



## CHAPTER TWO

### LOCAL SOURCES FOR FIRE AND EMS FUNDING

There are a wide variety of local sources for funding of fire and emergency service departments. Even agencies using the same type of funding mechanisms may have very different methods of implementation, approval or authority. This chapter serves to assist departments by providing some examples of local funding sources. The major types of local funding sources for fire and EMS departments include taxes, benefit assessments, bonds, fees, contracting out, cost-sharing arrangements, sales of services or equipment and other alternatives.

#### TAXES

The most common source of funding for fire and EMS is taxes. They include property taxes, sales taxes, local income taxes, special taxes and property transfer taxes. These are only briefly described here because they are well known, and the focus here is on other more unique sources.

##### Local Property Taxes

Perhaps the most common taxes supporting fire and EMS services nationally are property taxes. They are usually levied at a set rate per dollar of assessed property value. Some fire district or EMS district taxes are considered property taxes and some are considered special taxes above property taxes.

Sometimes part of the property tax or a separate property tax is earmarked for fire protection or EMS. For example, in the State of Washington, there are complex rules earmarking parts of the basic property tax. Cities and fire districts in Washington can impose additional

property tax levies specifically for EMS at up to 50¢ per \$1,000 of assessed property value. These levies are imposed for six consecutive years and must be authorized by at least 60 percent of the voters. At the end of the six years the public must vote again to continue using this source. The proceeds of the additional levy can be used for personnel costs, training, equipment, supplies, vehicles and structures.

Some states authorize local governments to levy a special tax or an assessment for fire protection services. Several small cities have adopted these special taxes to supplement their general fund support for fire protection services.

One advantage of an earmarked property tax is that it produces revenues dedicated solely to fire and EMS. Another advantage is that the amount raised automatically increases with inflation of property values, as new assessments are made. A disadvantage is that it usually requires going to the voters to authorize starting the tax and again to continue it after a specified period. It can only be used up to a specified limit. Another disadvantage is that the tax funds automatically decrease when property assessments decline.

##### Local Sales Taxes

Many localities have sales taxes on various classes of goods and services sold in the community. These taxes go into general revenues that support fire and other services.

In Lepanto, Arkansas, a \$.005 sales tax was ap-



proved in the community that is to be used strictly for the Lepanto Volunteer Fire Department. The additional sales tax is in place for a definite period of time, 5 years, and the Lepanto Volunteer Fire Department attributes the success of this sales tax initiative to the restricted time frame. In the first half of the sales tax's life, the Lepanto Volunteer Fire Department purchased a new fire engine which they have almost completely paid off, and anticipate additional revenue in the last half of the sales tax's life to assist them in making other needed purchases.

A less common variation of a local sales tax is a "transient tax." Transient taxes are taxes tailored to raise money from visitors. The transient tax differs from a local sales tax in that it is applied to a narrower set of services or sales, those most likely to be associated with businesses, visitors, or tourists. These taxes may be most useful in areas serving large populations of visitors. Visitors often place a large demand on emergency providers, but may not directly or fully support the fire or rescue services through local property taxes for hotels, restaurants, etc., and their impact on general sales taxes. Transient taxes can make up for any inequity. The tax may be added to the cost of a hotel room or to the price of meals served in local restaurants (which would also affect residents). In this manner the burden of funding fire and rescue services is shifted somewhat from the local taxpayer to the visitors causing the increased demands upon the system.

This is an especially appropriate tax to consider for areas where the transient population is large relative to the resident population or where the transient population is responsible for a large proportion of the emergency

calls. The City of Williamsburg, Virginia, for example, attracts a large number of business guests as well as tourists each year. The City charges a transient tax on meals and lodging, which is paid into the city's general fund, to offset the increased demand of visitors on city services.

Howland, Ohio, implemented a "bed tax" in 1997 to generate revenue for the Howland Fire Department as well as the local law enforcement agency. The "bed tax" is 3% of the total bill for the hotel stay, and the money is divided equally between the fire and police departments in quarterly payments. In 1998, the Howland Fire Department received approximately \$92,000 from this "bed tax" program.

The obvious major advantage of the transient tax is that it is borne largely by non-voting outsiders, and painless for all but the tourist industry. The visitors may not like it, but if the tax is not exorbitant or not much higher than that in surrounding jurisdictions it may not affect demand. On the other hand, the possibility must be considered that increased taxes on food or lodging may indeed decrease the demand for those services and offset any gains made by such a tax. They may lower overall business revenues and total taxes, not just those for fire and EMS, if they dissuade visitors from coming, or cause them to stay in neighboring jurisdictions. That possibility must be evaluated on an individual basis for each jurisdiction based upon the type and number of visitors, local economic conditions, and the taxes used in nearby, competing jurisdictions. Also, while a transient tax may be intended to be earmarked for fire and rescue services, often it will go directly into a general fund used to offset additional city services such as police, roads, etc.



### **Real Estate Transfer Taxes**

Real Estate Transfer Taxes are special purpose taxes assessed at the time of sale of a property. Usually they are a percentage of the selling price of the real estate. Real estate transfer taxes sometimes have been levied to provide an additional source of revenue for public safety and public works projects. Proceeds from such taxes are pooled with other general fund revenues but can be like earmarked funds in effect.

Most often these taxes are used in areas with high single-family dwelling ownership. An advantage is, theoretically, improved equity: unlike property taxes which are passed on to renters and other lower-income taxpayers, much of this tax comes from those with incomes sufficient to own and sell real estate. In some cases, first-time home buyers may be exempted from the tax. These taxes are a good revenue source even in times of economic recession; the sale of property often generates a substantial revenue stream. Another advantage is that they are easily collected taxes. They can be collected along with property taxes at the time of closing on the mortgage or when the deed transfer is registered.

Disadvantages include the taxes being opposed by real estate interests. Also, these taxes may require legislative approval. Most local jurisdictions must get special taxing authority from the state legislature before levying special purpose taxes.

### **Special Taxes**

There are a variety of “special taxes” allowed in

many states for special purposes. States may authorize local agencies which provide fire protection or prevention services to propose by ordinance the adoption of a special tax. These tax revenues can be used for obtaining, furnishing, operating, and maintaining fire suppression equipment or apparatus, for paying the salaries and benefits of firefighting personnel, and for other necessary fire protection and prevention expenses. The tax may be levied throughout the entire jurisdiction or may be limited to specific areas or zones, but usually cannot be imposed on a federal, state or local government agency.

Special taxes may be levied by parcel of land or on the basis of the class of improvements to property or the use of the property. These factors can be used to estimate fire flow requirements, which in turn can be used as the basis for determining the amount of the tax. Additional factors that might be used to calculate the tax include: type of construction, square footage, occupancy factors, roofing material, and existence of sprinklers. In many cases the specific rates are developed to complement revenues from other sources so that the total is enough to meet the amount budgeted.

### **Fire Flow Tax**

The fire flow tax is something like a property tax in that a lien can be placed on the property if the tax is not paid. But rather than being based on assessed property value, it is based on a computed fire flow requirement, typically using an Insurance Services Office (ISO) formula for fire flow. In one state, the formula is the product of three factors: the number of livable or usable square feet, a coefficient that depends on construction type, and



a constant (18). For example, the coefficient is 1.5 for a frame house. The charge is based on a set number of cents per gallon per minute flow. If the occupancy is equipped with sprinklers, the charge is reduced 50 percent.

The rate per gpm is selected on the basis of the budget shortfall (that is, the amount not covered by taxes and other sources). The shortfall is divided by the square feet of property to get the average cost needed per square foot. The fee is then developed using the average gpm required per square foot.

The advantage of this method is that it generates large dollars, and the charge computation can be computerized and done automatically. The major disadvantage is that it may be considered a tax and requires a two-thirds vote to use it. Voters have accepted it in some places and rejected it in others. Also, there are costs of going to the voters in an election, and that has to be paid for whether or not it passes.

## **BENEFIT ASSESSMENTS**

A benefit assessment is a charge for service based upon the estimated benefit attributed to a potential user. The concept is to have a charge proportional to the benefits received by the owner, and not just to prorate the cost of service. The benefit is assessed on the basis of one or more attributes of the property or occupancy, such as square feet, type of property, fire flow requirements, distance from fire station or other factors. Some states consider this different from a tax. In other states, this assessment may be defined as a tax, and may not be legal

without a change in legislation. Often the permissibility of the use of benefit assessment charges depends on the method of assessment, and how similar it is to a straight out property tax.

In some places, the benefit assessment involves estimating the total square feet occupied by a property, and charging the owner of the property a fee based upon the amount of service required to protect that property — usually computed by a formula rather than a detailed analysis of the property. Deciding how much money to charge is somewhat complicated, and is based upon several factors. Typically a jurisdiction decides how much money it needs to raise beyond that obtained from other sources, then divides that amount into the total square feet protected, to arrive at an average assessment cost for an average property. Individual fees are then adjusted up or down depending upon whether the occupancy is high or low risk, by simple or complex formulas.

The downside to benefit assessment is that it may be cumbersome to undertake. In addition to legislative restrictions, which may need to be overcome in many states, fees for each property must be assessed in a fair manner, billed, and then collected. The ability to undertake such a project may depend largely on the cooperation of the local government's finance and tax collection departments. Citizens must be made aware that the assessment is specifically to maintain or improve fire and emergency services; otherwise it will be perceived as just another tax measure. Nevertheless, the benefit assessment can be an important financial resource for a department.



A state may authorize any local agency providing fire suppression services to levy an assessment for the purposes of obtaining, furnishing, operating, and maintaining fire suppression equipment or apparatus and/or for the purpose of paying the salaries and benefits of firefighting personnel. In contrast to the special tax authority, the assessment must be related to the benefits rendered to the property assessed.

The tax may be levied throughout the entire jurisdiction or may be limited to specific areas or zones. To levy the assessment, the City or County must pass an ordinance or resolution establishing uniform schedules and rates based upon the type of *use* of property and the *risk classification* of the structures or other improvements on the property. The risk classification may include, but is not limited to, the amount of water required for fire suppression, the structure size, type of construction, structure use, and other factors relating to potential “fire and panic hazards” (sic) and the costs of providing fire suppression.

Assessments on property devoted primarily to agricultural, timber, or livestock uses, and being used for commercial production of agricultural, timber, or livestock products, must be related to the relative risk to the land and its products. Assessments for this type of property must recognize normal animal husbandry practices, on-site or nearby water availability, response time, capability of the fire suppression services and any other factors which reflect the benefit to the land.

In many jurisdictions, several procedures must be followed before an assessment can be levied. The lo-

cal jurisdiction must submit a written report that contains a description of each lot or parcel of property, the amount of the assessment for the initial fiscal year, the maximum amount of the assessment which may be levied for each lot or parcel during any fiscal year, the duration of the assessment, and the basis for the assessment. The local jurisdiction also must notify each property owner affected by the assessment prior to the hearing.

In many jurisdictions, property owners have the right to ask for a public vote and can even prevent an assessment from being levied. For example, in one jurisdiction, written protests against a proposed assessment must be submitted before the hearing, and the authority having jurisdiction must consider all objections and protests to the assessment report. If the written protests represent property interests that collectively will pay less than five percent of the total amount of revenue, the jurisdiction can adopt the assessment. If written protests that are not withdrawn represent property interests that will pay more than 5 percent but less than one-third of the total amount of revenue from the assessment, the proposed assessment must be either submitted to the voters for approval by a two-thirds of the majority, or abandoned. If the value of the protests equal one-third of more of the total expected amount of revenue, the assessment must be abandoned.

In the State of Washington, fire protection districts are authorized to use a service charge based on measurable benefits to property. Charges must be approved by 60 percent of the local voters and are authorized for a period of six years, like special taxes.



Benefit assessments are attractive in Washington because it not only has constraints on the total property tax, but also constraints on the allocation and prorating of various parts of the property tax. Local property tax allocations often fall short of the amount needed to fund fire and EMS.

Besides the obvious benefit of filling in the shortfall of property taxes, the benefit assessment charges have allowed some other changes and reallocations. One small rural Washington fire protection district was able to reduce EMS charges per run from \$600 to \$200, and also improve their fire district rating and their training through use of the benefit charge.

