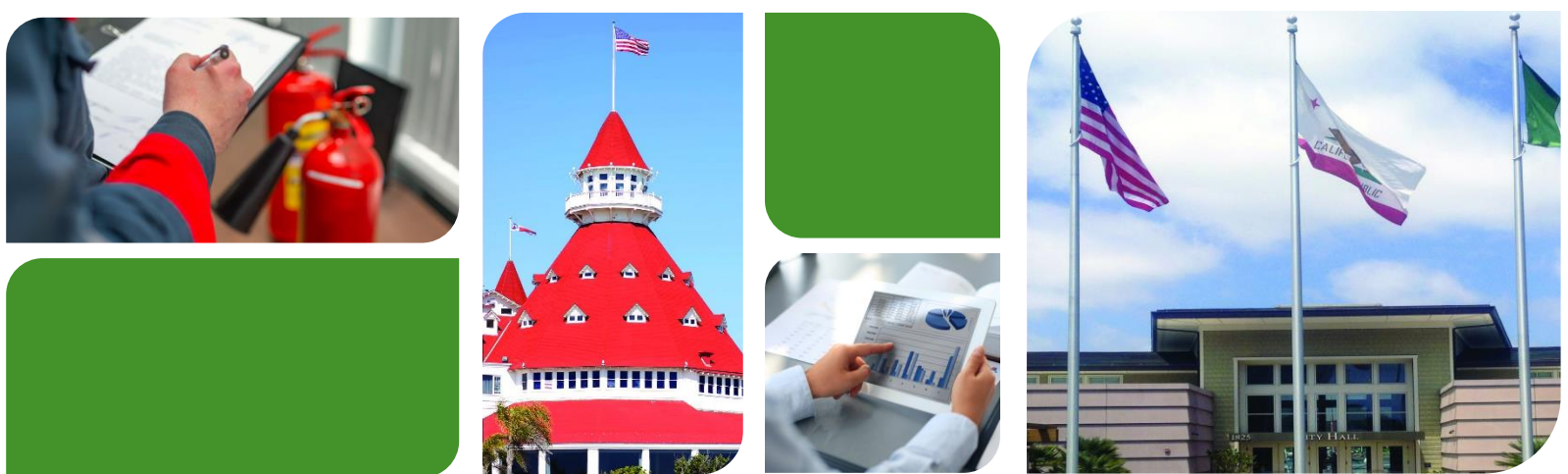


City of Coronado



Fire Department Ambulance User Fee Study

June 2024



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Executive Summary

The City of Coronado engaged Willdan Financial Services (Willdan) to perform a study to support a potential change in the user fees charged by the City for Emergency Medical Services (EMS). In performing the study, Willdan has determined the full costs incurred by the Fire Department to support EMS activities and allocated those costs to each user. This report and the appendices herein identify 100% full cost recovery. The City may opt to recover costs at a reduced rate.



User Fee Background

Background

As part of a general cost recovery strategy, local governments adopt user fees to fund private benefit programs and services that provide limited or no general benefit to the community as a whole. As cities struggle to maintain levels of service and contend with variability in demand for municipal services, they have become increasingly aware of subsidies provided by the General Fund. To the extent that governments use general tax monies to support individuals receiving private benefits and do not require them to pay the full cost of the service, the government is limiting funds that may be available to provide services that benefit the community-at-large. In effect, the government is using community funds to pay for private benefit services. Unlike most revenue sources, cities have more control over user fee rates. This means that they also have control over the level to which they subsidize municipal services provided to individuals.

Additional Policy Considerations

Municipalities update their fee schedules to reflect the actual costs of certain public services primarily benefiting individual users. User Fees recover costs associated with the provision of specific services benefiting the user, thereby reducing the use of General Fund monies for such purposes.

In addition to collecting the direct cost of labor and materials associated with processing and administering user services, it is common for local governments to recover applicable and reasonable support costs. Support costs are those costs relating to a local government's central service departments that are properly allocable to the local government's operating departments. Central services support cost allocations were incorporated using the City's Cost Allocation Plan. This plan was developed by the City prior to the User Fee study to determine the burden placed upon central services by operating departments and funds in order to allocate a proportionate share of central service cost.

