

Memorandum

To: Honorable Mayor Shetter and members of the Burleson City Council

From: Paul Cain, Deputy City Manager

Date: June 15, 2009

Subject: Resolution R-1159-09 Concerning the Financial Reserves of the Area Metropolitan Ambulance Authority and the Emergency Physicians Advisory Board.

Council Action Requested:

Staff recommends approval of Resolution R-11-59-09-09.

Background Information:

In 1988, Burleson joined more than a dozen cities to create the Area Metropolitan Ambulance Authority. Initially, EMS was provided by a contractor. However, due to performance issues and financial issues, the Authority assumed operations of the system in 2006. The Authority is governed by a nine-member Board of Directors appointed by the city's which created the Authority. Former Mayor Byron Black is the sole representative for all the smaller member cities (excludes Fort Worth).

The cities also established an Emergency Physicians Advisory Board (EPAB) to oversee and regulate, on behalf of the cities, all medical aspects of the ambulance system which affect patient care. EPAB is funded by a fee of \$5.10 for each patient transported by the Authority (approximately \$600,000 annually).

The Authority is funded by billing patients, insurance companies and Medicare for services provided and through tax-payer subsidies from member cities. Currently, payment of a subsidy is optional. By paying a subsidy, the cities are able to reduce the cost of an average transport. Of the 15 member cities, 8 pay some level of subsidy. The highest rate of subsidy per capita regularly paid is by the City of Fort Worth (approximately \$2.00 per person). Burleson's subsidy is second highest at \$1.29 per capita. Burleson's \$44,352 annual subsidy reduced the average transport cost from \$1,480 to \$1,338.

In the spring of 2009, the Authority proposed certain material changes including: (a) establishment of a minimum subsidy equal to \$5.17 per capita to be paid to the Authority by the member cities and (b) an increase in the fee to defray the cost of medical regulation by EPAB from \$5.10 to \$8.31 per patient transported by the Authority.

After receiving this request, staff from the member cities began meeting with staff from MedStar to better understand the issues driving these increases.

Additional cost is the basis for the minimum subsidy proposed by MedStar. In an attempt to meet performance standards, MedStar develops plans based on achieving a percentage of call reliability and then costs are estimated to meet that percentage. Current staffing level is based on meeting 90% reliability and does not take into account any geographical factors (location of calls). MedStar proposes an enhanced plan based on 95% reliability and accounts for the geographical factors. By going to higher staffing levels, more crews are to be added.

During these meetings, staff learned the existing medical regulation fee of \$5.10 per transport paid to EPAB has created revenues in excess of expenditures, resulting in a current surplus of \$175,000.

In addition, we learned that with \$3.7 million in subsidies in FY 08/09 (Ft. Worth made a "one-time" contribution of \$3.6 million instead of its typical \$1.4 million subsidy), MedStar's total revenues are budgeted to be \$368,120 *lower* than they were in FY 07/08 (when total subsidies were \$1.4 million). Finally, staff learned MedStar has a cash balance of \$6,745,924, over \$2.1 million more than needed for a 60 day operating reserve customary in many public agencies.

On April 6th, the member cities and MedStar learned that the City of Fort Worth was seeking proposals from consultants to study MedStar and how EMS is delivered.

Staff of the member cities unanimously agreed to (and on May 19th presented) the following proposal to MedStar's staff:

The staff in each city would recommend to our respective City Councils that, for the first time in MedStar's history, *all* cities would pay an equal per capita subsidy (currently about half of the 15 cities pay any subsidy at all) provided that MedStar:

- (a) utilized a uniform average transport estimate for all cities in preparation of its revenue budget,
- (b) made a modest 2.0%-2.5% cut in expenses, and
- (c) applied the surplus reserves to the operating shortfall.

The member cities' staff proposal:

- (1) Provided MedStar staffing at the 95% (plus geographic factors);
- (2) Reduced the subsidy from \$5.17 proposed by MedStar to \$1.04;
- (3) Provided additional time for:
 - a more full and complete study by Fort Worth
 - resolution of other issues (accountability; contract status; etc.)

