

**Budget & Finance Committee**  
Thursday, May 4, 2017– 5:30 p.m.  
1<sup>st</sup> Fl. Council Committee Room – City Hall  
**-Minutes-**

**Present:** Chair, Councilor Scott Memhard; Vice Chair, Councilor Joseph Orlando, Jr.; Councilor Ciolino  
**Absent:** None.

**Also Present:** Amit Chhayani; Fire Chief Eric Smith; EMS Coordinator, Firefighter/Paramedic Sander Schultz; Mike Hale; Chris Sicuranza

**The meeting convened at 5:31 p.m. Matters were taken out of order.**

**1. *Special Budgetary Transfer Requests 2017-SBT-21 & -22 from Fire Department***

**Fire Chief Eric Smith** advised that in order to continue to keep all of the city's fire stations opened it requires two further transfers. Funds are coming from two accounts – the first is from, Rental-Buildings. He explained the reason funds are available from this account is that the department had planned to rent a building for the their mechanic so that he no longer had to work on the fire trucks and ambulances on the street, but that is now cut from the upcoming budget so they won't be moving forward with that plan. There is an \$8,000 surplus in the In-Service Training OM and that will be transferred also to the department's overtime account which is used exclusively for staffing the stations. He explained that this is the way they will be able to maintain opening all city fire stations.

**Councilor Memhard** asked how long the \$19,000 will positively affect station openings. **Chief Smith** said depending on what rank the staffing deficit is and what that paygrade is varies greatly as to how long that funding will last as the department must fill any openings with staff of the same rank. He suggested this amounts to about \$1,000 per day – that is 36 day and night shifts or 18 days for one staff member. He noted that the account the transferred funds go into is used exclusively for keeping the stations open and makes it very clear where that money is used giving the department the ability to track trends accurately.

Responding to inquiries from **Councilor Memhard**, **Chief Smith** explained that no money outside of the department's budget has been used to keep stations open. Holdovers, for instance, are paid out of a separate account, he advised. For \$250,000 a year in overtime to keep all shifts at the 18 manning minimum the city has no closed stations which is a small amount given the overall department budget. He described the issues surrounding hiring new firefighters and the time it takes to get a firefighter into active service and issues with retirement payouts.

**COMMITTEE RECOMMENDATION:** On motion by Councilor Orlando, seconded by Councilor Ciolino, the Budget & Finance Committee voted 3 in favor, 0 opposed to recommend that the City Council approve Special Budgetary Transfer 2017-SBT-21 in the amount of \$10,000 from Account #0122052-527001, Fire Department, Rental-Buildings, to Account 0122051-513000, Fire Department, Overtime, for the purpose of funding the continuous operation of fire stations in the City of Gloucester.

**COMMITTEE RECOMMENDATION:** On motion by Councilor Orlando, seconded by Councilor Ciolino, the Budget & Finance Committee voted 3 in favor, 0 opposed to recommend that the City Council approve Special Budgetary Transfer 2017-SBT-22 in the amount of \$8,000 from Account #0122052-530025, Fire Department, In-Service Training OM, to Account 0122051-513000, Fire Department, Overtime, for the purpose of funding the continuous operation of fire stations in the City of Gloucester.

**2. *Supplemental Appropriation-Budgetary Requests 2017-SA-35 & -36 from Public Works Department***

**Mike Hale**, Public Works Director conveyed that the first supplemental appropriations is from the Water Enterprise Fund Special Purposes account to which meter sales and permit revenues are deposited to be moved into the Fund's Water Meters and Parts account to underwrite a water meter replacement program. The \$100,000 appropriation will fund water meter replacements for about 4% of the city's water meters but is a start, he said. Noting that there are meters taken off line on Washington Street where water work is currently underway affecting about 100 homes and the plan is to replace those residential water meters at the end of that project. Meters recording ability decline over time. Only about \$70,000 is budgeted annual for the replacement of all meter parts, which he described as radio frequency reads, the registers, and the copper meter piece.

**Councilor Memhard** asked if these meters include the electronic radio frequency reading. **Mr. Hale** explained the department will purchase a package of parts and described the details of the meter installations as well as how they now can drive through various city streets and pick up readings within a mile and a half of the truck with new meters.

**COMMITTEE RECOMMENDATION: On motion by Councilor Orlando, seconded by Councilor Ciolino, the Budget & Finance Committee voted 3 in favor, 0 opposed, to recommend that the City Council approve Supplemental Appropriation 2017-SA-35 in the amount of \$100,000 (One Hundred Thousand Dollars) from the Water Enterprise Fund, Fund Balance - Special Purposes, Account #6000-328000 to the Water Enterprise Fund, Water Meters & Parts, Account #600058-588501 for the purpose of funding a city-wide metering program.**

**Mr. Hale** explained that in the same fund they are looking to purchase two used dump trucks to shore up the DPW fleet, noting the department's last purchase of dump trucks (two) was six years ago. He reviewed that a new dump truck would cost about \$175,000 but that they came across a company, Penske, a truck rental company, that is offloading a fleet of freezer trucks that have had the boxes removed, their frames shortened and have had installed brand new dump assemblies onto them which are selling for around \$42,000 each. He advised that the DPW fleet mechanic has looked at the trucks, and said the vehicles are in sound condition and that he'll have the ability to service these trucks. He said the department had looked at leasing and leasing-to-own programs but determined the best financially responsible path was to purchase the used trucks for the DPW fleet. He noted the department is preparing for a surplus auction, in response to an inquiry by **Councilor Orlando**.

