Corporation, who currently provides insurance coverage for the City of Marion, provided this estimate. New vehicle insurance would cost about \$4780 for two units, \$2105 for one used unit, \$2344 increase in general liability, \$130 for professional liability insurance for each of

the new employees, and \$1500 (estimated to be \$1000-\$2000) for the adjustment in the city's \$10,000,000 umbrella policy. Subsequent year figures are based on 3% anticipated price increases.

²⁶ A pharmacy agreement could be reached with Shepley Pharmacy in Mt. Vernon. This pharmacy already provides drugs for the smaller ambulance services in the area. The medications that are currently being used are all available. There is no start-up costs anticipated. We will pay for the drugs that are administered and for those that expire. Unused drugs could possibly returned for partial credit (percentage not know at the time of writing). The base cost estimate was determined by calculating an estimated pharmaceutical cost based on the usage depicted in the 2004 statistics. Subsequent cost increase based on 5% increase in call volume and a 3% anticipated drug price increase.

²⁷ This cost includes obtaining a Medicare Provide Number and all administrative work needed to establish all necessary accounts, contacts, and data transmission mechanism.

²⁸ The cost of outsourcing all billing is calculated as 10% of all collected fees. We are estimating the first year collectable amount to be \$543,364. Ten percent of that figure is \$54,336. Subsequent years will show a 5% per year increase in the number of patients and a 3% per year fee adjustment.

²⁹ This is the annual support cost for the medical module for the FireHouse reporting software that we already own. Subsequent year increases based on a 3% cost increase per year.

³⁰ This covers the bi-annual cost of providing paramedic specialist certification renewals for the new employees at \$10 each.

³¹ If the MFD is to provide its own ambulance service, the current contract with AAS will certainly be terminated, thereby causing a loss of the \$35,000 contract revenue.

³² The Asset Replacement amounts are for the replacement of the ambulance units that will be purchased in five years (for the used ambulance) and ten years (for the two new units). A 3% inflation rate per year is assumed.

³³ This amount is for the future replacement of \$500 worth of office furniture needed for the EMS Division officer. This assumes replacement in 15 years and a 3% inflation rate per year.

³⁴ This figure is based on replacing seven sets of turnout gear currently priced at \$1550 in seven years at a 3% inflation rate.

³⁵ This debt service figure was furnished the City Finance Director. It represents the amortized payment for two new and one used ambulances (\$250,000 in total value) that would need to be purchased. The one used ambulance will be scheduled for replacement in 5 years and the two now units in 10 years. A 3% rate of inflation is assumed.