Relative benefit is computed in a somewhat complex manner in Washington. The State developed the criteria for use by fire districts in assessing the benefit received by the property owner; the charges are levied only by those individual local fire protection districts that wish to use them, not by the state.

The benefit charges are based on the type of occupancy, insurance reductions, fire flow requirements, distance from fire stations, special services provided, and a tanker credit in certain areas. The cost to a residence under this system varied in 1992 from as little as \$13.80 to as much as \$111.09 from one fire district to another, depending on the locality's needs.

The so-called *insurance benefit* factor is based on the fire district's rating, which is made by the Washington Survey and Rating Bureau (and not ISO), with 1 as the best rating and 10 the worst. A more favorable fire

protection district rating causes a lower insurance rate per \$1,000 assessed value. Homeowners and businesses are in effect assessed part of the reduction in insurance they get when their fire district has a favorable rating, as part of the formula for computing the benefit charge. For example, a home valued at \$100,000 pays \$674 for fire insurance if the fire district is class 10, but only \$364 if it is class 2-6. The benefit of being in class 2-6 is therefore \$310. Part of this saving then is shared with the fire department, through the benefit assessment charge. For apartment houses, the insurance savings from being in a well rated fire district is even greater than for residences: a 30-unit apartment house with a \$2 million value pays \$38,000 insurance in class 10 and \$12,000 in class 4. Thus the insurance component of the benefit assessment charge is greater for commercial properties than for residences.

The *fire flow* factor is measured in gallons per minute. Residences were estimated to require 500 to 1,000 GPM, small businesses 1,500 to 2,500, and large businesses 3,000 to 6,000 GPM. The fire flow requirements are assumed to be reduced if the property is sprinklered. Charges are specified for each category, but reduced if sprinklered.

The *special services* portion of the benefit charge is meant to reflect services such as pre-fire planning, hazardous materials team, building inspections, heavy rescue service, citizen training, community fire awareness projects, and real estate development coordination. Three classes of special services were developed: class one, for residential properties up to four units, which are assessed a basic flat rate; class two, for commercial properties with



sprinklers and no hazardous materials, which have a special services benefit charge based on square feet; and class three, commercial properties without sprinklers or with hazardous materials, which have the highest special services rate per square foot.

The *response time* factor, the benefit of being close to a fire station (whether fully staffed all the time or not), also is divided into three categories: 0-2 miles away, 2-5 miles, and greater than 5 miles. The benefit charge for these three categories might be \$15, \$10, and \$5 respectively.

A *tanker credit* is considered in the benefit charge computation in rural areas. It reflects the benefit of having a tanker in places not near a hydrant. Having the tanker also raises the rating of the fire district. The cost of tankers may be shared among several places. A small charge is made for those jurisdictions where tankers are readily available.

There are certain exemptions made in assessing a benefit charge. Senior citizens and disabled persons are exempted in part from the charges even though they are major users who might arguably be said to receive higher benefits. However, it was necessary (in Washington) to get their political support for the whole scheme, and there was no desire to cause them extra hardship, so they were granted this exemption even though it ran against the philosophy of the benefit charge system.

Benefit charges are limited in Washington State to paying for up to 60 percent of the fire district's budget, with the remaining 40 percent coming from property taxes.

A total charge that averages \$3.12 per thousand dollars assessed value may be divided into \$1.87 from the benefit assessment and \$1.25 from the property tax. The property tax in turn has limitations and rules about allocations, so that \$1 comes from regular property tax and an additional 25 cents from a special EMS property tax.

The State of Washington set the benefit charge system in place for a six year period before it comes up for potential revision. The benefit charge is considered a tax in the State of Washington, even though it is a way around the property tax limitations. Property owners therefore can appeal their assessments individually.

The benefit charge is used only in fire districts in Washington, not in cities. Each jurisdiction may weight the various benefit factors by any percentage it desires to determine the total benefit charge. One department may choose to charge a rate based 25 percent each on fire-flow, special service, insurance rating, and distance; another department may choose to disregard distance and charge a rate based 50 percent on fire flow and 25 percent each for special service and insurance rating. How some fire districts chose to weight the benefit charges is shown in Table 2.1.

The Thurston County (Washington) Fire District #9 has used benefit charges for several years, and its citizens voted to retain the benefit charges for another six

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years. The district has an operating budget of about \$970,000 a year, almost \$300,000 from the benefit assessment. The district has been able to increase personnel, renovate their station, and purchase new equipment with their increased revenues from this funding source.

Average homeowners benefit too, according to Thurston officials. The property taxes have remained the

same or dropped since the benefit charge system was implemented, while property values have risen. Owners of large commercial property or apartment complexes pay

a heavier charge than they would under a simple property tax system. The idea behind the program was to shift the funding burden to the high fire risk properties. The over-

all result is a better and more equitably funded department which can provide superior service to the community.

According to Washington State law, jurisdictions using benefit charges must limit their property taxes to \$1.00 per \$1,000 property value; areas that do not use the benefit charge may charge property tax up to \$1.50 per \$1,000 property value. Therefore, fire department managers and local officials must determine whether their funds would be increased or decreased by switching to the benefit charge system.

Benefit assessment charges are a major innovation and may be very effective in other areas of the country. They can help pay for a significant part of fire protection and EMS, not just a small portion of the budget, as is the case with many of the other funding alternatives identified here.

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**Table 2.1 Different Benefit Charge Weightings Used by Different Districts in Washington State <sup>2</sup>**

Benefit Charge Element	King County No. 16	King County No. 36	Spokane Co. No. 4	Clark Co. No.6	Mason Co. No.5
Fire Flow Benefit	\$31.00	\$18.70	\$12.78	\$16.14	\$12.64
Distance Benefit	31.00	*	12.78	16.14	25.28
Special Services Benefit	*	18.70	*	*	*
Total Benefit Charge (Including Other Factors)	93.00	74.79	38.34	48.42	63.20

\*Element not used in this district's formula.

<sup>2</sup> "Legislation Increases Fire Department Funding," *Fire Chief*, p. 46, January 1991.



## **BORROWING**

Major capital improvements can be funded by borrowing money and repaying it over time. This can be accomplished with bonds, certificates of participation, or traditional borrowing.

### **Bonds**

Bonds are essentially loans in which the principal is not paid until the end of a period, typically 5-20 years. Interest is usually paid along the way. Bonds are most often used for major capital improvements such as new fire stations, EMS facilities, training centers, or communications systems, but also are sometimes used for apparatus and equipment. Bonds generally require voter approval. Sometimes they are used solely for fire-related facilities or equipment and sometimes for a package of improvements for various municipal services. Bonds are a way to spread the cost of capital equipment over a long period of time.

### **Certificates of Participation**

Many fire/EMS agencies and units of government are not allowed to issue bonds. An alternative is the "Certificate of Participation," or COP. The COPs are a financing mechanism similar to general obligation bonds, but the principal as well as interest gets paid along the way, like a home mortgage. They are used to fund large or complex financial obligations in a manner similar to leasing but without violating restrictions on debt financing. The borrower (or lessee) sells certificates of participation to investors (lessors) who agree to provide funds

in exchange for repayment of the principal plus semi-annual interest payments on a fixed schedule.

For example, a township government wishes to finance the purchase of a new engine which costs approximately \$180,000, but the town cannot incur debt obligations or issue bonds. Two options for financing the purchase are to save funds for several years to accrue the capital for the purchase, or to lease the apparatus. However, few manufacturers or distributors lease fire equipment, especially custom-designed fire apparatus. Certificates of deposit offer a third option. The trustees of the township can hire an investment banker, bond counsel, and trustee to prepare the appropriate documents, offer the COPs securities for sale, and manage the disbursements of funds to COPs holders. In exchange for the capital to purchase the engine, the township trustees agree to make annual appropriations to repay the certificate holders and make semiannual interest payments. While the obligation remains outstanding, the certificate holders hold title to the engine through the COP's trustee.

The advantages of COPs are as follows:

- They do not violate restrictions on long-term debt financing common among certain forms of government; e.g., townships, or imposed by state law.
- They permit public entities to incur a continuing obligation without going into debt.
- In some instances, they are the least costly public financing mechanism.
- In most cases, they are tax-exempt, which attracts a large investor base.
- Usually they do not require voter approval.



The disadvantages are:

- COPs may be more expensive than direct lease or lease/purchase agreements for making relatively small purchases.
- The risk to the lenders that the local government might not appropriate funds every year to finance the annual payment on the obligation generally makes them more expensive (higher interest rate) than general obligation bonds.
- The costs of issuing COPs are higher than direct leasing. They involve a bond counsel, investment bankers, a certificate trustee, rating agency fees, and printing of investment documents. These costs must be added to the amount financed so they can be paid from sale proceeds.
- To achieve favorable interest rates, a reserve fund may also be required. This amount must also be added to the amount borrowed.
- The complex legal requirements associated with this type of financing may make it somewhat cumbersome and time-consuming to use.

Even though COPs do not require voter approval, care should be taken to ensure that they are broadly supported by the public in order to maintain annual appropriations to repay the COP's investors. Failure to appropriate funds to make COPs payments could adversely affect the local government's credit rating, increasing the cost of other forms of public financing.

### **Traditional Borrowing**

Many fire and emergency service agencies, typi-

cally independent volunteer organizations, use the traditional form of borrowing money through banks and lending institutions. These loans are also used for capital improvements such as construction of stations, refurbishing existing stations or vehicle purchases. Fire and EMS agencies should exercise care in "shopping" for a loan for these improvements, similar to how individuals would search for the best interest rate and loan terms for a mortgage or automobile loan. Some banks and lending institutions will provide lower interest loans or different loan options for volunteer, service related organizations, particularly in the interest of the community they serve.

In some jurisdictions, special loan funds are created for these types of projects. In Loudoun County, Virginia, there is a revolving loan fund where independent volunteer agencies in the Loudoun County Fire and Rescue system can request low-interest loans for capital improvements. This allows the volunteer departments to pay for costly capital improvements over time at a lower interest rate than a traditional lending institution.

Another form of borrowing to finance fire equipment is lease-purchasing, discussed later in this chapter.

### **FEES FOR PREVENTION-RELATED SERVICES**

A wide variety of fees are used by fire departments to offset costs of various services and to act as a deterrent or fine for dangerous or illegal behavior.

Inspections to enforce building and fire codes are key elements in a proactive fire prevention program. Small investments in prevention resources often yield substan-



tial benefits in reducing the risk from fire. Fees for prevention services, although a small part of the budget, can have a large impact.

### **Inspection Fees (Fire Only)**

Although benefits of inspection programs accrue to the entire community, the major benefactors are the owners, employees, customers and clients of the businesses, institutions or multi-family dwellings that are inspected. The owners of inspected properties therefore can be asked to pay for some or all of the expenses of conducting the inspections from which they benefit. Inspection fees have long been used by fire departments to offset prevention costs, and are well accepted.

Some departments charge a flat fee for inspection of a certain occupancy type. Some inspection fees are based upon the type of inspection conducted (initial or repeat), the type of building (high-rise, taxpayer, etc.), and the square footage. Additional fees sometimes are charged if special hazards are present, such as hazardous materials storage areas.

Among the most frustrating problems for fire inspection personnel are reinspections, retesting, and rescheduling of appointments for fire protection system tests. Staffing cutbacks and increasing workloads have led many fire departments to institute fees (or raise fees) for reinspections, both to discourage contractors and businesses from taking fire inspectors' time for granted, and to encourage speedy compliance. Missed inspections, failed tests, and continuing violations (often from the second or third reinspection) often result in fees to compen-

sate for the inspector's lost time, as well as to deter violations.

In some cities fees for inspections are not levied except for reinspections. Some cities only charge for inspections performed by field operations personnel, others for any inspection regardless of whether by a fire company or an inspector or civilian fire protection engineer. (Some states have laws that allow formal inspections to be made only by state-certified inspectors; line company "inspections" are then "informal," and cannot be charged for.)

The San Francisco Fire Department is one of many that charges fees for inspections to help recover costs for its Fire Prevention Bureau.

