



MEMORANDUM

TO: Pamela Nichols, Council Management Analyst, Office of the City Clerk, Richmond City Council

FROM: Chip Decker, Chief Executive Officer *CD/ lb*

RE: Richmond Ambulance Authority (RAA) – 2022 Year-End Information

DATE: December 8, 2022

In accordance with City Code Section 2-773, amended by Ordinance 2017-143, below please find the information required for submission to Council by December 31, 2022.

Attendance Records – 2022 Board of Directors Meetings

Board Member Name Present=P Absent=A	Meeting Dates			
	February 15	May 17	August 16	November 15
Matthew Conrad	P	P	A	A
Weet Baldwin	P	P	P	P
Julia Hammond	P	P	P	P
Richard Bennett	P	P	N/A*	N/A*
Carlos Hopkins	A*	P	P	P
Brandon Mencini	P	P	A	N/A*
Kristen Nye	P	P	P	P
Kirk Roberts	P	P	P	A
Lincoln Saunders	P	P	A	A
Sheila White	P	P	P	A
Marilyn West	P	A	P	P

***Note:** Carlos Hopkins returned from military deployment in March 2022.
 Richard Bennett resigned from the Board on May 17, 2022.
 Brandon Mencini resigned from the Board on October 5, 2022.

Legislation for Recommended Action by Council

At Council's meeting on July 25, 2022, Ordinance No. 2022-202 was adopted to allow for an increase in the Capital Vehicle & Equipment category of the City's FY2023 appropriation to the CIP Budget by \$3,500,000 to purchase ambulances for the Richmond Ambulance Authority (RAA). At Council's meeting on September 12, 2022, Ordinance No. 2022-244 was adopted to authorize the Chief Administrative Officer, for and on behalf of the City of Richmond, to execute a Vehicle Lease Agreement between the City of Richmond, as lessor, and the Richmond Ambulance Authority, as lessee, for the purpose of leasing to the Richmond Ambulance Authority certain ambulances owned by the City.

Council's actions freed up funding in RAA's FY2023 operating budget to allow for funding other essential purchases, most importantly, an investment in RAA's largest and most important asset – our people. A special budget work session was provided to RAA on April 19, 2022 in Council's effort to better understand RAA's needs and the financial impact of the City's proposed subsidy contribution of only \$4,000,000. In RAA's effort to continue attracting and retaining the people required to do the specialized work of EMS care as well as purchasing life-saving equipment and supplies they need to provide the highest quality of prehospital care possible, Council's support this fiscal year has been essential.

Audits / Financial Reports

RAA engages the services of CliftonLarsonAllen, LLC (CLA), the same audit firm contracted by the City of Richmond, to provide outside financial auditing services. CLA has completed their review and audit of RAA's "Financial Statements with Independent Auditor's Report" for FY2022. The report was provided to our Board of Directors for acceptance at their November 15th meeting. At that meeting, a representative from CLA was in attendance to present their findings and reported it was CLA's opinion the financial statements were presented fairly in all material aspects and announced they are issuing an opinion that will reflect an unmodified audit document ("clean opinion"). Upon receipt of the finalized document, RAA then provides it to City Administration to be included as part of the overall audit package. As part of RAA's Annual Report each year, we include the audited Statement of Net Position as well as Statement of Revenues, Expenses, and Changes in Net Position; both of which are enclosed with this memo.

In his letter dated April 25, 2022, Mayor Stoney requested Council's support for a third-party performance and financial audit of RAA. The Mayor's letter expressed concern with regard to RAA's financial and budgeting best practices raised by his Administration. He also stated there was a need to adapt to meet the expectations of our residents in a post-COVID environment. Following Council approval, consulting services were engaged by Accenture, The Robert Bobb Group and Cambridge Consulting Group. RAA worked closely with these consultants to provide a great deal of data and detailed information requested as part of their overall financial and performance audit. The audit kicked off on September 8, 2022. On November 2, 2022, a Public Safety Summit was held which included all City public safety leaders for the purpose of "discussing opportunities for improving collaboration among service providers."

