



BAKER CITY, OREGON CITY COUNCIL MEETING STAFF REPORT

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Report Date: March 21, 2022

CITY STAFF REPORT - CITY COUNCIL REGULAR MEETING March 22, 2022

AGENDA ITEM: CITY MANAGER PRESENTATION TO CITY COUNCIL

Report:

Mayor and City Council. Thank you for the opportunity to present information to you this evening. My intention this evening is to move through a lot of information very quickly. I am happy to answer questions from City Council throughout the presentation.

Tonight, I would like to update City Council on four items related to Ambulance Service:

1. History of Ambulance Service in Baker City and Baker County
2. The amendment status of the Baker County Ambulance Service Area Plan
3. Contract negotiations between Baker City and Baker County
4. Staff preparations for the FY 2022-2023 budget as it relates to Ambulance Service.

At the end of the updates, I intend to make a recommendation and a request for instructions from the City Council.

First, the history of the ambulance service in Baker City as far as I can tell begins in 1936. 'Baker City began operations in 1936, with its first ambulance which at the time was called a First Aid car. Four years later in 1940, the Elks Lodge purchased a first aid car for the Baker City fire department. Baker City enjoyed the generous donations of the Elks Lodge again in 1947. Also in 1947 Baker City passed a 1 million dollar levy to pay for the operations of the ambulance service and the fire department. 1 million dollars in 1947 was no small amount. In 1950 the Elks Lodge purchased the first Cadillac Ambulance for Baker City. The photo on the screen is a typical 1950 Cadillac Ambulance. I do not have a photo of our specific ambulance. Throughout the time the First Aid cars and ambulances began, Baker City ran calls into the county. The record indicates that Baker County paid for those services on a per-call basis. It seems that the payments ceased in the 1960s. In 1964 and 1969, Leo Adler purchased and gifted Cadillac ambulances to Baker City. In 1974 Leo Adler purchased the first Dodge Van Ambulance for the city. In 1974, 1978, 1981, 1986, and 1991 Leo Adler continued to purchase ambulances for the Baker City Fire Department. In 1997 the Leo Adler Community Trust Fund purchased an ambulance for the Baker City Fire Department. In 2003 a Type I 4WD Fire medic ambulance was placed in service. In 2006 another Type I 4WD Fire medic ambulance was placed in service and is still operational today. Again in 2012 and 2018 additional ambulances were purchased. Until we arrive at our most recent purchase in 2020 where city funds combined with Leo Adler Community Trust funds to purchase a Type III 4WD ambulance. The recounting of this history I think shows that we as a city owe deep gratitude to the Elks Lodge, Leo Adler as the individual, and the Leo Adler Community Trust for all of the ambulances purchased and gifted to

the city. They certainly have made an impact on this community. We can also see that for almost 86 years Baker City has sought to provide ambulance service. Baker City has dedicated significant resources to this end. My appreciation goes out to all who have contributed in any fashion.

Tonight, my gratitude primarily is focused on our Baker City taxpaying citizens. They have primarily shouldered the load of ambulance service for Baker City and Baker County. Let me explain why with some facts and some educated presumptions about past operations. I will not guarantee my analysis is 100% accurate but it certainly can explain how we arrived at where we are today. And today's story is accurate.

Baker City has chosen to operate an Ambulance Service within our Fire Department. The Fire Department is paid for through the General Fund. The General Fund has several revenue sources which can be found in our budget. The lion's share of the revenue is City Taxpayer Property Tax dollars. The city also receives significant revenue from franchise fees and Ambulance Billings.

In the past fire calls in the city were generally low, and you likely have staff available in a station with downtime. You also had a demand for First Aid from citizens which those firefighters had time and ability to provide. Baker City likely saw the opportunity to consolidate costs and provide additional services to its residents. The County saw that in the mid-1900's as an opportunity as well and paid for that same service on a per-call basis. It likely was a real winner for Baker City and Baker County. It was a winner for Baker City because if a city is able to find other duties for those staff members which are already on the payroll then you better utilize that human capital. The fact you can then turn that downtime into a revenue source through insurance payments means that you have reduced the cost of that downtime. It does not matter if the revenue covers the full cost because the city is paying for the downtime out of taxpayer dollars regardless of whether you offer an additional service. I see reflections of this argument in the discussions over the last decade between Baker City and Baker County.