The Bureau conducted approximately 19,335 inspections in fiscal year 1997-1998.

The Bureau's annual revenue for fiscal year 1997-

1998 was \$2,960,017. The Bureau has a total of eight programs. The inspection programs generated \$991,280 in revenue; plan checking generated \$1,173,947; and fire permits generated \$619,332. The remaining programs generated \$175,458 in revenue.

The Benicia, California Fire Department also uses inspection fees, but with a positive reinforcement twist — an interesting innovation. Benicia charges \$35 per

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company inspection. However, if the inspected property is found to be in compliance, or complies with fire department instructions before a follow-up visit, the fee is waived. If the occupancy fails to comply, the fee is applied for each fire department visit (usually \$105 for three inspections).

The City of Berkeley, California, implemented a fee inspection program to help recover the cost of company inspections. The fee program was instituted along with a code citation program that enabled city firefighters to charge fees for code violations (like traffic tickets.) The cost for a fire company inspection was established at \$166 per company hour. The average time for a simple inspection was estimated at about fifteen minutes, so a charge of \$41.50 was established as the base rate for inspections. Buildings whose size or complexity require more time for inspection are charged in multiples of the base rate. When the company returns for a reinspection, another inspection fee is charged if the violation is not corrected, and that may continue to a third and all subsequent inspections. If the building is still not in compliance, a large fine and court costs may be assessed. Code violators may have the fines dropped once they have brought their businesses into compliance, but the inspection fees would still be payable. Occupancies that are required to pay a permit fee to operate do not have to pay for the associated inspections. Examples are hospitals and nursing homes.

Some fire service agencies have developed a self-inspection program in which a business does its own safety assessment using a checklist provided by the fire department. Once any identified deficiencies are corrected, the business sends in a fee and receives a certification of inspection, without an inspector having actually visited. Self-assessments only are useful for the simpler properties that do not require specialized knowledge to inspect. A mix of self-inspections and visits can also be used, for example in alternate years. Spot checks of self-inspected businesses also are useful. Self-inspections must be used cautiously and only where most owners comply in good faith. A good checklist needs to be sent to the businesses for the self-inspection. The main advantage of self-inspections is that they are very profitable — a fee is received for little or no work.

Some departments charge fees for each inspection visit, and allow owners to schedule the inspections. This type of program may cut down on the number of inspections required because people want to avoid the charge for a second visit, and do not schedule an inspection until they have already tried to get everything prepared for the inspector. Although the surprise element is lost, the program still serves a very useful purpose if owners fix the major problems in their properties on at least an annual basis.

Fire departments may also institute reinspection fees. Once written notice has been given to a code violator, a department could charge a reinspection fee for a second inspection and possibly charge additional amounts for every subsequent inspection. In some departments, code violators are charged a flat fee for follow-up inspec-



tions done by the fire marshal's office after station companies have already conducted two reinspections without achieving any compliance.

### **Plan Review Fees and Permits (Fire Only)**

Many fire departments review building plans for fire code compliance and inspect the installation of the fire systems during construction. The fire department often receives part of the permit fees paid to the jurisdiction for these services.

Fees also are charged for occupancy permits, special hazards permits, reviewing plans for renovating buildings, and reviewing new fire protection systems in existing buildings. Fees also are often charged for inspecting day care centers, hotels, hospitals, nursing homes, spray painting businesses, and other specific occupancies that require special permits to operate.

Fees also are usually charged for permits that are required for hazardous activities such as open burning, public events, use of fireworks, making of movies, using large tents (circuses, etc.), and other special purposes.

One problem with plan review fees and permit fees is that they often are not set high enough to cover the costs of the services provided. They are among the traditional fees that developers, builders and others expect to pay but do not like to see raised from year to year. Local governments need to consider whether they want the fees to totally or partially cover their expenses for these (and other) services, and whether they want them indexed in some way or recomputed annually or at least every two

or three years.

### **FEES FOR SUPPRESSION, EMS, AND SPECIAL SERVICES**

Some departments charge fees for service as a penalty, and some charge simply to raise funds.

#### **Fire Suppression and Rescue Fees**

In some U.S. cities (and several other nations), people responsible for fires may be held financially accountable for their actions, and have to pay fire suppression costs, especially when negligence, code violations, or criminal activity are involved in causing the fire. Recovery of costs from the guilty parties may help deter these problems.

Depending on state law, cost recovery measures may need to be approved by legislative action. Taking people to court to recover funds, such as suing for costs after a large incident, are often not successful without previously enacted legislation.

American fire department officials generally have been reluctant to use the cost recovery authority. If a person has suffered a loss due to a fire, fire departments are not accustomed to having to bill for responding to the fire and do not like to do so. Questions of equity, ability to pay, and other policy issues make cost recovery a difficult issue to resolve. There also is concern that the knowledge of having to pay costs might cause people to delay calling the fire department, and instead try to extinguish fires themselves. Nevertheless, a number of fire depart-



ments have identified instances where it is appropriate to charge those responsible for an incident, and do so.

The Ventura, California, City Fire Department has established guidelines for recovering costs for certain fire-related incidents, including unlawful discharge of fireworks resulting in a fire; intentionally set fires, including juveniles playing with fire; malicious false alarms; inadequate control of open burning; misuse of ignition sources (i.e. welding too close to combustibles), and incidents caused by the misuse of alcohol or any controlled substances, including vehicle accidents.

In addition to the Ventura City Fire Department's cost recovery procedures, the Ventura County Municipal

Court has adopted procedures for ordering defendants involved in driving under the influence to pay for the emergency response costs incurred by the city, county, and state

**Contact:**

Ventura City Fire Department  
1425 Dowell Drive  
Ventura, California 93003  
(805) 339-4300

Department of Recovery  
(805) 339-4312

agencies. When a law enforcement agency files a complaint with the District Attorney, the complaint is clearly marked as an "Emergency Response Case," and after a conviction, steps are taken to assure that restitution is made to the agency. Liability is limited to \$1,000 by California Code 1203.11 PC and 53150-53155 GC.

Ventura has a recovery department that computes the charges for services based on a scaled list of costs.

Fees are charged whenever costs are deemed "recoverable," that is, whenever someone is found to have caused the incident through negligence or other factors on their list. Costs have been successfully recovered for a variety of incidents. Fees are charged on the basis of personnel and equipment used. Examples of hourly rates range from \$37 per hour for a firefighter to \$165 per hour for aerial apparatus.

Bellevue, Washington also has cost recovery provisions in its codes. It attempts to recover costs when a person is convicted of arson, when uncorrected code violations result in fires, when repeat responses are made to situations involving illegal burning, when mitigation of hazardous materials incidents exceed two hours, and when there are more than six preventable responses to false alarms made to one occupancy.

*Cost Recovery for Routine Fire and Haz Mat Calls* — The use of suppression fees in the examples above were intended to have prevention and even punitive overtones, but suppression fees also may be used for routine calls, especially for volunteer fire departments. In December 1991, the Common Council of the City of Waterville, Minnesota, enacted Resolution 91-R-050, establishing a fee of \$300 per fire call within the city limits. On December 1, 1998, the fire call charges went from \$300 to \$500 per call including false alarms. The fire call fee is applied to all fire-related responses. Homeowners are billed for service, and the bills are commonly paid by insurance companies. At present, Waterville does not bill for EMS.

During 1998, the department billed for 8 fire calls



and collected on all of them. The 1999 fire department budget is \$73,897. The majority of the department’s operating and capital funds come from a general property

**Contact:**  
 City Administrator  
 PO Box 9  
 Waterville, Minnesota 56096  
 (507) 362-8300

tax levy which is supplemented by the fire call charges. Waterville uses other sources for its funds as well. In the past, the department has received support

from the local Lions Club, a local bank, and others for purchasing a new rescue truck and EMS equipment. The City of Waterville also contracts with Waterville Township to provide fire protection. The township provides a tanker and all maintenance, insurance and expenses for the tanker, which is housed at the City of Waterville Fire Station.

The State of Indiana empowered its local volunteer fire departments to charge fees for fires, and haz mat responses. The state provided a suggested fee schedule: \$250 per major apparatus (engine, ladder) and \$150 per command vehicles. For the crew time, the state suggested an additional \$150 per hour for vehicles other than command and \$50 per hour for a command vehicle. Further, the departments are encouraged to charge for the replacement of expendable materials used and for the costs of collecting and disposing of hazardous materials associated with emergency calls. False alarms are not charged for. The volunteer departments in Indiana can choose whether or not to charge a fee and what fee structure to use; the state only suggests a fee schedule. The law requires that the money raised has to be used for the pur-

chase of new equipment, apparatus or physical facilities.

German Township, Indiana, for one, has been using these fees successfully, many of which are paid by insurance companies.

German Township does not press anyone to pay if their insurance company does not cover the fees charged. The department encourages the insurance checks to be written out to the department. The German Township Fire Department generates approximately \$15-20,000 annually through this initiative.

**Contact:**  
 German Township Fire Department  
 84000 St. Wendel Road  
 Evansville, IN 47720  
 (812) 963-9077  
 (812) 963-5622 FAX

**Standby and Fireguard Fees**

Also called firewatch fees, these fees are payments for having the fire service and/or EMS units standby at public events or large private gatherings where there is a danger of fires or accidents. Typically the fee is based on the number of personnel needed times an hourly rate. The hourly rate may be based on direct pay, overhead-loaded pay, or overtime pay, and may or may not be further loaded with a “profit.”

Sometimes fire, police and EMS agencies provide personnel who serve off-duty and are paid directly by the special event rather than through the municipality. Either way (on-duty or off-duty), protection is provided for a special purpose, and gets fully reimbursed for the service.



### Hazardous Materials Fees

Hazardous material responses are a costly, time-consuming, and dangerous activity for most fire departments. Unlike fires, even seemingly minor hazardous materials incidents can keep fire companies out of service for long periods, and present danger to the public and emergency agencies.

To offset the expense of providing hazardous materials response capabilities, some fire departments have adopted a hazardous materials storage fee. Revenue from this fee helps ensure steady income for training and equipping hazardous materials units.

Some fire departments annually assesses properties that store hazardous materials. Fees may be based on the level of hazardous materials present as well as administrative time, air monitoring, and tank removal fees as necessary. The downside of haz mat storage fees (and many other fees) is the “financial nightmare” that can be created at first by the attempts of the department to bill and collect fees for service by itself. Some agencies may elect to have a county or city finance department handle the collections, or hire a private company to conduct the billing and collection activities.

Many departments now charge for hazardous materials responses, both to offset costs and as an incentive for properly managing hazardous materials. The fee also helps replenish materials and equipment used to mitigate a spill or other release. Federal law now requires the owner or transporter of spilled hazardous materials to pay cleanup costs, including fire department and EMS costs,

which helps justify these fees to the public, and makes it easy to start charging.

For example, the Casper, Wyoming, Fire Department charges a fee for hazardous materials responses, based on the authority of the Uniform Fire Code as adopted by the City of Casper and Natrona County. According to Casper city ordinance, any “person, firm, or corporation responsible shall institute and complete all actions necessary to remedy the effects of such unauthorized discharge...at no cost to the city.” When deemed necessary by the Chief, cleanup may be initiated by the fire department.

#### **Contact:**

City of Casper Fire Dept.  
200 N. David Street  
Casper, Wyoming 82601  
(307) 235-8222

San Antonio, Texas charges \$400 for up to 4 hours of a hazardous materials response, and \$25 for every 15 minutes thereafter. (See Table 2.2.)

### Special Services

Fees for “special” services attempt to recover or offset the costs from the users of the service. These fees may be charged for services ranging from removing water from a basement to standing by at special events such as a football game or concert. The users often pay less than they would if they had to contract privately for the service, and often receive intangible benefits such as communication links that can quickly get additional forces to the event if an emergency develops.



The downside of these special fees (and fees in general) is that the public may expect these services to be provided routinely, without further charge, in return for their taxes. A public education campaign may be necessary to prevent discontent and resistance. Special service fees can be presented to the public as improving equity to all taxpayers, by not using everyone’s taxes to subsidize those who use the special services.