**COMMITTEE RECOMMENDATION: On motion by Councilor Orlando, seconded by Councilor Ciolino, the Budget & Finance Committee voted 3 in favor, 0 opposed, to recommend that the City Council approve Supplemental Appropriation 2017-SA-36 in the amount of \$100,000 (One Hundred Thousand Dollars) from the Water Enterprise Fund, Fund Balance - Special Purposes, Account #6000-328000 to the Water Enterprise Fund, Vehicles, Account #600058-585001 for the purpose of funding the purchase of two (2) used trucks.**

**3. Memorandum from EMS Coordinator re: updated Ambulance Billing Policies as part of the yearly process**

**Proposed rate increase:**

**Sander Schultz**, EMS Coordinator, Firefighter/Paramedic, reported to the Committee the following: The recommended increase for FY18 is considered small for the city's Ambulance Fee Schedule. He gave the example for an Advanced Life Support (ALS) II call would go from \$2,601 to \$2,611. Collections based on FY17 run volume number was \$1,188,988 and for FY18 revenue projection based on the existing fees and run volume would be \$1,191,812 which equates to about a \$3,000 to \$4,000 administrative rate increase per year. He said this keeps the ambulance service consistent with what the rates should be.

**Councilor Orlando** asked if most bills are paid by insurers private or through the state. **Mr. Schultz** said the vast majority of the ambulance service bills are paid by insurers and breaks down to about 70% paid through Medicare/Medicaid and 28% paid through private insurers. Private insurers typically pay a bill in its entirety, and he pointed out that the department doesn't engage contractually with private insurers as many private ambulance services do to take a reduced rate. Medicare/Medicaid (MassHealth) is the most dominant payer for Gloucester patients, he advised. MassHealth only pays about 25% to 30% of what the ambulance service bills which is legal regulation. He advised that the service's collections rate is good.

**Councilor Ciolino** asked how the city's ambulance rates compare to surrounding communities. **Mr. Schultz** said the rates are significantly higher than surrounding communities. He explained that when he first took over the Fire Department ambulance service, the rates were well below the Medicare minimum because rates hadn't been updated in some time. He explained that the standard benchmark for billing is the Medicare minimum, but that the real number to consider is what the revenue per run formula is, and revenue per run currently is about \$495 per run. Compared to ambulances public and private, he said that is where the run revenue number should be.

He advised that Rockport doesn't pursue ambulance billing currently; the city of Lynn is billing at about the same rate as Gloucester. He pointed out that the City of Beverly doesn't bill for ambulance services because that city's 911 ambulance response is served through a contract with a private ambulance service. He said because the service is a private entity he is unable to access their financial data. He conveyed that in the private sector ambulance companies engage in contracts with private insurers and take whatever that contract says for that

particular insurer's member which financially can be difficult for private ambulance services. **John Dunn**, CFO, former Beverly CFO, added that Beverly has farmed out its ambulance service for many years to the private sector. He advised it doesn't cost Beverly anything.

**Councilor Ciolino** asked what it costs the patient for transport by the city's ambulance service. He explained that the private service is billing at Medicare rates or whatever the private insurers are willing to pay. He suggested that if they're operating as a regional service they probably have an agreement. **Chief Smith** said from the patient perspective, the patient's insurance deductible is their deductible which is the patient's responsibility financially only. The patient's bottom line is what their coverage is, he noted. **Councilor Ciolino** asked what happens if the Council doesn't approve the increase. **Mr. Schultz** said the service would revert to the FY17 rates. **Councilor Ciolino** expressed his concern that the revenue per run was considered high.

**Councilor Orlando** explained that through his experience as a litigator he gets bills from ambulance services both public and private. The difference is the amount of services required to be provided by the municipalities versus private ambulance services, he explained -- the private company may provide half of the services, therefore half the bill at \$1,200 to \$1,300, whereas for a similar patient run response by a municipal service at \$1,400 to \$1,500. He said in the case of a municipal service you're not getting the same kind of personnel arriving at the scene as would be from a response by a private ambulance service. He suggested it isn't really a comparison apples and oranges. He explained there may be more paramedics responding to a 911 call through a municipal service than on a response by a private ambulance service. The services, the people to be compensated, and so is billed accordingly, he noted.

**Councilor Ciolino** reviewed briefly some of the costs broken out for city services in Mr. Schultz's memo to the Council with Mr. Schultz.