Somewhere in history, the story changes. I do not know exactly when the table flipped but at some point in the past, the revenue to likely offset downtime losses turned into a subsidy to cover medical expenses for Baker City residents and Baker County residents. Some events that changed in history which contributed to this include Oregon Statutes, rising costs, rising call volumes, rising personnel costs, Medicaid and Medicare payments, and other issues.

I would like to illustrate three examples.

Example 1. The State of Oregon began regulating Ambulance Service as early as the 1960s. It may have been sooner, but Chapter 682 of the Oregon Revised Statute references 1961. In the 1990s and the early 2000s, it appears that a shift was made in the responsibility of the Ambulance Service. That shift began to place the responsibility on Counties and only allowed Cities to regulate ambulance service if the County had no plan or in certain circumstances gave permission to the City.

It seems that at least since 2009 between the ORS and the accompanying OAR, Counties are fully responsible for managing ambulance service and selecting the providers of that service. For example ORS 682.062 from

Each county shall develop a plan for the county or two or more contiguous counties may develop a plan relating to the need for and coordination of ambulance services and establish one or more ambulance service areas consistent with the plan for the efficient and effective provision of ambulance services.

(2) Each person, city or rural fire protection district within the county that provides or desires to provide ambulance services shall notify the county in writing if the person, city or district wants to be consulted prior to the adoption or amendment of a county plan for ambulance services.

Additionally, OAR 333-260-0700 states (1) The county is solely responsible for designating and administering the process of selecting an ambulance service provider.

(2) The plan must address and consider a process for:

(c) Responding to notification that an ASA is being vacated; and

(d) Maintaining the existing level of service after notification that a provider is vacating an ASA.

(3) The county shall designate one emergency ambulance provider for each ASA.

The key takeaway from this example is that the city is no longer in charge and is responsible for its own ambulance service. Baker County is the responsible entity.

Example 2. Approximately 4-5 years ago, the demand for ambulance service reached a point where the city felt it necessary to hire three additional staff members to cover the volume of ambulance calls. Baker City pursued a grant to cover the cost of these staff members. Staff was hired to cover peak call volume hours. Our peak call volume is between 8 am and 8 pm. The cost for three additional paramedics is approximately \$400k per year. The grant covered that cost in its entirety during the first year of the three-year grant. The grant was a step-down grant or in other words, the second and third year of the grant only covered a portion of the cost for those three employees and no longer the entire cost. Baker County contributed funds to offset some of the expenses not covered by the grant in the second and third years. The grant is complete, and Baker City is responsible for the full cost of those employees. When the city bills insurance, Medicaid, and Medicare for a call, we do not recover enough revenue to cover the financial break-even point. The federal government recognized this problem and has incorporated additional funding through GEMT. Even with this, we are not anticipating even remotely coming close to a financial break-even for our services.

The key takeaway from this example is that in order to provide ambulance services to Baker County for the Baker ASA, City taxpayer dollars are necessary to cover the expenses not collected during the Ambulance Billing process and not provided for by Baker County.

Example 3. In 2021 the call volume reached the point where Baker City had to make a difficult decision. It became necessary for Baker City to reduce the number of interfacility transports we provided to Saint Alphonsus Hospital. An interfacility transport includes moving a patient from Saint Alphonsus Hospital in Baker City to the Hospitals in Boise. The reason for the reduction was twofold. One, the insurance payments do not cover the cost of the transport. Two, if our personnel are en route to Boise, they are not available to respond to ambulance emergencies in Baker County. The call volume for ambulance services continues to increase. The number of residents in the county is growing which places more demand on the Baker City Fire Department when the Baker City citizens are paying the bulk of the bill.

This growth trend is anticipated to continue within Baker County which will further increase the demand for services. We estimate that additional staff is needed in the near future to address the increased growth of the service.

The key takeaway from the example is that demand for Ambulance service is increasing every year requiring additional resources without a stable and consistent funding mechanism for those resources.

I think that may be enough about the History of the ambulance service. If you have any questions I am happy to answer them.