When setting up special service fees, the same approach can be used as for other cost recovery fees. One must first estimate the cost of the service, and then tentatively decide how much of it is to be recovered. The reasonableness of the resultant fee then is judged, and the fee-setting iterated if necessary. Costs may be computed on an incremental basis; that is, what it costs the jurisdiction above the base of other services provided. One might not include salaries other than overtime if the staff providing the service would be paid anyhow, and no addi-

tional staff needs to be hired. The cost also might be computed on a fully-allocated cost basis—the proportionate share of all costs needed to provide the staff and equipment for the service, including salaries. The fee also may be set by some other philosophy, such as what the market will bear. Once the basis for the fee is determined and a charge for the service selected, the local jurisdiction may wish to formally adopt the special service fee schedule as part of its local ordinance.

The San Antonio, Texas, Fire Department is one of many departments using special service fees to meet expanding demands for new services, and to dissuade dangerous behavior. On May 6, 1993, heavy rains inundated San Antonio. Several motorists became stranded as they attempted to drive through low-lying areas where storm water runoff had accumulated. For receiving emergency assistance from the city to extract them from the dangerous flood waters, the people rescued received in-

<b>Service</b>	<b>Fee</b>
Hazardous Materials Response Fee	\$400 for first 4 hours plus \$25 for each 15-minute increment over 4 hours
Water Rescue Fee	\$400 per rescue
EMS Fee	\$250 per call
Fire Protection System Reset	\$100
Fire Inspection Reschedule (without 24-hours advance cancellation)	\$100
Fire Prevention Reinspection	\$40
Permits	Varies



voices for \$400 from the fire department. Some residents expressed dismay at this charge, calling it a fine, and challenging the fairness of charging people in distress for a needed service. However, city officials viewed the matter differently. The \$400 fee had been authorized by the San Antonio City Council in September 1991 to discourage residents from taking foolish chances attempting to cross dry creek beds or drive through flood zones. City officials were encouraged by the attention generated by levying these fees and hope many residents will recall this incident and think twice before taking unnecessary chances.

An interesting note is that even the U.S. Coast Guard now charges fees for rescues and various services. Additionally, a Search and Rescue Team successfully used to find skiers lost in the Aspen, Colorado, resort area in a well-publicized story in early 1993 charged those rescued for the rescue service because they had violated safety precautions. This concept is not unique to San Antonio.

The San Antonio water rescue fee is only one of a number of fire department service fees San Antonio enacted in the past 15 years, as shown in Table 2.2. These include fees for storing hazardous materials, a hazardous materials response fee, fire prevention permit fees, fire protection system permit and plan review fees, and re-test, reinspection, and rescheduling fees. Some of the fees are designed to generate revenues, while others are intended to discourage safety violations.

The concept of fees for “special” (non-routine) services has been broadened in many fire departments to include fees for routine services where specific individu-

als, businesses, or organizations benefit disproportionately relative to the general taxpayers, even though the service provided is often in the public interest.

**Contact:**  
Finance Officer  
San Antonio Fire Department  
115 Auditorium Circle  
San Antonio, Texas 78285  
(512) 299-8406

Some departments send out a bill for various “special” services. They may charge for any service that is considered beyond “normal.” These could include:

- A fire that got out of control where a permit was issued for controlled burning.
- Services provided on the nearby interstate, especially if outside the county, and especially if EMS was involved.
- Any EMS transport.
- Use of foam.
- Training classes.
- Any response to municipal buildings (which don’t pay taxes).

In addition, departments may charge fees for inspections, charge fees for burn permits, do vehicle maintenance on contract to others, and receive revenue for dispatching and communication services for other agencies.

**Training Fees**

Some departments recover part of the costs of training facilities and training staff by charging fees for any training provided to other local governments, or the



private sector. The charges may just offset costs, or they can be set to create a net income. Sometimes the training is done for a fee per student and sometimes it is provided under a contract.

When considering the use of training as a source of revenue, several factors should be addressed to make sure that the training of others does not adversely affect training in one's own department. Many departments are strapped to the limit or unable to provide all of the diverse training required today for firefighting, EMS, hazardous materials, etc. The department offering to train others must make sure it has the personnel and facilities available to provide the training without overloading its instructors or interfering with its own scheduled training. Also, serious consideration should be given to the liability that may be incurred by providing training. The local risk manager and government attorneys should be consulted; i.e., what if someone being trained from another jurisdiction falls from the training tower?

As a benefit, training can be a successful revenue source, and a way to maintain training specialists such as fire protection engineers or hazardous materials instructors that the department cannot afford full-time on its own.

In addition to fees for training others in fire protection or EMS, many departments train private citizens and businesses. Training such as CPR courses, public safety seminars, and fire extinguisher classes require relatively few training resources and fit well with the mission of fire departments, rescue squads, and emergency medical organizations. They can be quite profitable, too.

Training for fees is not limited to large fire departments: the Benicia, California Fire Department, serving a community of approximately 28,000, offers training programs to municipal governments, private industry, and other fire agencies. Topics are not limited to fire or rescue.

### **Contact:**

Training Division  
Benicia Fire Department  
250 East L Street  
Benicia, CA 94510-3272  
(707) 746-4273  
(707) 745-4425 FAX

Many for-profit courses are offered in diverse subjects ranging from disaster preparedness to CPR.

Providing training to others may or may not raise revenues but almost always provides a useful service. Communities need to decide whether they are doing the training altruistically, to raise revenues, or to help pay for certain specialists and facilities, and set fees accordingly. The courses offered have to draw some minimum attendance to be worthwhile.

### **Emergency Medical Service Fees and Charges**

For many fire departments, emergency medical services, are offered as part of their basic public service package. However, as the demand for EMS has increased, jurisdictions have begun to look for ways to offset some of the costs of operating EMS and the firefighting infrastructure that supports basic and advanced life support services. Communities provide EMS in a variety of ways, and a number of different revenue policies have been tried. Most jurisdictions that provide ambulance transportation either charge transport fees or offer subscription plans



(described in the next section). Fees for the medical supplies used have also been adopted in some areas. Some jurisdictions also have added charges for treatment where no transportation is provided.

*Special Note: All the examples provided in this section on EMS Fees and Charges are subject to change based on the Health Care Finance Administrations negotiated rule making process in process as this document was being developed. The outcome of the negotiated rule making process may significantly affect the methods of reimbursement for EMS fees and charges. All department actively billing for EMS fees and charges, or considering this as a revenue alternative, must become education on the negotiated rule making process and its outcomes to ensure the success of billing operations at present and into the future.*

*Another issue of critical importance is the validation of EMS fees and charges. Under no circumstances is it recommended that departments use figures from these examples as their EMS fees and charges without a validation process. Departments billing for EMS fees and charges or considering billing are encouraged to take steps to validate their fees and charges, through appropriate cost allocation measures. It is critical for departments to understand the true system costs before setting EMS fees and charges.*

In 1976, San Antonio, Texas, adopted an EMS user fee schedule which charged varying amounts based on Medicare reimbursement rates for each of the procedures performed by field paramedics. In 1991, the cumbersome rate schedule was replaced by a simpler \$200

flat fee for service. In 1998, the fee was raised to \$250 per call. Note that this fee is not for transport, just medical care. The fire department contracts with a private firm to issue invoices and collect the EMS fees. Each month the firm receives a computer tape of all EMS reports for the purpose of generating the invoices. Every patient treated by EMS is sent a bill. Most are paid by third parties. Delinquent accounts are not aggressively pursued. Collections vary between 53 and 54 percent per year.

The EMS service fee has been successful in paying for a portion of the cost of maintaining the city's emergency medical service activities. Similar fees have helped the Fire Department maintain existing service levels, and in some cases engage in new services.

**Transport Fees** — In a number of cities, fire departments provide transport to hospitals and other medical facilities after administering on-site care. Some jurisdictions provide transport services only to time-critical patients, some to all advanced life support patients, and some to all patients requiring emergency ambulance transportation from EMS calls, regardless of whether ALS or BLS. Depending on the service and costs, the fees vary across the country, typically in the range of \$200-600. Many cities base part of the rate on mileage and consumable supplies. Rates also may reflect situations where multiple patients are transported in the same ambulance.

To collect fees for EMS, a city must establish a means to bill and collect the fees from its users. This process is often contracted out to a private collection service. Collection policy is an issue — under what circumstances do you press or not press for collection of the



fee? Although health insurance often covers all or a portion of transport fees, payments to the fire department may be delayed until the users receive their reimbursements. Direct billing of the insurance carrier is most efficient, but health insurance, such as Medicare, may not pay the full cost of the transport. And for those users without insurance coverage, payment may be difficult to collect.

Table 2.3 represents a matrix of EMS charges from fire and emergency services departments across the country. *(Please refer to the Special Note on page 2-20 when considering the information contained in Table 2.3.)*



**Table 2.3 Comparison of EMS Billing Rates**

Jurisdiction	EMS Department and Type	Population Served	First Responder Rates (\$)	BLS Rates (\$)	ALS Rates (\$)	Mileage Fees (\$/Mile)	Addl. Itemized Fees (\$)	Notes
Albuquerque, NM	Albuquerque Ambulance Service (Private Non-Profit)	411,994	0	123-360	166-412	12	0	
Anchorage, AK	Anchorage FD (Career)	253,649	0	400	450	3	0	
Arlington, VA	Arlington County Fire Dept. (Career)	174,603	0	225	300	0	Non-Resident = 75	
Baltimore, MD	Baltimore Fire Dept. (Career)	702,979	0	150	250	0	0	
Birmingham, AL	Birmingham Fire and Rescue Svcs. (Career)	264,527	0	N/A	285	6	O2 = 30	All transport units are ALS units.
Boise, ID	Ada County EMS (Third Service)	145,987	0	356	442	7.88	O2 = 34; Meds/Equip Extra	
Buffalo, NY	Rural Metro (Private For-Profit)	312,965	0	395	495	6.5	O2 = 26.80; Meds/Equip Extra	
Charlotte, NC	Mecklenburg EMS Agency (Private For-Profit)	437,797	0	340	740	7	0	
Cincinnati, OH	Cincinnati Fire Division (Career)	358,170	0	180	425	0	0	
Columbus, OH	Columbus Division of Fire (Career)	635,913	0	0	0	0	0	
Dallas, TX	Dallas Fire Department EMS Division (Career)	1,022,830	0	0	241	5	O2 = 30; O2 Mask = 12; EKG = 39.36; IV Kit; Startup = 25.37; Meds/Equip Extra	
Denver, CO	Denver Health Paramedic Division (Career)	493,559	0	181.75	181.75	10	BLS Transport = 168.25; ALS Transport = 243.25; O2 = 54.5; Splinting = 64.75; IV = 58; Restraint = 45.75; Medical Control = 50; Meds = 20/Ampule; EKG = 70; Intubation = 96	Denver Health will be instating a critical care transport team with charges to be determined.



**Table 2.3 Comparison of EMS Billing Rates (Continued)**

Jurisdiction	EMS Department and Type	Population Served	First Responder Rates (\$)	BLS Rates (\$)	ALS Rates (\$)	Mileage Fees (\$/Mile)	Adtl. Itemized Fees (\$)	Notes
Fairfax County, VA	Fairfax County Fire & Rescue Services (Combination)	851,900	0	0	0	0	0	
Hartford, CT	American Medical Response (Private For-Profit)	124,196	0	340	422	9.5	CT (BLS) Surcharge = 110, CT (ALS) Surcharge = 178; Night Surcharge = 9.5	All transports are aboard ALS units.
Las Vegas, NV	Las Vegas Fire Department (Career)	327,878	0	350	400	7.5	0	
Lewisburg, PA	Evangelical Comm Hospital (Private Non-Profit)	12,000	0	Not Provided	325	3	O2 = 25; C-Collar = 20; If Rescue = 100; If Heavy Rescue = 250	All transports are aboard BLS units so combined cost of 550.
Lewisburg, PA	WM Cameron Engine Co. (Combination)	12,000	0	225	Not Provided	3	O2 = 25; C-Collar = 20; If Rescue = 100; If Heavy Rescue = 250	
Lewiston, ME	United Ambulance Service (Private For-Profit)	39,757	0	203	383	12		
Los Angeles, CA	Los Angeles City Fire Dept. (Career)	3,448,613	0	332	565	11.25	0	
Louisville, KY	Louisville Division of Fire (Career)	270,308	0	170	285	BLS: 2.5 ALS: 3.5	0	
Memphis, TN	Memphis Fire Dept. (Career)	614,289	0	100	100	0	Transport Fee = 150	911 callers requiring EMS response automatically charged \$100.
Miami, FL	Miami Fire Rescue Department (Career)	810,000	0	175	290 *	7.5	O2 = 25 *; Meds/Equip = 25	All transports are aboard ALS units; Patients categorized and billed as BLS or ALS. Also *** represents figures subject to change in the near future.