As labor effort and costs associated with the provision of services fluctuate over time, a significant element in the development of any fee schedule is that it has the flexibility to remain current. Therefore, it is recommended that the City include an inflationary factor in the resolution adopting the fee schedule to allow the City Council, by resolution, to annually increase or decrease the fees.

The City may employ many different inflationary factors. The most commonly used inflator is some form of the Consumer Price Index (CPI) as it is widely well known and accepted. A similar inflator is the implicit price deflator for GDP, which is much like the CPI except that while the CPI is based on the same "basket" of goods and services every year, the price deflators' "basket" can change year to year. Since the primary factor for the cost of a City's services is usually the costs of the personnel involved, tying an inflationary factor that connects more directly to the personnel costs can be suitable if there is a clear method, or current practice of obtaining said factor.

Each City should use an inflator that they believe works the best for their specific situation and needs. It is also recommended that the City perform this internal review annually with a review of services and fees performed every three to five years, which would include adding or removing fees for any new or eliminated programs/services.



Study Objective

As the City of Coronado seeks to efficiently manage limited resources and adequately respond to increased service demands, it needs a variety of tools. These tools provide assurance that the City has the best information and the best resources available to make sound decisions, fairly and legitimately set fees, maintain compliance with state law and local policies, and meet the needs of the City administration and its constituency. Given the limitations on raising revenue in local government, the City recognizes that a user fee study is a very cost-effective way to understand the total cost of services and identify potential fee deficiencies. Essentially, a user fee is a payment for a requested service provided by a local government that primarily benefits an individual or group.

The total cost of each service included in this analysis is based on the full cost of providing City services, including direct salaries and benefits of City staff, direct departmental costs, department administrative costs, and indirect costs from central service support. This study determines the full cost recovery fee for the City to provide each service; however, each fee is set at the City's discretion, up to 100% of the total cost determined in this report.

The principal goal of the study was to help the City determine the full cost of the services that the City provides. In addition, Willdan established a series of additional objectives including:

- Developing a rational basis for setting fees
- Identifying current subsidy amounts
- Ensuring compliance with State law
- Developing an updatable list of fees
- Maintaining accordance with City policies and goals

The study results will help the City better understand its true costs of providing services and may serve as a basis for making informed policy decisions regarding the most appropriate fees.

Scope of the Study

The scope of this study encompasses a review and calculation of user fees charged by the Fire Department for EMS services. The study involved the identification of existing and potential new fees, fee schedule restructuring, data collection and analysis, orientation and consultation, quality control, communication and presentations, and calculation of individual service costs (fees) or program cost recovery levels.

Aim of the Report

The User Fee Study focused on the cost of City EMS services, as City staff currently provides them at existing, known, or reasonably anticipated service and staff levels. This report provides a summary of the study results, and a general description of the approach and methods Willdan and City staff used to determine the recommended fee schedule. The report is not intended to document all of the numerous discussions throughout the process, nor is it intended to provide influential dissertation on the qualities of the utilized tools, techniques, or other approaches.



Project Approach and Methodology

Conceptual Approach

The basic concept of a User Fee Study is to determine the “reasonable cost” of each service provided by the City for which it charges a user fee. The full cost of providing a service may not necessarily become the City’s fee, but it serves as the objective basis as to the maximum amount that may be collected. Cities cannot earn a profit or receive revenues in excess of the cost of providing services. To maintain compliance with the letter and spirit of the law, reasonable cost standards were used in the determination of services, and every component of the fee study process included a related review.

