Agenda Report

Fullerton City Council

MEETING DATE: **APRIL 1, 2025**

TO: **CITY COUNCIL / SUCCESSOR AGENCY**

SUBMITTED BY: **ADAM LOESER, FIRE CHIEF**

PREPARED BY: **ANDREW YANG, ADMINISTRATIVE ANALYST II**

SUBJECT: **CITY-OPERATED AMBULANCE PROGRAM PROPOSAL**

SUMMARY

The Fire Department proposes transitioning to a City-Operated Ambulance Program integrating Emergency Medical Services (EMS) operations currently managed through an external provider. The new program would improve cost efficiencies, enhance response capabilities and provide direct training and patient care oversight.

PROPOSED MOTION

1. Approve transition to City-Operated Ambulance Program and direct Fire Department to coordinate a detailed transition plan, targeting implementation in Spring 2026.
2. Authorize City Manager, or designee, to select an ambulance vendor, issue purchase orders not to exceed $1,652,000 for ambulance vehicles and execute related financing agreements.
3. Authorize City Manager, or designee, to select a patient gurney system vendor, issue purchase orders not to exceed $535,000 for related equipment and execute financing agreements.

ALTERNATIVE OPTIONS

- Approve the Proposed Motion
- Do not approve the Proposed Motion and direct Fire Department to continue contracted services until the current agreement expires on December 31, 2026
- Other options brought by City Council.

STAFF RECOMMENDATION

Staff recommends the Proposed Motion.

CITY MANAGER REMARKS

The City Manager is seeking City Council direction on this proposed change in ambulance structure.

PRIORITY POLICY STATEMENT

This item matches the following Priority Policy Statements:

- Fiscal and Organizational Stability
- Public Safety
- Infrastructure and City Assets

FISCAL IMPACT

The ambulance service cost comprises the sole financial difference between the current and proposed models, as billing practices and revenue collection would remain unchanged. The City contracts ambulance services at $90.00 per unit hour (hour of service) totaling $2,759,400 for 30,660 annual unit hours (84 daily unit hours) in Calendar Year (CY) 2025. The contracted rate increases to $95.00 per unit hour effective January 1, 2026, bringing annual costs to $2,912,700. The proposed City-Operated Ambulance Program would replace these contracted expenses with an internal solution offering identical service levels at significantly lower cost. The following table outlines estimated program costs:

CITY-OPERATED PROGRAM – ESTIMATED COSTS

EXPENSE	CY 2026†	CY 2027	CY 2028	CY 2029	CY 2030
LABOR	$1,808,764	$1,859,293	$1,915,391	$1,962,040	$2,014,305
VEHICLES AND EQUIPMENT	$351,005	$351,005	$351,005	$351,005	$351,005
OPERATING EXPENSES	$121,710	$125,361	$129,122	$132,996	$136,986
SUBTOTAL	$2,281,478	$2,335,658	$2,395,517	$2,446,040	$2,502,295
10% CONTINGENCY	$228,148	$233,566	$239,552	$244,604	$250,230
TOTAL COST	$2,509,626	$2,569,224	$2,635,069	$2,690,644	$2,752,525
UNIT HOUR RATE	$81.85	$83.80	$85.94	$87.76	$89.78

† *Based on a full year of city-operated service beginning January 1, 2026*

The program cost structure includes a 10% contingency allocation ($228,148 in 2026) to address unforeseen overtime and operational expenses, yet the program remains cost-effective due to eliminated third-party profit margins and administrative overhead.

Staff would start the program on April 1, 2026 with the first 90 days of Calendar Year 2026 remaining under the existing contract. The City would realize $100,519 savings for the remainder of Fiscal Year (FY) 2025-26. Annual savings thereafter would range from $650,000 to $765,000 through CY 2030. Staff projects cumulative savings would exceed $3.2 million over the initial five-year period. Staff conservatively projects contracted private provider rates to reach $114.74 per unit hour by 2030 based on market analysis and a survey of comparable municipal contracts in the region. Projected savings from an internal program would exceed $7.3 million over a ten-year period.

BACKGROUND AND DISCUSSION

The Fire Department operates the ambulance transport program through a public-private partnership with Falck Mobile Health Corp (formerly Care Ambulance) which has contracted ambulance services to the City of Fullerton since 2003. Falck supplies two certified ambulance operators and an ambulance vehicle for three 24-hour ambulance units and one 12-hour ambulance unit under the current contract. The Fire Department directs medical care, supervises ambulance staff, supplies Advanced Life Support (ALS) resources and bills patients as the official provider of record. This agreement expires on December 31, 2026 and includes provisions for two optional one-year extensions, subject to future rate negotiations. However, either party may, without cause, terminate the agreement with 90-days' written notice.