**Table 2.3 Comparison of EMS Billing Rates (Continued)**

Jurisdiction	EMS Department and Type	Population Served	First Responder Rates (\$)	BLS Rates (\$)	ALS Rates (\$)	Mileage Fees (\$/Mile)	Addl. Itemized Fees (\$)	Notes	
Montgomery County, MD	Montgomery County Fire Rescue Service (Combination)	373,024	0	0	0	0	0	EMS covered by 911 tax and other taxes.	
New Orleans, LA	New Orleans Health EMS (Combination)	484,149	0	75	75	City Limits: 10; Outside City: 15	Transport Fee = 325; Meds/Equip Extra		
Portland, OR	American Medical Response (Private For-Profit)	450,777	0	466.22	570.66	9.67	0		
Plano, TX	Plano Fire Dept. (Combination)	157,394	0	275	275	7	Non-Resident = 55; O2 = 30		
Sacramento, CA	Sacramento Fire Dept. (Career)	734,676	0	515.43	591.16	12.95	O2 = 55.12; Meds/Equip Extra	3	
San Francisco, CA	San Francisco Fire EMS Division (Career)	520,947	0	315	568	12	O2 = 57; Meds/Equip Extra		
Seattle, WA	Seattle Fire Dept. (Career)	368,215	0	0	0	0	0	EMS covered by taxpayers.	
Saint Louis, MO	Saint Louis Fire Dept. (Career)	567,094	0	Not Provided	275	4	0	All transport units are ALS units.	
Salt Lake City, UT	Gold Cross Ambulance (Private For-Profit)	171,849	140.32	249.1	362.42	9.92		FD serves as First Responders	
Spokane, WA	American Medical Response (Private For-Profit)	192,781	0	285	350	10	O2 = 33		
Stamford, CT	Stamford EMS (Private For-Profit)	107,199	0	312	494	5.8	ALS Intercept (Rendezvous) = 487; Night Charge (7AM-7PM) = 77		
Tampa, FL	Tampa Fire & Rescue (Career)	285,523	0	170	320	5	O2 = 32; IV Solution = 32; Meds = 32/Ampule; Extrication/Special Handling = 62		
Tucson, AZ	Tucson Fire Dept. (Career)	434,726	0	0	0	0	0		
Washington, DC	DC Fire & EMS Department (Career)	567,094	0	207	362	0	0		
<b>AVERAGE</b>						<b>\$218.52</b>	<b>\$319.18</b>	<b>\$5.51</b>	



The Omaha, Nebraska, Fire Division charged \$280 per transport in 1997/1998. They staff ten paramedic ambulance units with two firefighter/paramedics per unit. For billing, Omaha contracted with a private collection agency that sent the bills and followed up with patients and insurers to collect fees. Most of the bills are

**Contact:**

Omaha Fire Division  
1516 Jackson Street  
Omaha, Nebraska 68102  
(402) 444-5700  
(402) 444-6378

paid by insurance companies. In 1997, the collection agency had a 52.11% collection rate and received 5.5% of collected fees. Fire and EMS agencies need to consider the bottom

line obtained by their billing service, and not just the rate the collection agency charges for billing.

In Volusia County, Florida, a non-profit private ambulance company hired by the county does almost all EMS transport and charges a fee. The difference in this case is that the county pays the shortfall between fees collected and the costs.

The Alachua County, Florida, Fire & Rescue Department protects over 205,000 residents spread over 950 square miles, as well as students and staff from Santa Fe Community College and the University of Florida. Alachua County responded to 32,822 calls for emergency assistance in 1998. Alachua County Fire and Rescue is the sole EMS transport provider for Alachua County. The total department budget is over \$24 million, with a large portion budgeted for emergency medical service. For ambulance transports and emergency care the department collects approximately \$3.5 million in fees per year. Their

detailed fee schedule is shown in Table 2.4. Billing is done in-house by four clerks and a supervisor. An outside collection agency is contracted to go after delinquent accounts. Alachua County claims a recovery rate of about 74 percent.

**Contact:**

Alachua County Fire and Rescue  
PO Box 548  
Gainesville, Florida 32602  
(352) 955-2435  
FAX (352) 955-2492

*(Please refer to the Special Note on page 2-20 when considering the information contained in Table 2.4.)*



**Table 2.4 Alachua County Fire/Rescue Fees and Charges for Service**

DESCRIPTION OF PROGRAM	APPROVED FY 1997-98	PROPOSED FY 1998-99
<b>BASIC CHARGES</b>		
<b>ADVANCED LIFE SUPPORT TRANSPORT FEE:</b> This is the base ALS transport fee that will be charged to each patient when an emergency response is provided and the patient is transported by any ground or air ambulance. This fee is inclusive of any of the following procedures: cardiac monitoring/defibrillation, intravenous insertions, endotracheal intubation, esophageal gastric tube airway placement, obstetrical kits, mast suit applications, dextrose stick, glucometer, medications (see attached list), sterile bandaging, simple splinting, traction splinting, sterile burn pack, oxygen administration and spinal immobilization without ALS intervention.	\$345.00	\$345.00
<b>NON-EMERGENCY TRANSPORT FEE:</b> This is the base transport fee that will be charged to each patient transported when the response to the incident location is non-emergency and an ALS procedure is not administered.	\$200.00	\$200.00
<b>TEAM/EQUIPMENT/ORGAN TRANSPORT FEE:</b> This is the base transport fee that will be charged for each transport where a patient is not on board (i.e. organs, medical teams and/or medical equipment) regardless of the response provided.	N/A	\$95.00
<b>ALS PARAMEDIC TREATMENT FEE/NON-TRANSPORT:</b> This is the fee that will be charged to each patient that receives any of the following procedures and is not transported via ground or air ambulance: intravenous insertions, obstetrical kits, medications (see attached list).	\$115.00	\$115.00
<b>BLS PARAMEDIC TREATMENT FEE/NON-TRANSPORT:</b> This is the fee that will be charged to each patient that receives any of the following procedures and is not transported via ground or air ambulance: sterile bandaging, simple splinting, traction splinting, sterile burn pack, oxygen administration.	\$70.00	\$70.00
<b>STRETCHER/NON-MEDICAL TRANSPORT/ONE-WAY/RURAL:</b> Base transport fees to be charged for each non-emergency stretcher transport.	N/A	\$45.00
<b>STRETCHER/NON-MEDICAL TRANSPORT/ONE-WAY/URBAN:</b> Base transport fees to be charged for each non-emergency stretcher transport.	N/A	\$35.00
<b>STRETCHER/NON-MEDICAL TRANSPORT/ROUND TRIP/RURAL:</b> Base transport fees to be charged for each non-emergency stretcher transport. A round trip transport is an initial transport to a facility and the return trip back to the originating facility during the same calendar day or when the return trip to the originating facility occurs within four hours of the initial transport.	N/A	\$75.00
<b>STRETCHER/NON-MEDICAL TRANSPORT/ROUND TRIP/URBAN:</b> Base transport fees to be charged for each non-emergency stretcher transport. A round trip transport is an initial transport to a facility and the return trip back to the originating facility during the same calendar day or when the return trip to the originating facility occurs within four hours of the initial transport.	N/A	\$65.00
<b>SUPPLEMENTAL CHARGES</b>		
<b>MILEAGE/ALS TRANSPORT:</b> Minimum one mile. Charge will begin when transporting patient(s) or specialized teams. All patients will be charged the full mileage rate regardless of number of patients transported from the same incident or in the same unit.	\$5.70/mile	\$5.70/mile
<b>MILEAGE/BLS TRANSPORT:</b> Minimum one mile. Charge will begin when transporting patient(s) or specialized teams. All patients will be charged the full mileage rate regardless of number of patients transported from the same incident or in the same unit.	\$4.00/mile	\$4.00/mile
<b>MILEAGE/STRETCHER/NON-MEDICAL TRANSPORT:</b> Charge will begin when transporting patient(s) out of Alachua County. A base rate will not be charged for stretcher transports originating and/or ending outside of Alachua County.	N/A	\$2.50/mile
<b>ALS TRAUMA FEE:</b> This is the supplemental fee to be charged to each trauma patient that requires ALS intervention to include intravenous insertions, Mast suit application, medications (see attached list), endotracheal intubation and esophageal gastric tube placement and full spinal immobilization that includes cervical immobilization device, collar backboard, straps, etc.	\$57.50	\$57.50
<b>SPECIAL HANDLING:</b> This is the supplemental fee to be charged for unruly patients that require restraints, or if two Alachua County units are required for lifting purposes, or if an additional crew member is required during transport.	\$46.50	\$46.50



**Table 2.4 Alachua County Fire/Rescue Fees and Charges for Service (Continued)**

DESCRIPTION OF PROGRAM	APPROVED FY 1997-98	PROPOSED FY 1998-99
<b>WAITING TIME:</b> This is the supplemental fee to be charged when an Alachua County Fire Rescue team is required to wait at a medical facility or airport with a patient. A minimum of 15 minutes waiting time must accrue before charging for the first 1/4 hour period. Only time increments greater than 7 minutes will be rounded up to the next 1/4 hour.	\$29.00 per 1/4 hour	\$29.00 per 1/4 hour
<b>SPECIAL EVENT STANDBY</b>		
<b>ALS AMBULANCE</b>	\$88.00/hour	\$88.00/hour
<b>ADDITIONAL STAFFING:</b> Events requiring additional personnel.	\$20.00 per hour per person	\$20.00 per hour per person
<b>AMBULANCE MEMBERSHIP PROGRAM</b>		
<b>SINGLE MEMBERSHIP:</b> Covers the uninsured portion of ambulance bill(s) for medically necessary ambulance service originating and terminating in Alachua County for a twelve-month period.	\$42.50	\$42.50
<b>FAMILY MEMBERSHIP:</b> Covers the uninsured portion of family members' ambulance bill(s) for medically necessary ambulance service originating and terminating in Alachua County for a twelve-month period. Family members are defined as head of household, spouse and children under the age of 18 living in the same household.	\$70.00	\$70.00
<b>OTHER</b>		
<b>MEDICATIONS INCLUDED IN BASE RATE:</b> Activated Charcoal, Adenosine, Albuterol, Atropine, Benadryl, Betylium, Calcium Chloride, Dextrose, Dopamine, Epinephrine, Furosemide, Lidocaine, Magnesium Sulfate, Methylprednisone, Morphine, Naloxone, Neosynephrine, Nitroglycerine, Sodium Bicarbonate, Thiamine, Valium, Ventolin	-	-



The Lake Worth Fire Department in Palm Beach County, Florida, is another that uses transport fees to help raise revenues for its emergency medical services. The department charges a base rate of \$310 for advanced life support, and \$215 for basic life support. An additional charge of \$6 per mile of transport is also assessed. The department is currently using a neighboring municipality for billing which charges \$6.10 per run. These fees were established by reviewing charges from other EMS providers, both public and private, and choosing a middle value. The department was able to outbid other care providers to provide EMS in the City of Lake Worth.

The Lake Worth Fire Department serves an ethnically diverse and elderly population in a 5 square mile metropolitan area. The department runs about 6,500 calls per year, operating 3 ALS medic units. In 1997, over \$300,000.00 was generated from these transport fees.