In response to **Councilor Memhard's** inquiry, **Mr. Schultz** said there are laws about public safety as to what the public sector ambulance services must provide when 911 is called -- they have a duty and legal responsibility as the primary ambulance service for the City of Gloucester to respond, assess, treat and transport with no exception, regardless of the patient's ability to pay. He advised that there are times in particular with Medicare, a public entity that can determine that when billed for services, Medicare can declare that the services are deemed medically necessary because the laws associated with billing Medicare aren't consistent with the laws associated with providing those services Medicare is billed for. He explained as to level of service provided, as a service provider, the department looks to response time, and resources expended in doing the cost/benefit analysis which is complicated.

**Councilor Ciolino** continued to express his concern that the ambulance service shouldn't be a revenue source. **Mr. Schultz** reminded the Committee about the Fire Department Ambulance Service Hardship Policy that any patient who falls two times the federal poverty level owes nothing for treatment and transport. He pointed out that anyone who has Medicare can't be balance billed, meaning once Medicare is paid that's all that can be reimbursed. Speaking to what is being charged up front, he observed that there is a large discrepancy of what is charged and what is reimbursed. His recommendation is to go with the small bump of 0.7% which is reflective of the Medicare rate increase this year. On behalf of the Fire Department's Ambulance Service he expressed his gratitude that they are able to provide their services regardless and will always be there to help when called. He said the billing aspect is about whether the Fire Department's Ambulance Service is able to assist the city in covering its expenses to a degree in order to continue to provide this essential public service.

**Councilor Orlando** said given that the difference in rates between FY17 and FY18 is negligible he expressed a preference to keep costs as low as possible and also expressed concern for the proposed rate increase. **Mr. Schultz** said the rate increase is about being consistent only.

**COMMITTEE RECOMMENDATION: On a motion by Councilor Orlando, seconded by Councilor Ciolino, the Budget & Finance Committee voted 2 in favor, 1 (Orlando) opposed, to approve the Gloucester Fire Department Billing and Collection Policy as presented by the EMS Coordinator and approved by the Mayor dated April 14, 2017 and further to approve the proposed fee schedule attached to and incorporated into the policy effective July 1, 2017.**

***Proposed Annual Write-off of Bad Debt:***

Referring to a memo through the Mayor's Report and an addendum to the Council's information on the Fire Department Ambulance Service's annual write off of bad debt (on file) Mr. Schultz explained he had received a recommendation from the Fire Department Ambulance Service's billing company on the service's annual write off of bad debt which came in at about \$98,000. He said it seemed low but didn't cause him concern. He recounted

that the City Auditor caught this and called the billing company and upon further investigation it was learned that there was an internal error on the part of the billing company who calculated the write-off of bad debt at 180 days rather than 365 days. The recalculation was done by the billing company which now shows approximately \$305,000 bad debt representing June 15, 2015 to June 14, 2016 and is in keeping with previous years' write-offs. The average of the current bad debt accounts is \$1,315 but range from \$47 to \$2,900. There are quite a few that are write offs of small amounts of debt that can't be collected, such as insurance deductibles.

**Councilor Orlando** said a year doesn't seem like a long time where some of these bad debts may be a result of litigation. **Councilor Memhard** asked that if they write the bad debt off now is that debt still potentially collectible. **Mr. Dunn** confirmed that it is and that this is just an accounting entry for the city's balance sheet. He said that the policy is that if the debt is longer than a year they write the debt off. He pointed out that it doesn't mean they won't make collections against the bad debt. He advised that it's difficult to find collections agencies willing to pursue bad debt as they don't find it a profitable venture. Much of the bad debt, he explained is due to people who can't be found, and the city will not institute liens against someone who can't possibly pay. If something is in process, with litigation involved, the Committee was assured that if a particular billing was part of the city's bad debt write off and a few months later someone pays the bill, the city can take the payment. The write off means the city's auditing can account for it as bad debt, **Mr. Dunn** said.

**Mr. Schultz** advised he'd be willing to workshop with the Committee to talk about ambulance rates for the coming fiscal year in advance of the FY18 presentation.

There was a brief discussion of controlled burns between **Chief Smith** and **Councilor Memhard**.

**COMMITTEE RECOMMENDATION: On a motion by Councilor Orlando, seconded by Councilor Ciolino, the Budget & Finance Committee voted 3 in favor, 0 opposed, to recommend that the City Council authorize the write-off of \$305,258.04 in uncollectible, outstanding ambulance billing.**

**4. *Memo from City Auditor regarding accounts having expenditures which exceed their authorization & Auditor's Report and other related business***

**Assistant City Auditor**, Amit Chhayani, briefly reviewed the City Auditor's report with the Committee (on file).

**A motion was made, seconded and voted unanimously to adjourn the meeting at 6:20 p.m.**

Respectfully submitted,  
*Dana C. Jorgensson*  
Clerk of Committees

**DOCUMENTS/ITEMS SUBMITTED AT MEETING: None.**