Fully Burdened Hourly Rates

The total cost of each service included in this analysis is primarily based on a programmatic approach. However, Willdan also determined Fully Burdened Hourly Rates (FBHRs) for City personnel directly involved in providing services. The FBHRs include not only personnel salary and benefits, but also any costs that are reasonably ascribable to personnel. The cost elements that are included in the calculation of fully burdened rates are

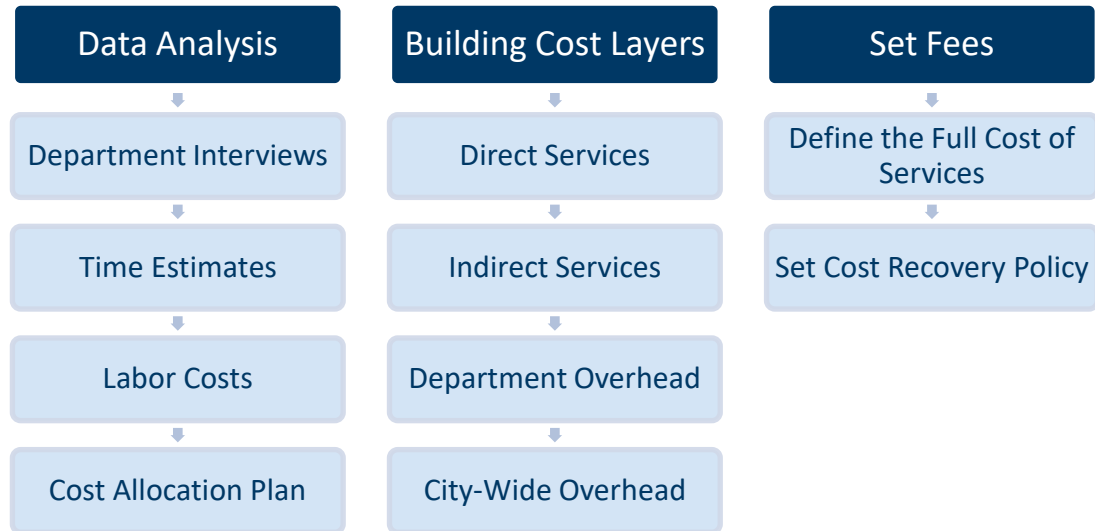
- Salaries and benefits of personnel involved;
- Operating costs applicable to fee operations;
- Departmental support, supervision, and administration overhead; and
- Indirect City-wide overhead costs calculated through the Cost Allocation Plan.

The FBHRs are then used in conjunction with time estimates, when appropriate, to calculate a fees' cost based on the personnel and the amount of their time that is involved in providing each service.



Summary Steps of the Study

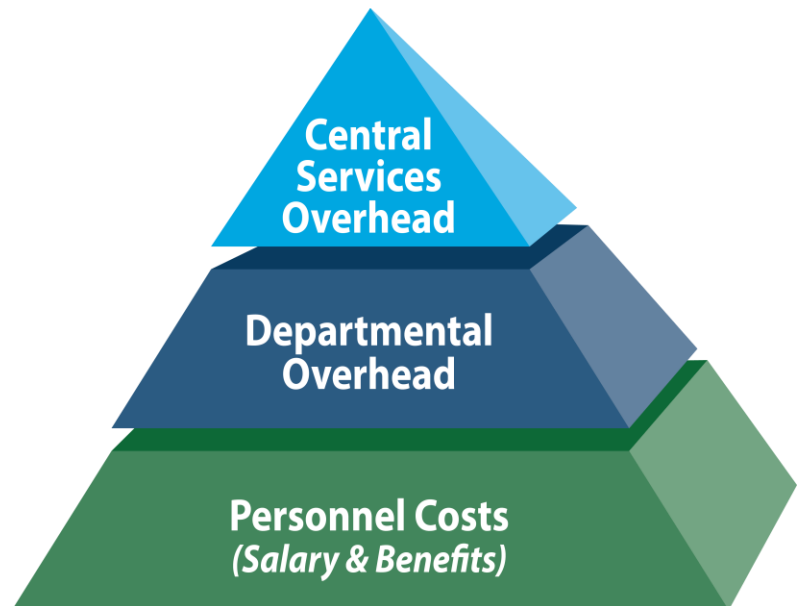
The methodology to evaluate most User Fee levels is straightforward and simple in concept. The following list provides a summary of the study process steps:



Allowable Costs

This report identifies three types of costs that, when combined, constitute the fully burdened cost of a service (**Appendix C**). Costs are defined as direct labor, including salary and benefits, departmental overhead costs, and the City's central services overhead, where departmental and central service overhead costs constitute support costs. These cost types are defined as follows:

- **Direct Labor (Personnel Costs):** The costs related to staff salaries for time spent directly on fee-related services.
- **Departmental Overhead:** A proportional allocation of departmental overhead costs, including operation costs such as supplies and materials that are necessary for the department to function.
- **Central Services Overhead:** These costs, detailed in the City's Cost Allocation Plan, represent services provided by those Central Services Departments whose primary function is to support other City departments.





Methodology

The method of analysis used for calculating fees used in this report is described as follows:

Programmatic Approach: In some instances, the underlying data is not available or varies widely, leaving a standard unit cost build-up approach impractical. In addition, some service programs are too complex in how service is provided making a case study method impractical and would result in inequities in the fee amount for service delivery. Willdan employed a different methodology where appropriate to fit the programs' needs and goals. In the case of ambulance services, determination of the share of cost to be borne required a programmatic analysis accounting for the total cost of operations, annual call volume, and other factors to determine the cost share for operations on an individual call basis.

Quality Control/Quality Assurance

All study components are interrelated, thus flawed data at any step in the process will cause the ultimate results to be inconsistent and unsound. The elements of our Quality Control process for User Fee calculations include the following:

- Involvement of knowledgeable City staff;
- Clear instructions and guidance to City staff;
- Reasonableness tests and validation; and
- Internal and external reviews.



Reasons for cost increases/decreases over current fees

Within the fee table in **Appendix C**, the differences identified between the full costs calculated through the study and the fee levels currently in effect. The reasons for differences between the two can arise from a number of possible factors, including the following:

- Previous fee levels may have been set at levels less than full cost intentionally, based on policy decisions.
- Staffing levels and the positions that complete fee and service activity may vary from when the previous costs were calculated.
- Personnel and materials costs could have increased at levels that differed from any inflationary factors used to increase fees since the last study.
- Costs that this study has identified as part of the full cost of services may not have been accounted for in a previous study, such as
 - Departmental overhead and administration costs, or
 - Indirect overhead from the Cost Allocation Plan.
- Changes in processes and procedures within a department, or the city as a whole.

City Staff Contributions

As part of the study process, Willdan received tremendous support and cooperation from City staff, which contributed and reviewed a variety of components to the study, including the following:

- Budget and other cost data;
- Staffing structures;
- Fee and service structures, organization, and descriptions;
- Direct and indirect work hours (billable/non-billable);
- Time estimates to complete work tasks;
- Current fee levels; and
- Review of draft results and other documentation.

A User Fee Study requires significant involvement of the managers and line staff from the departments. The contributions from City staff were critical to this study. We would like to express our appreciation to the City and its staff for their assistance, professionalism, positive attitudes, helpful suggestions, responsiveness, and overall cooperation.



City of Coronado Ambulance Fees

Cost Recovery

The results of the analysis are presented in detail in [Appendix C](#). The principal goal of this study was to identify the cost of City EMS services, to provide information to help the City make informed decisions regarding the actual fee levels and charges. The responsibility to determine the final fee levels is a complicated task. City staff must consider many issues in formulating recommendations, and the City Council must consider those same issues and more in making the final decisions.

City staff assumes the responsibility to develop specific fee level recommendations to present to the City Council. Unfortunately, there are no hard and fast rules to guide the City, since many of the considerations are based on the unique characteristics of the City of Coronado, and administrative and political discretion. However, in setting the level of full cost recovery for each fee, one should consider whether the service solely benefits one end user or the general community.

Subsidization

Recalling the definition of a user fee helps guide decisions regarding subsidization. The general standard is that individuals (or groups) whom receive a wholly private benefit should pay 100% of the full cost of the services. In contrast, services that are simply public benefit should be funded entirely by the general fund's tax dollars. Unfortunately, for the decision makers, many services fall into the range between these two extremes.