A potential downside to charging fees for EMS is that it may jeopardize the “Good Samaritan” protection for many EMS providers, especially in volunteer organizations. This may also lead to higher departmental insurance charges. Departments exploring billing should check with their insurance companies and local attorneys to make sure their personnel are still protected from liability under state statutes.

Also, it is extremely important to get expert legal advice before billing for EMS services to insure that requirements of Medicare and Medicaid are met to avoid fraud and abuse charges. Lastly, and most importantly, departments MUST be familiar with the Health Care Finance Administrations negotiated rule making process and

how it will impact fees, charges and billing for the department individually and for EMS billing as a whole.

## **SUBSCRIPTION FEES**

Emergency medical services and fire protection are being provided in some jurisdictions using subscriptions. These are small annual fees paid by participating households or businesses to avoid large special service fees if they use the service.

The concept of subscriptions dates back to the early years of our nation, when fire marks on buildings indicated which fire service had been subscribed to, if any. The modern version of subscriptions is essentially insurance against being charged a large fee when a fire or need for EMS occurs.

### **Fire Protection Subscription Programs**

Fire protection is offered by subscription much less frequently than are EMS services. Subscription fees for fire protection are, however, used by some volunteer departments. The Tontitown Area Volunteer Fire Department in Arkansas covers 35 square miles and protects 2,500 people. It responds to approximately 125 calls for fire and medical assistance each year. Established in 1979 as a non-profit organization, and receiving no tax funds, the department included a subscription membership program as part of its articles of incorporation. Subscribers are not charged for emergency calls. Non-members are charged \$200 for the first hour of fire department operations, and \$100 for each additional hour. These charges are often recovered through insurance payments. The fire



## MEDICARE, MEDICAID AND EMS BILLING

Medicare reimbursement rates have a substantial effect on ambulance service providers because Medicare patients are generally a substantial percentage of the people who use ambulance services and because Medicaid reimbursement rates are frequently tied to Medicare reimbursement rates, even though Medicaid is a state responsibility.

Ambulance services that are not part of a hospital bill Medicare under “Part B.” Medicare Part A is for hospital expenses. Part B is for non-hospital expenses, including ambulance services.

Medicare pays the lowest of the amount billed, the provider’s customary bill, the 75<sup>th</sup> percentile bill for the region, the provider’s Inflation Index Charge (IIC), and the prevailing IIC for the region. IICs are 80 percent of the “allowed amount” for a given service provided (i.e., they are what the federal government will reimburse). IICs are increased on a yearly basis by the Consumer Price Index-Urban (generally about three percent per year). When ambulance services submit low bills, they depress their individual reimbursement rates as well as the reimbursement rates for the region.

In other words, increases in Medicare reimbursement occur on a yearly basis and are controlled by the Consumer Price Index. An ambulance service increasing its bill will not cause an increase its Medicare reimbursement. However, decreases in ambulance service bills can cause a decrease in Medicare reimbursement.

Under Medicare regulations, providers must bill beneficiaries for co-payments; however, the degree to which a provider chooses to pursue payment is left to the discretion of the provider. In other words, providers cannot simply dismiss the co-payment portion of a bill, but they do not have to be aggressive about collecting it. If a provider routinely waives the co-payment portion of a bill, Medicare will begin to reimburse as if its previous reimbursement amount was the bill (i.e., Medicare will begin to reimburse only 80 percent of what it has been reimbursing). Further, Medicare could request that the provider refund a portion of the “overpayment.” Therefore, it behooves a provider to ensure that it bills the co-payment portion of an ambulance bill.

Medicare permits ambulance services not to bill subscription plan members for the co-payment; however, the subscription plan membership fee must be actuarially sound (meaning that the total annual membership fees exceed the good-faith estimate of the co-payments that



are not billed). Medicare views membership fees that are insufficiently low to cover co-payments (i.e., “programs [that] are not based on actuarial risk, but instead are a sham used to disguise the routine waiver of co-payments and deductibles”)<sup>1</sup> as illegal.

While most communities have elderly residents and, therefore, Medicare users, the number of Medicaid recipients in a community is largely dependent on the income demographics of that community, so the impact of Medicare reimbursement policies will be greater on services in poorer communities and less in richer communities. Medicaid reimbursement is a state function, but the federal government matches state Medicaid funds on a sliding scale.

Unlike Medicare, federal rules governing Medicaid matching grants stipulate that states cannot require co-payments or deductibles from Medicaid beneficiaries. In other words, whereas Medicare reimbursements constitute only part of the revenue for a given patient bill, Medicaid reimbursements are the entire reimbursement. Reimbursement for Medicaid patients is typically even lower than for Medicare.

*Special Note: The Health Care Finance Administration’s negotiated rule making process taking place during the development of this manual may affect the information contained within this section. Departments should consult their legal and financial advisors, and keep abreast of the Health Care Finance Administration’s actions to determine how it will impact the agency.*

<sup>1</sup> Editor. “Six Cities Sued for EMS Medicare Fraud,” *EMS Insider*, May 1999, Vol. 26, No. 5, p. 3.



department may, under Arkansas law, place a lien against a property for failure to pay, but this has never been necessary.

The subscription fee program consists of two types of payments, an initial fee set at \$100, which covers entry into the Fire Association and the first year's dues, and an annual fee set at \$25 a year, to maintain membership. Businesses or families may enter the Association at any time, and membership renewals are due the first of January each year. The Tontitown Area Fire Department

**Contact:**

Tontitown Area Fire Dept.  
PO Box 42  
Tontitown, Arkansas 72770  
(501) 530-2776  
FAX (501) 751-4510

estimates that approximately 60% of the citizens in their jurisdiction are members of the subscription program. The annual subscription fees raise more than \$20,000 for

the department, allowing the operation of seven pieces of apparatus from two stations. (Tontitown also raises additional funds through an annual carnival and state grants.)

The Masonville Fire Department in Kentucky is another volunteer department that has successfully used subscription fees. They provide protection for 2,900 homes. Masonville's budget is approximately \$40,000 a year, most of which is supplied through subscriptions, with additional funds from Kentucky state grant programs. These funds allow Masonville's volunteers to provide service from two stations.

Masonville charges \$25 a year per household, \$50 a year per commercial property (including schools and churches) and \$150 for industrial property. Over 56 percent of the eligible property owners subscribe to Masonville's service. For those citizens that choose not to subscribe, service is provided for a fee. Non-subscribing residential property owners are charged \$300 for the first two hours of service, \$95 for each additional hour, and \$2 per mile traveled. Non-subscribing industrial property owners are charged \$500 for the first two hours of operations.

**Contact:**

Masonville Fire Department  
7050 U.S. 231  
Utica, Kentucky 42376  
(502) 729-4068

In the past, subscription programs for fire protection created controversy when they refused to extinguish fires in non-subscribing households. Some people may still think that if they do not subscribe to their fire department, they will not receive service, rather than be charged a fee. Communities considering subscription programs need to inform their public about the planned rules, and reduce the misconceptions.

**EMS Subscription Programs**

In a growing number of jurisdictions, EMS subscription fees are being used as an alternative to directly charging users of emergency medical transport services. There are two basic types of subscriptions. The first is a flat yearly fee per household, which covers all charges for any EMS service provided. In the second variation, a



small annual fee covers all expenses not paid by medical insurance. The user signs up for the program and authorizes the department to file reimbursement claims directly with the user’s health insurer when services are provided. Most insurance plans do not cover the full cost of transport, and the jurisdiction may choose to write off the uncovered portion of the fee; i.e., the jurisdiction does not try to collect the remaining balance from the user. If not a subscriber, the user is charged the full transport fee and is directly responsible for paying it.

EMS subscription plans are in place in a number of communities across the United States. Oregon has a number of jurisdictions using subscription programs. The cities of Eugene and Springfield, Oregon, offer an EMS subscription program. For \$39 a year, a household can avoid paying for ambulance service on a fee-for-service basis. Eugene and Springfield’s base charge for ALS ser-

vice is \$550. Table 2.5 compares household subscription and fee-for-service charges for six of the Oregon communities offering EMS subscription plans.

It is difficult to anticipate how many people will actually subscribe to an EMS subscription program, but the experience of subscription-based EMS systems is that approximately 15% of the households can be expected to participate. Clearly, any move to a subscription-based program should be preceded by a thorough market analysis to project a subscription rate.

The overhead costs of a subscription program and the potential loss of patient revenues to subscribers who use the service will slightly reduce patient revenue for departments using a straight fee-for-service plan. Current estimates by departments using subscription programs is that subscribers use EMS at a rate about double that of

**Table 2.5 Comparison of Household Subscription Fees and EMS Base Charges in Oregon**

COMMUNITY	SUBSCRIPTION FEE	ALS BASE CHARGE	BLS BASE CHARGE
Albany	\$45 in district/\$60 out	\$500	\$400
Baker	\$39	\$400	\$300
Corvallis	\$50	\$500	\$500
Bend	\$40	\$515	\$475
Burns	\$40	\$270	\$170
Eugene/Springfield	\$39	\$550	N/A



non-subscribers. However, because subscribers constitute a small portion of the base population, subscriber usage is usually offset by that of non-subscribers.

Table 2.6 is based on a model created by Dennis Murphy of the Springfield Fire and Life Safety Department in Springfield, Oregon. It illustrates the various revenues that could be generated under an EMS subscription plan, assuming that 10 percent of the households in an imaginary service area joined the subscription plan. Departments can substitute their actual figures into this model to help predict whether an ambulance subscription pro-

gram will be economically viable.

As was noted earlier in discussing direct charges for EMS services, it is important to get legal advice when setting up a subscription program so that requirements of Medicare and Medicaid are met by the approach taken. Departments must also consider the administrative time and requirements that will be necessary upon implementation of a subscription program.

**Table 2.6 Subscription Program Revenue Calculations (Assuming a 10% Subscription Rate)**

	Non-Subscribers	Subscribers*
<i>General Information</i>		
Population	44,786	4,976
Households	14,447	1,605
Fee Per Household	\$0	\$50
Subscription Fees Generated	\$0	\$80,250
Patients Transported	1,791	398
Utilization Rate	4%	8%
Average Billing Per Patient	\$560	\$560
Average Insurance Per Patient	\$414	\$414
Average Collected Per Patient	\$480	\$414
<b>Total</b>	<b>\$859,680</b>	<b>\$164,772</b>
<i>Revenue Comparison Per 1,000 Persons</i>		
Population	1,000	1,000
Utilization Rate	4%	8%
Patients Transported	40	80
Collection Per Patient	\$480	\$414
Patient Collection Revenue	\$19,200	\$33,120
Number of Households	323	323
Fee Per Household	\$0	\$40
Membership Fee Revenue	\$0	\$12,920
<b>Total Revenue</b>	<b>\$19,200</b>	<b>\$46,040</b>
<i>* Assumes 10% Subscription Rate</i>		



## DEVELOPMENT IMPACT FEES

Significant amounts of money can be raised through “impact fees” or “development impact fees” in which developers are charged a fee for each new structure or development they build to help pay for the fire and EMS capital resources to serve their area. Development impact fees are most pertinent to communities that are growing or where redevelopment creates a need for new fire stations, apparatus, or other resources. The main advantage of these fees is that the private sector pays for much of the new stations, apparatus, and land. The main disadvantage is that the department is encumbered to staff and operate the new stations indefinitely, and must not start up more stations than it can afford to staff for the long run.

The Orange County, Florida, Fire and Rescue Division, for one, has made excellent use of this approach. In Orange County, originally the impact development fees were collected by battalion area, and had to be spent within that battalion area by local law. In 1998, an ordinance change combined the separate areas into one countywide benefit district. Fees can be expanded to meet the total needs of the system. The expenditure of the funds must be a direct result of the consequences of growth that places demands on or overburdens the existing system or service. With these fees, an air and light truck was purchased, with its associated equipment, and another unit for tunneling and shoring in technical rescue operations is planned. Equipment for EMS can also be purchased with the impact fees. Only first-time purchases of equipment are allowed; replacements of breathing apparatus, protective outfits, and refurbishment of equipment previously

purchased under development impact fees is not permitted, by interpretation of the Orange County Commission.