Let me now give you an update on the amendment status of the Baker County Ambulance Service Area Plan. This is number two on my list from the beginning of the presentation. Baker County is in process of updating the Baker County Ambulance Service Area Plan. Baker City in accordance with ORS 682.062 requested Baker County consult and seek advice from Baker City. Jason Yencopal with Baker County provided a copy of the draft plan to Chief Sean Lee and me. We reviewed the proposed plan and presented two primary concerns with the plan to Mr. Yencopal. He took the concerns to the Baker County Board of Commissioners for consideration. Our two concerns included:

1. The committee overseeing the quality of the service plan and its providers have been reduced in member size and its scope of responsibilities has decreased.
2. A provision is added which if Baker County deems Baker City unable to perform the service according to plan then another provider can be brought in at the expense of Baker City with no time limit or monetary cap.
3. A third provision has since been added which allows for a 5 minute response time for ambulance service Baker City. The state OAR allows for a 45 minute response time.

It appears from the Board of Commissioners' most recent meeting these three items will remain as I have described in the proposed Baker County plan which will be submitted to OHA for approval.

The third item on the list is the status of contract negotiations. Chief Lee and I began meeting with representatives from Baker County in late winter and early spring of 2021. In August, my understanding of our discussions was left that Baker County would work to prepare a Ballot measure to pursue a stable funding source for Ambulance services and we would work to prepare a contract for review and signing in preparation of the upcoming budget and fiscal year. I presented a contract with what I believe to be a very fair proposed formula for funding from Baker County. My understanding is that Baker County is reviewing the contract and working on a response. Baker County did verbally commit and placed in their budget \$100k dollars this fiscal year to help with the cost of ambulance service. We have received \$25K of that money and have been told that an additional \$50K is coming. We greatly appreciate those funds.

This leaves me to the fourth item that I wanted to present to City Council. City staff is working diligently to prepare the proposed budget for the upcoming fiscal year. The reality of that budget is that we are going to be short of funds to maintain ambulance service. Rising costs in materials and services, personnel expenses, and aging equipment are of concern. Furthermore, we are in need of additional personnel to cover the call volume of the service which will only exasperate the challenge. Baker City taxpayers cannot afford to continue to fund ambulance services for Baker County without a reliable and consistent funding mechanism in place. We are anticipating shortfalls between the cost of service and the revenues collected from the service which could approach a million dollars a year in the very near future.

This concerns me greatly because the potential impacts necessary to balance our budget and impacts to other city services is a very real concern.

At this point, can I answer any questions from City Council?

Recommendation:

I realize this report has been rather heavy in information, but I think everything shared is needed by Council.

I do have a recommendation for City Council. I have a letter that spells out the recommendation. I will pass this out to City Council and then read it for the benefit of the group and the only viewers.

(Pass out notification letter)

(Read notification letter)

The meat of this letter notifies Baker County that Baker City intends to no longer be the service provider for the Baker ASA. Baker County will now be responsible to find another Service Provider for the Baker ASA. This means the Baker City Fire Department intends to exit the Ambulance Service business completely and return to its foundation of fire protection.

This action means the city will, even with rising costs, be able to stabilize the budget for this upcoming fiscal year. ARPA funds are assisting us this year and next. We anticipate the following fiscal year in 2023-2024 to be tight and challenging once ARPA funds begin to fane, but staff will be looking to the future for long-term solutions to the challenges we face.

I recognize there will be questions related to this.

One, Does this mean an end to ambulance service in Baker City and Baker County. The answer to that is found in Oregon Law. OAR 333-260-0070 states that Baker County Ambulance Service Area Plan must address “Maintaining the existing level of service after notification that a provider is vacating an ASA.” This notification provides time for Baker County to release an RFP and seek a replacement service provider. They have navigated that process before so I am confident they can do so again.

Two, will Baker City provide ambulance service within Baker City Limits? The answer is no, Baker County by state statute is responsible for the ambulance service so we will look to them to maintain service within the City Limits.

With that, I ask Council to consider motioning and voting to instruct the City Manager to send the attached notification letter to Baker County.

At this point, can I answer any questions from City Council?

Potential Actions:

1. Motion and vote to instruct city manager to send the notification letter to county

Potential Motions:

1. Motion Option
 - a. I motion to instruct the City Manager to send the attached notification letter to the Baker County Board of Commissioners.