

OFFICE OF THE INDEPENDENT BUDGET ANALYST REPORT

Date Issued: July 26, 2007

IBA Report Number: 07-77

City Council Docket Date: July 31, 2007

Item Number: 108

Subject: Cost Recovery Air Medical Transportation San Diego Fire-Rescue Department
Air Operations Division

OVERVIEW

San Diego Fire-Rescue Department's Copter 1 provides advanced life support (ALS) pre-hospital care and transportation of the sick and injured when it has been determined that Mercy Air is unavailable or the estimated time of arrival is unacceptable. In the beginning (2003), it was anticipated that providing this service would be a rare occurrence, but this has not been the case. The number of air medical transports has been increasing each year. The City has previously not charged for this service; however this action will propose the establishment of a \$3,250 billable hourly rate to recover the cost of providing this service. If the primary provider (Mercy Air) were to perform this service, the patient and/or medical insurance company would be billed. The department has indicated that the proposed fee would recover the cost when this service is provided by the City.

FISCAL/POLICY DISCUSSION

The IBA has initiated previous discussions on developing and implementing new revenues for the City, especially cost recovery fees. The IBA believes that the City Council should first make a decision on whether or not a fee should be charged for this service and if any other services currently provided by the City's helicopter should also be recovered by charging a fee.

Upon our review, the IBA had the following questions that we believe should be discussed before the City Council makes their decision.

What was the methodology for developing the fee?

The San Diego Fire-Rescue Department calculated the fee based on the cost recovery method developed by the Los Angeles County Fire Department that takes into account the following actual cost factors:

Cost Factor:	Hourly Calculation:
Helicopter Allowance	\$889
Rescue Hoist Life Expectancy	\$23
Miscellaneous Equipment Costs	\$43
Mechanic Costs	\$450
Personnel Expenses	\$299
Non-Personnel Expenses	\$1,158
Fuel and Lubricants	\$388
Total	\$3,250

The methodology seems to take into account both maintenance expenses and the eventual cost necessary to replace the equipment. Currently, the City's Administrative Regulation (AR 95.25) on processing new fees for current services does not specify the methodology or provide specific guidelines in developing fees. The IBA has previously recommended that the City develop a cost recovery policy to provide guidance and ensure fees are developed consistently throughout the City. We have further recommended that the Internal Auditor work with departments on the costing of services to ensure that all applicable costs have been included. It is uncertain if the Internal Auditor has had the opportunity to review the department's calculation. If not, we recommend they do.

Do other municipalities provide this service and if so, how do they determine their fee?

The IBA would like to know if other municipalities provide this service, including level of services provided. The department has identified Los Angeles County Fire Department as another municipality, but they are the primary provider for air transportation services, whereas the City would be a secondary or back-up provider. Do other secondary/back-up providers charge for this service? This information was not available from Fire-Rescue and could not be researched by the IBA in the timeframe allowed for this docket.

How much new revenue will this generate? When will the fee be implemented?

The report also does not provide an estimate of new revenue anticipated for the fiscal year. Although it may be difficult to determine the number of actual instances when this service will occur, a conservative estimate could be developed depending on experience. The IBA's office has requested the number of hours spent in Fiscal Year 2007 providing this service. Also, a specific implementation date has not been identified. The department stated that following authorization by the City Council billing would commence shortly thereafter.

How will the fee be adjusted in the future?

The resolution does not include a provision for adjusting this fee in the future. This has been a significant problem in the City whereby fees are implemented but not adjusted as costs are increased and the fees stop recovering their full costs. The IBA believes it is important to include a systematic method and timeframe for recalculating this fee for future years.

How will the fee be collected? Will the City be charged for this service?

The department has stated that Rural/Metro, the City's Emergency Medical Services (EMS) partner in San Diego Medical Services Enterprise (SDMSE), will be responsible for the billing of these services, in conjunction with the billing services they provide. The report does not state whether there would be a cost associated with Rural/Metro providing this service. If there is, than this should be recovered in the fee charged. Currently, revenues from SDMSE are placed in the EMS fund; however the funds received for helicopter transport should be placed in the general fund. The IBA questions which processes will be implemented to ensure these funds are accounted for separately.

CONCLUSION

The IBA is fully supportive of implementing cost recovery fees and has advocated for such fees in the past. The IBA believes that the Council should have additional information previously noted in this report and that a policy discussion should occur to determine if a fee should be charged for providing this service. It may be beneficial for this item to be referred to committee. Alternatively, if the item is not referred to committee, we do not recommend adoption of this fee until further information has been provided.

[SIGNED]

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