In locations where new areas are being incorporated, and fire protection boundaries shifting, care must be taken that stations approved by one department through impact fees are not soon “dropped” on another community to staff indefinitely. Regional planning and cooperation can help avert problems.

## FINES AND CITATIONS

As discussed earlier, some communities charge fees for negligent fires or for re-inspections associated with failure to comply with codes. But in some places the punitive nature of these charges is more directly advertised by calling them fines and citations.

### Citations

Most fire departments are ready to help people correct code violations and prefer to achieve compliance through a cooperative effort rather than through legal or financial means. However, some departments have stimulated a decriminalization of some fire code violations to allow fire inspectors to cite violators with the equivalent of a traffic ticket without having to prosecute them in court. The citations are also used to raise revenues (as are tickets).

### Contact:

Orange County Fire and Rescue Division  
4700 Lake Underhill Road  
Orlando, FL 32807  
(407) 836-9000  
FAX (407) 836-9106



The ability to issue citations provides inspectors with another tool to encourage violators to comply. It can be more effective and less time consuming to issue a “ticket” than to go through all the steps needed to bring someone to court, and they may not be punished in the end. Effort should be made to achieve compliance without using this authority, but in situations where departments are unable to get the code violations resolved through cooperative efforts, fines might be levied. To implement this alternative, a department has to determine what codes are appropriate for decriminalization, establish an appeal process, and establish a method for enforcing the collection of the fines.

While local law drives some jurisdictions to decriminalize code violations and use citations, other jurisdictions go the opposite way and select code violations to be criminalized to achieve the same end. One needs to understand local and state law to decide whether criminal or civil law works best for these purposes in a particular community.

The San Francisco Fire Department started a citation program in the early 1990s. City ordinances were changed so that fire code violations became a criminal offense, either an infraction or a misdemeanor. All fire operations officers at the rank of captain and above, all code inspectors, and all fire investigators were given the authority to issue citations similar to traffic tickets for fire code violations. After initial warnings, citations are issued, with fines typically starting at \$100. The fines double for a second offense, and the fine for a third or greater offense within one year is \$500. None of these fines may be suspended. If convicted of misdemeanor, a

fine of no less than \$500 and no greater than \$1,000 may be imposed, imprisonment in county jail for 6 months, or both a fine and im-

prisonment. San Francisco businesses are said to have greatly increased their compliance with fire codes since this program was started. The fire department has an easier time in pursuing repeat offenders through the criminal courts system than through the civil courts.

In San Francisco, fire code violation revenues go directly into the City general fund, but the fire department has been successful in recovering some of the costs of the fire inspection division through this program.

### **Court Fines for Code Violation**

In some cases judges have directed that a portion of fines paid for fire code violations be returned to the fire department to support code enforcement. However, few code violations ever get carried as far as court, and court fines have not been a lucrative source of funding.

### **Penalties for Nuisance Alarms**

For many fire departments, nuisance alarms represent a large number of responses. These include malicious false alarms and alarms that come from automatic fire alarm systems, often as a result of inadequate maintenance, design, or operation.

### **Contact:**

San Francisco Fire Department  
698 2nd Street  
San Francisco, CA 94107  
(415) 558-3400



Most new commercial buildings and an increasing number of residences have automated fire detection systems that can trigger unnecessary automatic responses by the fire department, particularly when the alarm systems are not properly installed or maintained. Repeat offenders — particular homes, businesses, or buildings — make up a large number of false alarms. Each false alarm response creates some danger for the public and the firefighters. Valuable resources are used unnecessarily, and the units are not available for actual fires or other calls.

Several cities have instituted false alarm charges to encourage better maintenance of systems, to place greater responsibility on the building or business owner for unnecessary or inappropriate actions triggering alarms, and to recoup some of the costs of responding to these types of alarms.

In Bellevue, Washington, only one “preventable” fire alarm is allowed from an alarm system during a calendar year. If a second preventable alarm occurs, the city charges a \$50 fee. For any subsequent alarms, a \$75 fee is charged. “Preventable alarms” include activations caused by improper installation or maintenance; erroneous transmissions;

work on alarm systems when reasonable steps were not taken to prevent reporting of an alarm; fire drills or tests of alarms; work such as

painting or welding; and smoke or fumes from closed fireplace dampers, cooking, or smoking of tobacco products. When a false alarm occurs, the responsible party must submit a written report within thirty days to the fire chief stating the reasons for the alarm and the corrective action taken to prevent a recurrence. Bellevue also has an appeals process.

The City of Boston Fire Department was faced with false alarms that placed a burden upon their operations. A city ordinance was enacted in 1988 enabling the fire department to charge fees for false alarms on a sliding scale. In just three years, the number of false alarms dropped from over 9,000 per year to 5,000 per year, a decrease of 44 percent. In 1997 there was an additional 10% reduction in false alarms. While intended to reduce alarms, not create a new revenue source, the City nevertheless brought in over \$280,000 out of \$400,000 in fines billed under this pro-

gram. Some businesses failed to pay the fines levied against them, so the city amended its false alarm ordinance to allow a lien to be placed against any property until the fines are paid. While some properties are exempt, such as those owned by city, state, and federal government and financially insolvent properties, the city has for the most part achieved its objectives.

Small departments can benefit from false alarm

**Contact:**

Fire Marshal  
Bellevue Fire Department  
766 Bellevue Way SE  
Bellevue, Washington 98009  
(425) 452-6874  
FAX (425) 5287

**Contact:**

Fire Investigation Unit  
Boston Fire Department  
920 Massachusetts Avenue  
Boston, Massachusetts 02118  
(617) 343-3324  
(617) 343-2206 FAX



fees as well. Not only do these fees increase revenues for departments, but may result in a reduction in false alarms.

### **Seat Belt Fines**

The state of Alaska adopted legislation to assist in enforcing seat belt use as well as to create revenue for emergency medical service departments in the state. The legislation states that if a person is guilty of an infraction concerning seat belt usage, they may be fined up to \$15. The courts have the ability to waive this fee if the person convicted donates \$15 to the emergency medical services entity providing services in the area in which the violation occurred. This program generates a small amount of supplemental funding for the EMS agencies in the state.

### **COST SHARING**

One of the most sensible ways to raise funds is to share costs for facilities and services with nearby jurisdictions. This often looks good to the citizens and fosters intergovernment cooperation. It can but does not have to be a step toward consolidation of services. The downside is that control of the resources must be shared as well as the costs.

Sometimes shared resources are purchased and owned by one entity with the other paying some pro rata share of operating costs. Sometimes each entity shares ownership and costs and sometimes no money changes hands; each entity contributes staff or material resources.

Collaborating with other fire departments can leverage funds to produce a program or allow joint use of

equipment or facilities that would otherwise not be possible. Training facilities, heavy rescue equipment, ladder trucks, and communications systems often are purchased jointly. Some neighboring departments have shared the costs of building stations that serve areas of both jurisdictions. Other areas where shared resources have successfully been used are inspection services, dispatch and communications, and special emergency response teams such as hazardous materials or water rescue.

Some groups of fire departments produce public education programs together. The prevention program with its specialized props and visual aids then rotates among the participating departments. Fire safety houses mounted on trailers and home sprinkler demonstration trailers are two examples of prevention resources often purchased through cost-sharing.

In many areas across the country, groups of fire departments jointly have employed specialized personnel, such as a fire protection engineer, for plans review and haz mat planning, that none of the agencies could afford alone.

The Pinellas County, Florida, Fire Chiefs Association stood behind the efforts of the county fire marshals and safety educators to unify all 24 county fire departments into a Save Cans for Safe Kids program. The cooperative efforts of the departments allowed the program to raise over \$11,000 a year from recycled aluminum cans. The group arranged with a local recycling company that both provided bins for collecting cans as well as paid 5¢ over the market price per can collected. Hotels and companies allowed the bins to be placed at their



locations. Money raised through this program was used to fund many county-wide fire prevention and education programs for children, including a video library, public safety advertisements, a mobile fire safety house, and a public fire safety education curriculum for children in kindergarten through fifth grade. Other funds were contributed to a drowning prevention coalition and to the American Burn Survival Foundation.

In Kalamazoo, Michigan, the city fire department had the staffing to put on a fire prevention program but lacked funds for resources. Other area departments lacked

staffing but were able to provide some funding. The result was a multi-jurisdictional plan, started in 1986, to develop a thorough fire prevention and education program. Resources

were combined into the Kalamazoo Area Fire Marshal's Office, where five Fire Marshals were employed by the four largest area municipalities. Most prevention programs developed by the office were then funded through private and corporate donations, enabling an expansion of the fire prevention program.

Cost sharing may involve consortia extending beyond local jurisdictions. The Tidewater area of Virginia benefits from a regional technical rescue team established over a decade ago. The team resulted from the

cooperative efforts of several jurisdictions which grouped together and agreed to provide personnel, benefits, and compensation for the Team. The participating jurisdictions included the Virginia cities of Virginia Beach, Portsmouth, Chesapeake, Norfolk, and Franklin, and two military bases, the Little Creek Amphibious Base and the Norfolk Naval Air Station.

The Tidewater Technical Rescue Team had to raise money on its own for start-up costs, but within a year and a half had raised over \$200,000 from private donations for equipment and vehicles. Additional money was raised by training construction workers and utility companies in confined space operations and tactical operations such as rope rigging and shoring techniques. These contractors were targeted because of the likelihood that they would be the end users of the Technical Rescue Team's services; the training not only raised some revenues but also helps to prevent incidents in the future.

**Contact:**

Kalamazoo Department of Public Safety  
216 W. Lovell  
Kalamazoo, Michigan 49007  
(616) 337-8285  
FAX (616) 337-8269

**Contact:**

Tidewater Technical Rescue Team  
City of Virginia Beach Fire Department  
Municipal Center Public Safety Building  
Virginia Beach, Virginia 23456  
(804) 427-4228

**STRATEGIC ALLIANCES**

While some local governments join together to make capital purchases or share operating costs, others achieve something similar by forming strategic alliances to provide services to surrounding jurisdictions. This can help relieve budget problems in both the jurisdiction providing the service and those receiving the service. It also



can provide benefits in the form of increased levels of service through economies of scale, and by having more equipment and personnel available to serve either's needs.

Forming strategic alliances may be used for providing routine fire or EMS operations, or just for special services such as ALS or haz mat responses.

It is important to check into state regulations concerning intergovernmental operations when considering these types of arrangements. Also, care must be taken if previous mutual aid agreements exist; they may need to be revisited to see how the services may be affected.

Strategic alliances most often involve a smaller municipality that aligns with a larger neighbor to provide service that they would not be able to afford alone. A small suburb, for example, may not be able to afford to equip and staff its own paid independent fire department, but may be able to pay a bordering city or county to provide fire protection service for them. The Springfield, Oregon Fire and Life Safety Department maintains an alliance with its surrounding jurisdictions to provide fire services. Over a ten year period, as outlying suburban development grew, Springfield's annual contract income increased from \$369,000 to \$751,000.

It is also common for only a particular service or function to be contracted out in a strategic alliance. Some jurisdictions "sell" time at their training center or charge for training the area's firefighters. Some provide haz mat services under contract or per call. Some provide plans review. The Sacramento, California Fire Department contracts with nearby districts to provide various types of

firefighter training through the American River Community College. The Department also contracts with Sacramento County to provide hazardous materials teams for incidents in the entire county.

Issaquah, Washington does vehicle maintenance for others under contract with their repair shop, and receives grants for providing dispatching for other agencies.

In most jurisdictions the water department or its equivalent maintains the water hydrants in town. Sometimes the fire department participates in the maintenance. The new possibility is for fire departments to take over most or all of the hydrant maintenance, and charge the water department for taking over this service. Often the fire department can do it for lower cost because of the use of slack time, at low incremental cost. Knoxville, Tennessee has done this, and receives \$1.2 million a year for the service, instead of that staying with the water department.

