

COUNCIL AGENDA
NEW BUSINESS ITEM

TO: The Mayor and Members of City Council

DATE: February 10, 2009

COUNCIL

DATE: February 19, 2009

RE: Cost Recovery for Emergency Response Services

ACTION DESIRED:

Respectfully requesting City Council refer the aforementioned to the Public Services and Infrastructure Committee or the Budget, Finance and Taxation Committee for review and consideration.

RATIONALE:

Sometime ago, the idea was brought before City Council to seek reimbursement for emergency services from non-residents who cause vehicle accidents. This cost recovery effort has been implemented in a number of cities throughout the country, and with good results. I believe this is a viable option for the City of St. Petersburg and will help generate some additional revenue. Please see attachments.

Jim Kennedy
City Council Member

MEMORANDUM

TO: Councilmember James Kennedy
FROM: Mark A. Winn, Chief Assistant City Attorney
DATE: February 4, 2009
RE: Cost Recovery for Emergency Response Services

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There have been discussions in the past concerning the implementation of the necessary ordinances and procedures to recover the costs of providing emergency response services to non-residents who cause vehicle accidents within the City. Currently, the County already charges for responding to accidents which require the transport of persons via Sunstar to a hospital.

The proposal which was suggested would allow the City to charge non-residents, who cause vehicle accidents in the City which require an emergency response of police, fire or other emergency service, for the cost of providing those emergency response services. The proposed cost recovery program does not increase the cost of these services to the citizens of St. Petersburg; in fact, it is designed to reduce the overall cost to citizens for these services because the City would be reimbursed for these costs by the non-resident users of the services. Currently, the entire cost for emergency response services is funded by City residents, primarily through property taxes. The ability to recoup the cost of these services from non-residents who cause accidents and who don't pay taxes in the City would help offset the costs of these services to the citizens and residents of St. Petersburg.

A number of cities throughout the country have implemented this program. In Florida the largest is Ocala, who appears to have had good results with this program (letter from their Police Chief is attached). Also attached is some information from the Cost Recovery Corporation and information obtained by our Fire Department. While I have been unable to find any cases challenging the imposition of this fee in any jurisdiction, I am confident that it would withstand a challenge if crafted and implemented fairly and appropriately.

If you have any questions, please feel free to contact me.

c: Chief Large

00102792


Mark A. Winn

St. Petersburg Fire & Rescue
Revenue Potential from Cost Recovery Corporation
 Apparatus Cost

	Response Times (Minutes)	
	15	30
MVA		
4,942 Incidents		
Manpower	38	76
Engine (Cost Recovery Estimate)	587	598
	625	674
Projected gross revenue	3,088,750	3,330,908
Non residents (50%)	1,544,375	1,665,454
Collections (50%)	772,188	832,727

Numbers of motor vehicle accidents are based upon an average of 2002, 2003, and 2004 responses. Numbers have increased from year to year.

Fees are based upon industry standards per Cost Recovery Corporation.

Cost Recovery

Regina Moore, president of Cost Recovery Corporation, provides information about cost recovery frequently.

Cost recovery is available for police responses; this information is related only to a fire response.

A large percentage of non-city residents, who pay no taxes here, use the city's fire response capabilities for motor vehicle crashes nearly every day. City residents pay for this service.

Fire's job at a motor vehicle crash is to secure the scene, extricate victims if necessary, disconnect batteries, and make sure no fuel has been discharged or, if it has, secure a hazmat team.

Fire responds to slightly over 5,000 crashes every year. A percentage of these are caused by non-residents.

An estimated average cost is \$650 per response or over \$3 million per year in potential revenue. Should the city choose to bill only non-residents, this revenue is reduced, perhaps by 50%. Further, the actual recovery is estimated to be about 50% of billing or, in this case, \$750 thousand.

Cost recovery works in this way

Insurance companies of at-fault drivers in a motor vehicle crash would be charged for a fire response. If an insurance company does not pay within a specified period of time, the at-fault driver is billed. The city has the option of billing only non-residents.

Approximately 50% of insurance companies billed will pay. Ms. Moore believes that those who do pay the first bill

Recognize the benefits of police and fire response at a crash site

Recognize the marketing value when customers of other companies, who have to pay a bill themselves, change companies for better service

Are concerned that fire departments will seek to make cost recovery for response to motor vehicle crashes federally mandated as it is with EMS transport

State Farm, AllState, and Nationwide and the least likely to pay; Progressive and Geico have a good payment record

Telephone interviews – Cost Recovery cities

Ocala, Deputy Police Chief Greg Graham

Ocala recently began motor vehicle accident cost recovery for police response. Ocala implemented a fire service fee to all properties in 2007 and cost recovery was seen, by some, as double taxation

Ocala is 49 square miles and its base population is 54,000; however, its service population is between 125 and 150 thousand

70% of motor vehicle crashes are caused by non-city residents

Each of 12 recent fatalities was caused by a non-city resident

Live Oak, FL, Training and Safety Officer Alan Bederbaugh

Small department

The city experiences 12 – 18 accidents per month.