Key Initiatives, Challenges, Other Information Relevant to Council

EMS Industry Staffing Shortages

2022 was another challenging year for the EMS industry, with the pandemic having dramatically worsened a nationwide staffing shortage for emergency medical technicians (EMTs) and paramedics. The remnants continue to bring longstanding issues, including low federal reimbursement rates and salary constraints, to a head in an industry already dealing with extremely high turnover. While staffing shortages have been a problem for some time, the pandemic hit the pipeline of new recruits hard.

While this nationwide issue continues, Council's actions detailed above have allowed RAA to move forward this year with some key initiatives to help combat the impact of staffing shortages as follows:

- 1) RAA raised the hourly wage of both newly-hired and current full-time field providers. For newly hired providers, the starting hourly rate now ranges from \$15.85/hour to \$25.00/hour, dependent on an individual's certification level. For RAA's current full-time providers, the hourly rate increases range from \$3.00/hour to \$4.00/hour; also dependent on certification level. Leasing ambulances from the City allowed for these significant increases to be implemented and helps RAA to remain competitive in an extremely challenging marketplace.
- 2) IN 2022, RAA's recruiting efforts for field personnel included the innovative program for individuals (referred to as, "cadets") looking to start a career in EMS called the EMS Placement Program. Cadets may have little to no EMS experience. They are provided the training and the opportunity to secure their EMT certification at no cost.

Process for City Subsidy Requests

The intent of the annual subsidy RAA receives from the City has always been to help offset the lack of revenue RAA generates from those patients unable to pay for EMS care in the City of Richmond.

The FY2023 request was an increase of \$600,000 over last year's request for a total of \$7,500,000, however, the increase was not funded in the Mayor's budget and the subsidy remained flat at \$4,000,000. RAA's request for FY2022 was \$6,900,000. The initial request of \$5,900,000 this year was based on what was determined necessary in order to operate at a bare minimum capacity. The increase to \$7,500,000 in subsidy better reflected RAA's actual needs and was the result of RAA remaining underfunded for years, coupled with a continuing decline in revenue. However, Council's action approving City Administration to enter into a vehicle lease agreement for the acquisition of ambulances and associated equipment freed up RAA's operating budget for FY2023 as explained above. As the provider of an essential City service to the citizens of Richmond, it is hoped the FY2024 budget preparation includes RAA's participation at an earlier stage in the process and that attention be given to improve the manner in which RAA is required to make its funding request to the City. Fortunately, it is our understanding a City Budget Analyst will be assigned to RAA for the purpose of including the Authority in the earlier stages of the City's FY2024 budget process. Currently, RAA completes a Non-Department Application Addendum required from non-departmental City organizations seeking financial contributions similar to a grant request.

Revenue Stream Reduction

RAA relies primarily on federal programs and private payers for revenue. Therefore, it is critical to have emergency funds available should this revenue stream be interrupted. It is common practice for EMS systems like ours to have at least 3-4 months of operating expenses (about \$4-5 million) set aside in case expenses should briefly outpace revenue. This is prudent when the reliability of a revenue stream which provides for an essential service is not guaranteed. However, these funds are often viewed by the City as "extra" or "surplus" funds that RAA can "spend down" in order to allow a reduction in the City subsidy. This is simply not the case and is a dangerous business practice, putting the entire system at risk. The funds exist to protect RAA employees and the public from the consequences of a revenue stream interruption that could lead to a service interruption. This point is important and often misunderstood.

A total of \$13,778,515 was collected in FY2022 and RAA ended the year with a 55% collection rate. RAA can only receive revenue if the patient is transported to receive care. Approximately one-third of RAA's responses do not result in a transport. Therefore, RAA shoulders the cost associated with the care provided at the site of an emergency, but receives no revenue to cover those expenses. A comprehensive review of our billing functions is currently underway to help advance those functions and increase collection rates. This review includes the consideration of all viable options including outsourcing some or all of our billing functions.

Hospital Off-Load Delays

Extended hospital wait times and increased 9-1-1 calls continue to heavily impact RAA's response. While offload delays are not a new hurdle for RAA, they remain increasingly challenging since the onset of the COVID-19 pandemic. Area hospitals at full capacity have led to our ambulances waiting longer—in some cases for hours—to complete the transfer of patient care. These delays, and subsequent diversions, affect our ability to respond and RAA's availability of emergency resources.