The Fire Department has evaluated the feasibility of transitioning to a city-operated ambulance program following City Council approving the current agreement in November 2023. The department proposes early termination of the Falck contract with a shift to a city-operated model that replicates current deployment and service levels. Eighteen full-time and six part-time Ambulance Operator positions would staff the program serving limited two-year or less terms to encourage career progression into firefighter roles. Staff would establish these new Ambulance Operator classifications under the Nonregular / Hourly Employees Resolution with potential considerations for additional benefits unique to these positions to support recruitment and retention.

Vehicle and equipment acquisition represents the largest capital cost apart from labor expenses. The City would finance these assets through a municipal lease-to-own structure, amortizing payments over the six-year ambulance service life to minimize upfront expenditures. Staff based vehicle and equipment cost estimates on current vendor quotes and assumed a 4.25% interest rate. Municipal leasing arrangements qualify as tax-exempt financing and lenders do not pay federal corporate income tax on interest earnings. Interest rates for municipal leases typically run 20 to 30% lower than standard commercial financing rates. Staff would solicit at least three quotes from eligible vendors, select the most competitive option and issue purchase orders through an established governmental Cooperative Purchasing Agreement in accordance with Fullerton Administrative Policy 4.1.2, Section IV.D, should City Council approve this item. The provided contingency amount would contain any cost fluctuations

The Fire Department estimated a $81.85 internal unit hour rate in 2026 that assumes a full year of city-operated service starting on January 1, 2026. Staff estimated actual first-year savings between $270,000 and $300,000, depending on the implementation date. The proposed city-run program curtails annual rate escalations inherent to contracted

services, replacing them with fixed operational costs governed by predictable equipment leasing expenditures and a stable personnel resolution. Staff projects the proposed internal model to undercut the private provider contracted costs by 20% while maintaining identical revenue streams over five years as the City would continue billing for all EMS transports.

5-YEAR COST COMPARISON					
Year	**Contracted Rate**	**City Rate**	**Contracted Annual Cost**	**City Annual Cost**	**Annual Savings**
2026	$95.00	$81.85†	$2,912,700	$2,509,626†	$403,074†
2027	$105.00‡	$83.80‡	$3,219,300‡	$2,569,224‡	$650,076‡
2028	$108.15‡	$85.94‡	$3,324,964‡	$2,635,069‡	$689,894‡
2029	$111.39‡	$87.76‡	$3,415,355‡	$2,690,644‡	$724,711‡
2030	$114.74‡	$89.78‡	$3,517,816‡	$2,752,525‡	$765,291‡

† *Based on a full year of city-operated service beginning January 1, 2026*

‡ *Estimated*

Vertical integration with Fire Department protocols enables new operational efficiencies, such as streamlined patient care documentation and split response deployments (e.g., ambulance-only responses to lower-acuity calls) in addition to cost savings. Directly managing staffing levels, performance measures and customized vehicle specifications ensures the Fire Department provides the highest service quality and a fleet tailored to operational needs. A city-run program also creates opportunities to strengthen regional EMS partnerships. The Fire Chief would establish no-cost mutual aid agreements with the cities of Anaheim and Brea for reciprocal ambulance support, along with contingency “surge” contracts with private providers for third-tier backup coverage when mutual aid partners exceed safe response time thresholds to ensure sufficient capacity during periods of peak call volume.

Key hurdles remaining include potential vehicle procurement delays due to lingering global supply chain constraints and strong competition for certified EMTs in the Southern California labor market. Additionally, external vendors would handle vehicle maintenance to accommodate Public Works Department service capacity levels. The Fire Department does not propose additional administrative positions such as an Ambulance Coordinator or Administrative Captain at this time, although many comparable cities utilize these roles. Instead, existing personnel would absorb the responsibilities to maximize cost efficiency. Staff may consider such positions in the future as the program matures and operational needs evolve.

The Fire Department would coordinate with Human Resources to finalize Ambulance Operator classifications by September 2025 and with Administrative Services to finalize budgeting and financing arrangements for vehicles and equipment. Staff would return to City Council as necessary for any further procurement approvals or related actions during program implementation. The Fire Department anticipates a successful transition to a

City-operated program that reduces costs, enhances operational efficiency and improves emergency medical services for the Fullerton community by mid-2026.

Attachments:

- Attachment 1 – City-Operated Ambulance Program Proposal PowerPoint
- Attachment 2 – Vendor Quotes and Informational Material

cc: City Manager Eric J. Levitt