Further complicating the decision, opponents of fees often assert that the activities subject to the fees provide economic, cultural, "quality of life," or other community benefits that exceed the costs to the City.

Subsidization can be an effective public policy tool, since it can be used to reduce fees to encourage certain activities (such as compliance inspections to ensure public safety) or allow some to be able to afford to receive services they otherwise could not at the full cost. In addition, subsidies can be an appropriate and justifiable action, such as to allow citizens to rightfully access services, without burdensome costs.

Despite the intent, it is important for the City and public to understand that subsidies must be covered by another revenue source, such as the General Fund. Therefore, the general taxpayer will potentially help to fund private benefits, and/or other City services will not receive funds that are otherwise directed to cover subsidies.

Summary

The update of the current list of fees and creation of a consistent fee schedule was the primary objective of this study. City staff has reviewed the full costs and identified the "recommended fee levels" for consideration by City Council. The preceding sections provide background The Fire Department and the results of this study's analysis of their fees. For the full schedule of fees, refer to [Appendix C](#) of this report.



Fire

The Coronado Fire Department provides public service to the citizens of Coronado and its surrounding communities. They do so by taking an all-hazards approach while protecting life, property, and the environment as we maintain a continuous pursuit of excellence in our profession. Their staffing consists of 42 full-time personnel including the Fire Chief, 4 Division Chiefs, 6 Captains, 6 Engineers, 15 Firefighter Paramedics, 3 Administrative Personnel and 7 full-time Life Guard Division personnel.

Analysis

Willdan individually reviewed the services and programs associated with the Fire Department's EMS operations. The review also consisted of an evaluation of existing services in an effort to update the fee schedule.

The Fire Department classifies EMS calls as either ALS or BLS. ALS calls represent emergency medical services needing Advanced Life Support. BLS calls represent emergency medical services needing Basic Life Support. ALS calls constitute 60% of all EMS calls, while BLS calls constitute 40% of EMS provided.

The Fire Department receives a mix of payments sources for EMS including Medicare, Medi-Cal, private insurance and direct patient bills. The payment mix reduces the gross cost recovery from 22% to net cost recovery rate between 6% and 14% at the current fee rates as show in [Appendix C](#). The table below represents the payer mix from 2023.

Payer Mix 2023	
Medicare	63%
Medi-Cal	11%
Private Insurance	15%
Bill Patient	11%

The analysis of Fire Services relied primarily upon programmic approach, whereby we determined the full cost of providing ambulance operations and calculated a cost share for each ambulance unit hour, shift, and call. The total cost included in the analysis included the direct cost of staff and operating costs, a share of Department Administration support, and the cost allocation for City central service support. Willdan then compared the calculated full cost against the current fee amount to determine, if charged, whether the current fee is recovering the costs associated with the requested service. The analysis found that cost recovery for operations is running at 22%. As such the fees are being subsidized and would need to be increased by 356% to achieve full cost recovery. To achieve a 90% cost recovery the fees would need to be increased by 311% and to achieve an 80% cost recovery the fees would need to increase by 265%. The suggested fees as detailed in [Appendix C](#) reflect 100%, 90% and 80% cost recovery and is the starting place for Council consideration for any desired subsidization.



Appendix A – Total Allowable Cost to be Recovered

Below are the total allowable costs used in the hourly staff rate calculations that may be recovered through User Fees; however, only a percentage of the total allowable cost is realized as staff not only works on services related to User Fees, but also works on an array of other City functions during the operational hours of the City. The amounts listed below will not reconcile to City budgets as costs that should not be included in overhead for personnel in the application of determining fully burdened hourly rates were excluded. Examples of these costs are capital, debt, monetary transfers, contract costs, and any other costs that is charged directly to the service requestor. The programmatic calculation for ambulance services was done separately and is detailed in [Appendix C](#).