RICHMOND AMBULANCE AUTHORITY
STATEMENTS OF NET POSITION
JUNE 30, 2022 AND 2021

	2022	2021
ASSETS		
Current Assets:		
Cash	\$ 1,641,624	\$ 5,857,544
Short-Term Investments	5,000,000	1,254,371
Total Cash and Short-Term Investments	6,641,624	7,111,915
Receivables:		
Service Accounts Receivables, Net of Allowance for Contractual Adjustments and Doubtful Accounts	3,071,471	3,612,290
Reusable Supplies	260,684	253,832
Other Current Assets	628,153	764,140
Total Current Assets	10,601,932	11,742,177
Capital Assets, Net:		
Vehicles and Ambulances	6,873,253	7,547,147
Building and Improvements	687,482	647,016
Communications Center	351,390	351,391
Communications Equipment	730,183	747,001
Medical Equipment	2,502,986	2,778,881
Office Furniture and Equipment including Right to Use Assets	836,912	1,181,559
Shop Equipment	73,738	70,825
Less: Accumulated Depreciation/Amortization	(8,686,557)	(8,519,262)
Total Capital Assets, Net	3,369,387	4,804,558
Total Assets	13,971,319	16,546,735
CURRENT LIABILITIES		
Current Liabilities:		
Accounts Payable and Accrued Expenses	864,516	715,126
Accrued Payroll	165,985	355,311
Unearned Revenue	1,018,351	8,216
Current Installments of Lease Liability	16,866	16,336
Total Current Liabilities	2,065,718	1,094,989
NONCURRENT LIABILITIES		
Lease Liability	16,972	39,824
Total Liabilities	2,082,690	1,134,813
NET POSITION		
Net Investment in Capital Assets	3,335,549	4,748,398
Unrestricted	8,553,080	10,663,524
Total Net Position	\$ 11,888,629	\$ 15,411,922

See accompanying Notes to Financial Statements.

RICHMOND AMBULANCE AUTHORITY
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEARS ENDED JUNE 30, 2022 AND 2021

	2022	2021
OPERATING REVENUES		
Service Revenues	\$ 25,043,090	\$ 28,111,504
Provision for Contractual Adjustments and Doubtful Accounts	(12,394,519)	(13,859,142)
	12,648,571	14,252,362
Grant Revenues	892,590	637,259
Total Operating Revenues	13,541,161	14,889,621
OPERATING EXPENSES		
Salaries and Related Benefits	13,913,437	11,780,514
Health Insurance	1,329,726	1,460,949
Worker's Compensation	332,055	299,454
Depreciation and Amortization	1,235,463	1,311,893
Professional Services	599,234	667,402
Collection Expenses	5,914	22,952
Marketing and Advertising	6,727	27,298
Office Expenses	485,260	414,854
Telephone	158,120	161,640
Communications	151,640	165,252
Public Information	21,215	16,766
Postage and Shipping	39,203	29,618
Occupancy	185,975	211,760
Other	104,730	202,071
Insurance	265,516	211,687
Printing and Artwork	3,441	4,150
Travel	38,584	13,640
Medical Supplies and Equipment	706,892	583,406
Recruiting and Background Investigations	112,951	73,225
Vehicle Fuel and Tolls	432,439	238,081
Vehicle Repairs and Maintenance	544,657	451,306
Uniforms and Laundry	110,048	61,096
Total Operating Expenses	20,861,396	18,409,014
OPERATING LOSS	(7,320,235)	(3,519,393)
NONOPERATING REVENUES (EXPENSES)		
City of Richmond Subsidy	4,000,000	5,000,000
Interest Income	10,246	36,896
Loss on Disposal of Capital Assets	(236,905)	-
Miscellaneous Revenues, Net	23,601	137,160
Total Nonoperating Revenues, Net	3,796,942	5,174,056
CHANGE IN NET POSITION	(3,523,293)	1,654,663
Net Position - Beginning of Year	15,411,922	13,757,259
NET POSITION - END OF YEAR	\$ 11,888,629	\$ 15,411,922

See accompanying Notes to Financial Statements.