Cost Recovery has billed slightly over \$4,000 per month

Department spends two hours/month on documentation for billing purposes

Minimum recovery is \$450 per response

Un-incorporated areas of Escambia County (paid and volunteer department, 19,000 calls/4,000 MVA)

St. Matthews, KY, Chief Bill Seng

“Great.”

Anticipate recovery of \$50,000 per year

Cost Recovery handles everything

Telephone interview – Tampa

Tampa, Chief Nick Locicero

Sought council approval for cost recovery in the 2008 budget preparation period when faced with \$2.7 million cut in Fire budget due to tax reform

Passed first Council reading

Mayor Iorio's decision to pull the idea

Public dissension; did not understand that insurance companies would be billed, not individuals

Bad press

Another "tax"

Insurance companies say rates will increase

Counter...

Even if they do, the increase will be more the cause of the thousands of dollars to repair cars and people than the minor charges from police or fire departments

Exclusion of city residents for billing brought opposition from

Hillsborough County

City workers who live outside city limits and would be subject to cost recovery fees

Documentation

Keeping non-resident vs. resident records separate and/or separating them internally created a higher cost to process than anticipated

Tampa intended to bill these costs use the company that does their EMS billing, not CRC

Other city departments wanted to attach a "cost recovery" for their services (i.e. Parks and Recreation)

Spoke with Chief Locicero the week of January 19, 2009. Tampa has no interest in pursuing cost recovery.

St. Petersburg

The Pinellas County CAD system records data for the department's every response, including those to motor vehicle accidents

Current information does not separate non-resident vs. resident of separate municipalities; this change would require

Software change

Internal manual data collection through police reports

31% of the city's employees live outside the city and would be subject to a cost recovery fee



OCALA POLICE DEPARTMENT

May 15, 2008

To Whom It May Concern:

Please allow this to serve as a letter of reference and recommendation for Cost Recovery Corporation.

The City of Ocala has always been committed to the safety and welfare of its citizens. Statistics show that the City of Ocala has had approximately 4000 automobile accidents each year, and more than 70 percent of these accidents have been caused by non-residents/non-taxpayers. For our safety services departments, the reality was that our taxpayers were subsidizing for services for which they received no benefit. Furthermore, we considered these services that were being provided at the scene of a traffic accident as outside the scope of our safety service departments' primary job function, which was to protect and serve our citizens. We determined that reacting to traffic crashes actually detracted from our ability to service our own citizens within our community. Furthermore, we found an inequity in our taxpayers subsidizing for services outside their own core government services.

We engaged in extensive research relative to recovering costs and companies that provided such services. Cost Recovery Corporation was quickly identified as an industry leader. Cost Recovery Corporation has recovered costs for fire departments since 1999 and was the frontier in EMS billing in the early 1970's. Cost Recovery Corporation has a patent protected billing program for law enforcement and is a sole source provider. The City of Ocala wanted industry experts who concentrated in an area of billing that was extremely different than EMS type billing. We felt Cost Recovery Corporation had the experience necessary to lay the foundation in place for us to begin billing for MVA responses.

Our research led us to the conclusion that whether municipalities are interested in recovering costs for their fire department, police department, or both departments, motor vehicle accident billing requires a different skills set to maximize results.

May 15, 2008

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Conventional billing companies do not have the expertise and insight relative to legislative issues nor the effectiveness in responding to the complex legislative issues, and response to insurance companies associated with the MVA billing and collections process, etc. Cost Recovery Corporation did an excellent job of preparing our city officials for any media inquiry and made themselves personally available to handle any and all media questions in order to preserve our public image. Cost Recovery Corporation continues to be attentive to our individual needs and their staff offers the utmost in professionalism and integrity.

I highly endorse Cost Recovery Corporation. I have had the unique position of being able to witness firsthand their passion, dedication and relentless work on behalf of safety service organizations. I feel there is no other company more qualified to represent emergency service organizations for motor vehicle accident billing than Cost Recovery Corporation.

Sincerely,

A handwritten signature in black ink, appearing to read "Greg Graham", written in a cursive style.