## **CONSOLIDATION**

The consolidation of several departments into a single entity may provide one of the most efficient and cost effective means of providing fire and emergency medical services. Savings are usually brought about through the elimination of duplicate functions such as management, fire prevention and inspection, training, and communications. Consolidation may be thought of as the ultimate version of cost sharing, on a larger, more permanent scale. The topic is far more complex than can be discussed here, but it is one of the most important ways



to obtain adequate resources in the face of budget pressures, and is therefore included.

Departments may elect to consolidate only part of their operations. A consolidated 911 dispatch center, for example, can provide cost savings to all participating jurisdictions, and additional tangible assets such as improved communications, better dispatch, and better fireground communications. Stockton, California, operates a consolidated dispatch system which allows for more efficient and effective dispatching services because of the combined resources available. The cost for each community involved is much less than if they had their own separate system, and the capability of the dispatchers is greatly enhanced. Additionally, consolidated systems may be more suited to large emergency operations and disasters, because of their access to the combined resources of the entire system.

More and more areas are consolidating departments or merging fire districts. Prevention or inspection offices combine their efforts and avoid duplicating tasks. Better insurance ratings may be achieved through increasing protection available from the consolidated resources. Citizens may pay less per capita for consolidated services or may get higher levels of service for the same cost. Sometimes the cost per capita and the level of service increase for some parties to a consolidation.

One of the largest obstacles to fire service consolidation is the power struggle that often occurs between the organizations involved. Many chiefs and ranking officers have spent their careers attaining their positions, and are, understandably, reluctant to give up any control

over any aspect of their operations. They also may fear the changes that would be necessary under consolidation. Political bodies and citizens often fear loss of operating control in getting locked into a level of service and the corresponding expenditures for a long time.

In the United Kingdom, over 1,000 fire brigades pre-World War II were consolidated into 63 today. They have been called one of the best organized fire service models in the world. Tualatin Valley Fire and Rescue, Oregon, Orange County, Florida, and West Palm Beach County, Florida, are three (of many) areas where major consolidations have taken place successfully. The trend toward consolidation seems to be accelerating in the United States.<sup>4</sup>

Not all consolidations work. In some cases, “deconsolidation” or separation may be preferable. For the past few decades, the conventional wisdom has held that consolidation of fire service yields savings through economies of scale. Joint purchasing, joint powers authorities, co-location of fire companies, co-development of facilities, mergers, county-wide and metropolitan fire departments are all products of this sort of “bigger is better” approach to cost control. Some recent signs suggest that some local officials are discovering that “smaller” has its advantages in some cases.

Key Biscayne, Florida, found that it contributed approximately \$3.5 million annually to its county fire district fund. In return, the county spent about \$1.5 million to maintain a fire station on the key with one engine company, an EMS unit, and a reserve engine company staffed by volunteers. In the event of a working fire or



other incident requiring additional companies, the next unit responded from 13 miles away and had to pass through either Miami or Coral Gables or both. Key Biscayne withdrew from the county fire district and started forming a new fire department from the ground up. Local officials estimate that an annual operating budget of between \$2 million and \$2.5 million will be required to provide fire protection and EMS services. This will represent a savings of 14 to 33 percent over the old arrangement. Local officials also believed that fire service will improve with new automatic response agreements with the cities of Miami and Coral Gables.

Careful analysis is needed of all financial, governance, and personnel factors as well as the resulting levels of service in consolidating or separating fire departments. The long term—at least 10 years out—needs to be analyzed, because it often takes 7-10 years for the ripples caused by such moves to die down, and these arrangements are not intended to be temporary.

**SALES OF ASSETS AND SERVICES**

In addition to contracting out services to other departments as discussed above, some communities sell assets, non-emergency services, and some unusual things.

**Sales of Used Equipment**

Some fire and EMS units have raised revenues by selling used equipment and apparatus either to other agencies or to collectors. A New England department was selling its old pumper as a collector’s item, for \$20,000.

The City of New York Fire Department sends most of its retired engines, ladders, and towers to the auction block of New York City Surplus, a city agency responsible

for the sale of surplus equipment. Police cars, ambulances, public works vehicles and sundry other items line up alongside retired FDNY pumpers awaiting purchase by new owners. Retired FDNY equipment is purchased by manufacturers, fire buffs, and small fire departments that can’t afford new apparatus. New York City Surplus typically raises over several million dollars a year from the sale of surplus property. This money is returned to the city’s general fund.

**Sales of Services**

In addition to contracted services, and “selling” training to other fire departments and the public, as discussed above, some departments sell other services available from their staff.

Many fire departments are expert in teaching their employees or volunteers how to drive a truck. This driver training can be sold as a service to industry. For example, the Sugar Land, Texas, Fire Department trains the drivers for a major petroleum industry unit and other industry located nearby. They also charge industry for training on the use of extinguishers.

**Contact:**  
New York City Surplus  
250 Livingston Street  
Brooklyn, New York 11201  
(212) 669-8548  
FAX (212) 669-2682



Many fire and EMS departments have become efficient at billing for EMS and other fire rescue services within their own jurisdictions. Some departments have specialized billing departments and personnel who manage the billing and collection process for the agency. Some of these departments have used this expertise to not only assist other agencies, but also to raise revenue for their own agency.

The Carson City, Nevada, Fire Department began doing ambulance transport in the early 1980's. Soon after, Carson City Fire Department developed billing processes for receiving revenue from their EMS services. In order to share the costs of billing, Carson City Fire Department coordinated their resources with neighboring jurisdictions and formed the Northwest Ambulance Billing Cooperative. The agencies in the cooperative share the expenses of billing, and costs for the services are based on the percentage of emergency calls responded to. The Northwest Amnbulance Biling Cooperative was so successful that other agencies have recruited the organization to do their billing. This win-win situation allows small departments with little billing resources to get much needed EMS billing revenue, and it creates an alternative funding source for the agencies providing the billing services.

### **Sale of Delinquent Tax Certificates**

Chautauqua County, N.Y., has developed a unique and promising means of increasing cash revenues for its 42 fire departments (39 volunteer, 2 combination, 1 career). Chautauqua raised over \$6.5 million from the sale

of delinquent tax certificates that had been issued on properties that owe back taxes. All delinquent properties were pooled together, and shares sold to investors. This allowed the county to bring in cash from the investors, who in turn received a taxable security that would draw about 5.6 percent interest over two years. The owners of the property remain in debt to the county and are still accountable for back taxes, interest, and penalties. The county reserves the right to foreclose on the property after three years should the debt go unpaid.

This program was initiated in January of 1993, and has been done each year since. In addition to the \$1.5 million for the fire and rescue service, this program has funded an economic development and a tax stabilization fund.

The sale of the tax certificates was made to private investors through a New York City bank that acted as a trustee for the funds. The sale of shares brought in an immediate \$4.5 million in cash to Chautauqua County; another \$2 million will become available in two years. Investors are actually investing in the interest and penalties on the delinquent tax payments, not on the property. The investors, therefore, cannot foreclose on the property or collect the back taxes by other means. The property still belongs to the property owner and the

### **Contact:**

Finance Director or County Executive  
Chautauqua County  
Gerace Office Building  
Mayville, New York 14757  
(716) 753-4223



county is still responsible for collecting the taxes.

The influx of cash has enabled the county to fund a improvements for its fire and rescue system, including over \$500,000 for the County Fire Coordinator's Headquarters Office, which normally operates on an \$80,000 budget. Funds raised through the sale of the tax certificates also have been used to establish a \$300,000 revolving low interest loan fund which will allow departments to borrow \$2,500 - 5,000 at 2-3 percent interest for turn-out gear, SCBA upgrades, hepatitis vaccinations, and apparatus refurbishment.

### **Facility Rental**

Many fire departments have meeting space that can be rented out for private functions. Some departments intentionally design new fire houses to include space that is not only useful to the department but also serves as a community facility. Departments can rent out a dining hall or large room for dances, parties, exercise classes, weddings, and other gatherings. Some of these organizations even provide the catering upon request.

Of course, many meeting rooms and firehouse spaces are made available to the public free of charge, especially for public purposes. A widespread example is the use of firehouses for political meetings and elections. As with other charges for previously free services, one must weigh the potential public indignation in charging for services or space against the funds raised. There will be less of an issue, and perhaps positive public reaction, from charging for clearly private affairs.

## **OTHER APPROACHES**

Several other alternative sources of funding and other related approaches to reducing costs did not readily fit under the above headings.

### **Phone Surcharges for 911**

Phone surcharges are used in several areas to help raise revenues for 911 systems. These revenues may be directed into a special fund used solely for establishing 911 systems, or they may be used to reimburse local agencies for the costs incurred in operating 911 dispatching.

In the State of New York, phone users pay a 35¢ surcharge on their monthly bills for emergency 911 service. Each county receives the surcharges from all of the phone lines in its district. Counties with high populations receive large amounts of money for 911, but counties with small populations may not receive enough funds to start their own program.

Palm Beach County, Florida, assesses a 50¢ surcharge on all telephone lines to help maintain the County's enhanced 911 system. Each location in the county that receives and dispatches 911 calls may request budget reimbursement for costs related to operating the system. The department used these funds to purchase audio tape for recording emergency calls, headsets for dispatchers, and maintenance contracts for equipment. Part of the money may be used to pay dispatcher's salaries.



## Leasing

Leasing is a common financing strategy for businesses to use in obtaining vehicles. It is much less used by the public sector, especially fire departments, because most fire vehicles are custom-ordered, and may be difficult to resell to another department if only leased for a few years. There is not the equivalent of fleet purchasers who lease cars to others, nor can the leasing fee be set high enough to pay for enough of the vehicle in just a few years of leasing, as is the case for automobiles and small trucks.

Leasing in a way is like borrowing in that the cost of using the vehicle is spread over many years instead of requiring a large initial capital outlay.

In recent years there are some principal leasing corporations that have been willing to help fire departments lease vehicles. The municipal leasing corporations main business has been with other types of vehicles, from cars to sanitation trucks, but they have been soliciting business from fire departments and ambulance companies.

A variation on leasing is “tax-exempt, lease-purchase financing.” It offers the following benefits:

- Requires no down payment
- Tax-exempt interest rate
- Allows you to pay for assets over time.
- You build equity in the leased equipment with the first payment.
- At the end of the lease term, you own the equip-

ment outright.

- Flexible payment terms, tailored to your needs.
- Eliminates the paperwork and voter approval required under “debt financings.”<sup>5</sup>

There is, of course, a total cost that is substantially higher than buying the equipment outright. The terms of leasing need to be compared to purchasing outright, or the use of bonds or COPs to raise funds.

## Seized Assets

Another source of funds, equipment, and vehicles accessed by a growing number of fire departments are the assets seized during drug raids. Where the fire department can demonstrate that illegal drug activity has increased the demand for its services, such as through records of drug-related fires and EMS records of drug overdoses, or that the fire or EMS forces have participated in drug-related incidents (extinguishing drug-related fires, hazmat response to drug labs, searching for bodies underwater, acting as combat paramedics, and treating victims of raids), they may be able to share in the money and equipment seized by law enforcement in drug-related arrests and raids. The money may have to be used for the purchase of specialized equipment for assistance in drug-related incidents, but can include cars, ambulances, radios, video equipment, computers, boats, and trucks. The equipment does not have to be used solely for drug-related incidents so long as it is available and needed for these incidents.

A second, indirect way to benefit from drug-related seizures is to obtain vehicles or other equipment



from police or other agencies that seize equipment in drug raids. Their seizure of equipment may enable them to release older fleet vehicles, real estate, and other equipment to the fire department. The Pawtucket, Rhode Island Fire Department obtained a surplus car from its police department in this manner

### Endnotes

- <sup>1</sup> “Legislation Increases Fire Department Funding,” *Fire Chief*, p. 46, January 1991.
- <sup>2</sup> “Berkeley’s Fee Inspection Program,” *American Fire Journal*, September 1985.
- <sup>3</sup> Authority for this type of cost recovery comes from the following legal citations in California Code: 1203.11 PC and 53150-53155 GC.
- <sup>4</sup> Floyd Pittard and Stephanie Thompson, “Spotting a Trend: Fire Department Consolidation,” *American City & County*, April 1992.
- <sup>5</sup> Adapted from GE Capital Public Finance Inc. brochure, 1993.