City of Coronado - User Fee Overhead Rate Calculations				
Department	Salaries & Benefits	Maintenance, Operations & Admin	Direct Overhead %	Indirect Allocation %
Combined Fire Operations- All Funds	10,232,515	1,550,400	15%	27%



Appendix B – Fully Burdened Hourly Rates

Below are fully burdened hourly rates of staff positions that should be used in determination of full cost recovery. The FBHRs were used to determine the full cost of services that utilized a case study method of cost determination. They include the salary and benefit costs for each position as well as all applicable overhead amounts for each position. For any user fee service request that is outside the scope of the fees detailed in [Appendix C](#), or for services for which there is no fee currently set, the City can charge up to the full cost of the FBHR for personnel involved.

City of Coronado - User Fee

Fully Burdened Hourly Rate Calculation

Department	Position	S&B Hourly Rate	*Direct %	**Indirect %	Fully Burdened Hourly Rate
Fire	ACCOUNTING TECHNICIAN I	\$30.30	15%	27%	\$44.33
Fire	DIRECTOR OF FIRE SERVICES	122.20	15%	27%	178.76
Fire	FIRE CAPTAIN	75.98	15%	27%	111.15
Fire	FIRE DIVISION CHIEF	78.47	15%	27%	114.79
Fire	FIRE ENGINEER	64.76	15%	27%	94.74
Fire	FIRE PREVENTION AIDE	24.83	15%	27%	36.33
Fire	FIREFIGHTER/PARAMEDIC	57.30	15%	27%	83.82
Fire	MANAGEMENT ANALYST	52.73	15%	27%	77.14

*Direct overhead cost from the fire department

** Indirect overhead cost from central services



Appendix C – Cost Recovery Analysis

The following tables provide the results of the analysis, resulting 100%, 90% and 80% cost recovery, the potential additional revenue and suggested fees for Council's initial consideration.

Blended Reimbursement Rates and Cost Recovery	
	Current Fee/Charge
ALS Transport (plus supplies)	\$1,347.00
BLS Transport (plus supplies)	\$1,199.00
Mileage (per mile)	\$29.00
Oxygen (per incident)	\$110.00
	100% Recommended Fee/Charge
ALS Transport (plus supplies)	\$6,144.30
BLS Transport (plus supplies)	\$5,469.20
Mileage (per mile)	\$132.28
Oxygen (per incident)	\$501.76
	90% Recommended Fee/Charge
ALS Transport (plus supplies)	\$5,529.87
BLS Transport (plus supplies)	\$4,922.28
Mileage (per mile)	\$119.05
Oxygen (per incident)	\$451.58
	80% Recommended Fee/Charge
ALS Transport (plus supplies)	\$4,915.44
BLS Transport (plus supplies)	\$4,375.36
Mileage (per mile)	\$105.82
Oxygen (per incident)	\$401.41

Fee Structure	Gross Cost Recovery	Net Cost Recovery	Potential New Revenues
Current Fee	22%	6%-14%	\$0
100% of Full Cost	100%	26%-34%	\$658,250
90% of Full Cost	90%	23%-31%	\$575,071
80% of Full Cost	80%	21%-29%	\$491,891



Emergency Medical Services Cost Calculation

Unit Hour Analysis Results Based On Financial And
Operational Data For Calendar Year 2023

Total Unit Hours Per Week	168
Total Annual Call volume	1,984
Average Call Volume Per Week	38
Shift Utilization = X hrs of operation	5.45
Total Annual Expenses	\$12,190,285
Cost Per Unit Hour	\$1,395.41
Cost Per Unit Shift	\$33,489.80
Cost Per Call	\$6,144.30
Adjusted Cost Per Call for BLS	\$6,144.30
Current BLS Fee	\$1,347.00
Current Cost Recovery	22%

San Diego Area EMS Rates

	ALS	BLS	Mileage	Oxygen
Chula Vista	\$2,800	\$2,800	\$40	\$0
El Cajon	\$3,073	\$2,066	\$59	\$227
La Mesa	\$4,521	\$1,887	\$76	\$272
Lemon Grove	\$4,853	\$2,305	\$93	\$331
National City	\$3,265	\$976	\$42	\$145
Poway	\$4,951	\$4,951	\$18	\$74
San Miguel	\$5,237	\$1,949	\$77	\$292



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