Greg Graham
Deputy Chief of Police



COST RECOVERY CORPORATION

July 21, 2008

SUBJECT: TRAFFIC CRASH BILLING

It has come to our attention that **there is blatant misrepresentation relative to traffic crash billing for law enforcement.** Some billing companies are *discouraging* recovering extraneous costs for law enforcement. These companies are *claiming* that there is, potentially, a greater "liability" in law enforcement recovering costs than there is for Fire Departments recovering the exact same type of costs. They also mention negative publicity. A simple factual press release informing your residents of the benefits to them prior to any media will minimize or eliminate misunderstanding. Furthermore, it is worth noting that Dr. Henley, Founder and CEO of Cost Recovery Corp., is the inventor of both EMS billing and Fire Department traffic crash billing. Dr. Henley worked with the federal government when EMS billing was regulated and mandated. The police departments' media attention mirrors the attention EMS billing experienced in the early 70's prior to it being legislated and what fire departments experienced with crash billing in the late 90's. This is simply part of the process and continues to diminish.

Truth in fact is that recovering costs for law enforcement is very successful and actually enhances the recovery for fire departments. Most insurance companies prefer more detail surrounding the traffic incident and circumstances involving their policyholders. Law enforcement provides that critical detail.

Cost Recovery Corporation (Dr. Henley) invented traffic crash billing for Law Enforcement and has a patent-protected program. This patent affords CRC a status of sole source provider and precludes other billing companies from legally recovering for law enforcement. This fact is transparent and very possibly the motivation for false and misleading statements to communities interested in recovering their traffic crash costs. Some billing companies are discovering that many communities prefer a billing company that not only specializes in traffic crash billing, but offers "one stop shopping," by providing a combined recovery program for both fire departments and law enforcement.

Cost Recovery Corp. is committed to assisting safety services in their efforts to provide quality service to your citizens. We are currently recovering costs for various safety service departments in 18 states. Please review the attached information. You may call me personally to discuss this in further detail. I look forward to speaking with you.

Respectfully,

Regina Moore, President
Cost Recovery Corp.
(937) 269-4860

Received
JUL 22 2008
Mayor's Office

Why bill for traffic crash responses?

The majority of services provided at the scene of a traffic crash are outside the scope of fire protection, criminal protection and/or criminal investigation. A significant number of traffic crashes are caused by NON-taxpayers forcing the taxpayers to subsidize for services they receive no benefit from.

Why don't taxes cover police/fire services at traffic crashes?

These services are not core government services. Taxes cover basic police and fire services. Basic services consist of fire protection for home/business and criminal protection and criminal investigation. Traffic crashes are civil situations caused by negligent driving. These services do not benefit the resident/taxpayer. Furthermore, these services detract from safety services ability to serve and protect their own residents/taxpayers.

Is this double taxation?

No. Taxpayers are exempt if they pay taxes in the address of the incident.

Is this a way for the city/county/township to make additional money?

No. This is not a fund-generating program. This is a program designed to protect taxpayer dollars. This program recoups the money already spent by taxpayers and recycles it back into the budget for services that actually benefit the taxpayer.

Who is billed for a traffic crash response?

Only the at-fault driver's insurance would receive a claim.

Is my insurance company required to pay these claims?

Currently, 56% of insurance companies recognize the value of this program and voluntarily pay these claims. Keeping policyholders safe helps limit potential liability costs for insurance companies, and as a result, protects their profit margins.

Most insurance companies claim to cover liabilities due to negligence. A traffic crash is a civil situation caused by negligent driving. However, each policy, broker and company is unique. We encourage you to contact your local broker to confirm that you are indeed covered. The law requires that we maintain insurance, however, it does not mandate a specific company. We urge you to shop for the best coverage.

What happens if my insurance company doesn't cover me?

A resident/taxpayer is exempt from any out of pocket cost and the claim is written off. A non-resident/non-taxpayer would be held financially accountable because they are not supporting safety services in that community

What if the at-fault driver is un-insured?

You are required by law to maintain insurance. The un-insured at-fault driver would be billed directly.

Will recovering cost raise my insurance rates?

No. The State Insurance Commissioner controls insurance rates. If your premium were adjusted, it would be because you were at fault, thus deeming you a higher risk. This would occur regardless of this program or additional claim.

Is this program unwelcoming to neighboring communities or potential visitors?

No. Statistics indicate that people avoid unsafe/high crime communities. Tolls, hotel tax, recreational/park fees etc. are examples of other types of extraneous user fees that do NOT hinder visitors/tourism.