After taking into consideration this proposal and recognizing the importance of the Fort Worth study that is soon to begin, on June 1st staff was advised the Authority's Board has decided not to implement the staff recommendations "at this time" and to delay any material changes (including the minimum subsidy of \$5.17/capita) until such time as the Fort Worth study is completed. Following review of the consultant's findings, MedStar will reconsider changes that meet the "mutual satisfaction of the Member Cities and MedStar".

Staff is confident that Fort Worth, as the regional leader in local government, will champion changes which provide quality, accountable emergency medical service to all citizens in the MedStar service area for years to come. Those who had the foresight to create the Ambulance Authority in the late 1980's built it to be accountable to citizens through their elected city councils. Staff is hopeful Fort Worth's study restores the accountability that time and the absence of competition have eroded.

In staff's view, in order to provide options for the member cities and the Authority to consider once the Fort Worth study is completed, it is imperative that the Authority and EPAB retain their surplus reserves at current levels, to be utilized only for emergency purchases as defined in the resolution.

Staff recommends the City Council approve the attached resolution which states the City's position with regard to these surplus balances. Upon approval, this resolution will be given to Mr. Black, our Authority Board representative, for presentation to the Authority's Board and will also be provided to all of MedStar's member cities.

Board/Citizen Input:

N/A

Financial Considerations:

There is no expenditure of municipal funds associated with this item.

Attachments:

R-1159-09

Staff Contact:

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RESOLUTION R-1159-09

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF
BURLESON, TEXAS, CONCERNING THE FINANCIAL RESERVES
OF THE AREA METROPOLITAN AMBULANCE AUTHORITY AND
THE EMERGENCY PHYSICIANS ADVISORY BOARD**

WHEREAS, through the adoption of the Uniform EMS Ordinance and approval of the Restated Interlocal Cooperative Agreement as Amended (the "Inter-local Agreement"), the City of Burleson has joined more than a dozen other cities (the "member cities") in establishment of the Area Metropolitan Ambulance Authority (the "Authority") to oversee and operate an ambulance system; and

WHEREAS, said Uniform EMS Ordinance established an Emergency Physicians Advisory Board ("EPAB") to oversee and regulate on behalf of the member cities all medical aspects of the ambulance system which affect patient care, the costs of said medical regulation being funded by a fee of \$5.10 for each patient transported by the Authority; and

WHEREAS, included within said Inter-local Agreement is the establishment of a Board of Directors to oversee operation of the Authority, said Board of Directors being appointed by the member cities in order to preserve the Authority's accountability to the member cities which established it; and

WHEREAS, in the Spring of 2009, the Authority proposed certain material changes to the Uniform EMS Ordinance and the Inter-local Agreement, including establishment of a minimum subsidy equal to \$5.17 per capita to be paid to the Authority by the member cities and an increase in the fee to defray the cost of medical regulation by EPAB from \$5.10 to \$8.31 per patient transported by the Authority; and

WHEREAS, the existing medical regulation fee of \$5.10 per transport has created revenues in excess of expenditures, resulting in a current surplus reserve of \$175,000; and

WHEREAS, over the life of the Authority, revenues from patient transports and subsidies provided by the member cities have exceeded expenditures and provided the Authority with a cash reserve in excess of \$6.7 million, said reserve being more than \$2.1 million more than needed for a 60 day operating reserve customary in many public agencies;

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF BURLESON DOES HEREBY RESOLVE THAT:

It is in the best interests of the citizens served by the ambulance system for the Authority and EPAB to refrain from expending their current and future reserves (excepting those expenditures necessary for a case of grave public necessity to meet an unusual and unforeseen condition that could not have been included in the original budget through the use of reasonably diligent thought and attention) until such time as the consultant study funded by the City of Fort Worth is completed and the member cities have mutually agreed upon revisions to the Uniform EMS Ordinance and the Inter-local Agreement, should the member cities determine said revisions are required.

Adopted by the City Council of the City of Burleson, Texas this 15th day of June, 2009.

Ken Shetter, Mayor

Attest:

Amanda McCrory,
City Secretary