

# **The Corporation of the Town of Lakeshore**

## **Report to Council**

### **Legislative & Legal Services**

### **Fire Services**



**To:** Mayor & Members of Council

**From:** Don Williamson, Fire Chief

**Date:** October 6, 2020

**Subject:** Fire Department Cost Recovery Considerations

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### **Recommendation**

Direct Administration to pursue Option 1 \_\_\_\_\_ (select (a) or (b)) and Option 2, as presented in the Fire Chief's report at the October 27, 2020 Council meeting.

### **Background**

During the first quarter of 2019, Council passed the following resolution: That Administration be requested to prepare a report to council on options for charging non-residents for fire call outs.

Explained below are the current Lakeshore Fire Department revenue streams along with commentary on two other considerations examined.

The Lakeshore Fire Department currently invoices the Ministry of Transportation (MTO) for emergency response activities (vehicle collisions, brush fires, spills) on provincial highways located within the Lakeshore boundaries. This includes Highways 3, 77 and the 401. The MTO is invoiced for each fire truck response that completes a function at the event using the MTO's current rate of \$485 per hour. Depending on the emergency call type and Fire Department services provided (or not provided) will determine what, if any, reimbursement is approved by the MTO. That emergency call volume and the associated revenue generated over the recent past has decreased. This is directly related to the warmer winter weather and its impact on driving conditions. As a result, the average annual revenue return over the last 5 years was \$22,000.

Other current Fire Department revenue streams come from the following which include:

- Fire Inspections
- Open Burning responses
- Natural Gas Line Strike cost recovery

- False Fire Alarm Responses
- Lawyers Letter requests for history on a property, etc.
- Fire Report and Fire Investigation Report requests
- Annual \$5,000 County Medical Tiered Response Agreement Recovery

The Fire Department also receives revenue for External Cost Recovery; however, the revenue is cancelled out by the cost of the services (i.e., putting up a fence around a fire scene).

The 5 year average annual revenue return for those services was around \$10,000.

There are 2 other less obvious revenue streams in the background that are not credited to the fire services budget center:

- Fire Department related Provincial Offences Tickets and Charges; and,
- Fees related to Fire Department site plan reviews and commentary.

The overall average Fire Department revenue stream is around \$32,000 per year.

## **Comments**

There are 2 additional revenue stream options that Council may wish to consider. Each has its opportunities, sensitivities and challenges.

1. Fire Department response to resident or non-resident, at fault, motor vehicle collision cost recovery; and,
2. Fire Department response to municipal “fire” related emergency events like: vehicle fires, structure fires, lightning strikes, explosions and smoke related incidents.

Each will be discussed below.

### **Option 1: At fault, motor vehicle collision**

A motor vehicle collision (MVC) can result in an emergency response from any one or a mix of Police, Fire and EMS depending on the need. That response is based on information provided by the 911 caller(s). The quality of that information determines if the Fire Department is required for extricating persons trapped, assisting EMS, controlling fluid spills, de-energizing vehicles and providing fire control. The Fire Department may attend the scene and provide various services, arrive or it may also be determined that no Fire Department services are required or be cancelled while on the way and return to station.

In order to process any potential cost recovery investigation, names of the at fault party along with insurer information is required. If names are obtained and depending on insurance coverage, the Town could submit an invoice to the insurer for the cost of the services provided.

Sometimes municipalities that have chosen this method of cost recovery have opted only to charge non-residents based on the principle that residents already subsidize such services through property taxation. Alternatively, some Councils have made the policy choice to charge all at-fault persons based on the principle that the only reason such costs are incurred are due to the actions of that person and, as such, they should be responsible for incurring the costs. Should Council wish to pursue this cost recovery option, then Administration will require direction as to whether Council wishes to charge both resident and non-resident, at fault persons or just non-resident, at fault persons.

Unfortunately there are no MVC statistics available for Lakeshore that identify the number of non-resident at fault events tied to how many of those the Fire Department attended to calculate any potential revenue opportunities.

However, the City of Windsor was consulted on their process (the City charges for non-resident at-fault incidents), claim success rate and revenues generated. Over a 4 year period (2016 through 2019) Windsor Fire & Rescue attended 4919 MVCs. Of those events, 636 (13%) were determined as “at fault non-resident”.

Of those events, 342 (54%) were successfully recovered for a revenue of \$259,904. Recovery rates are affected by the at fault person’s insurance coverage, locating the person and ability to pay.

Using those same comparator percentages for the Lakeshore Fire Department:

- a) Non-Resident/At Fault: Over a 4 year period (2016 through 2019) fire services attended 372 municipal MVCs. Of those events, 48 (13%) would comparatively be considered as “at fault non-resident”. Of those events, 26 (54%) would comparatively be potential cost recovery. Assuming a 2 fire truck response per event (sometimes only one) at the \$485 MTO truck rate equates to a 4 year overall revenue of \$25,220 (\$6,305 annually).
- b) Any Person/At Fault: Over a 4 year period (2016 through 2019) the Lakeshore Fire Department attended 372 municipal MVCs. Assuming each event was a 2 fire truck response at the \$485 MTO rate, the 4 year overall hypothetical cost recovery could be \$360,840 (\$90,210 annually).

Should Council wish to pursue one of the cost recovery options noted above, there is a significant work burden attached and additional clerical resources may be required. Administration would incorporate this into the ongoing Organizational Review to explore how to implement such a program. Should Council wish to pursue this direction, then Council should direct Administration to pursue one of the following options:

1(a): Investigate implementing a program to charge at fault non-residents only; or,

1(b): Investigate implementing a program to charge at fault residents and non-residents.

## **Option 2: Response to municipal “fire” related emergency events**

There is a municipal service provider that assists in the recovery of costs associated with structure fires. The fees they may collect, relate specifically to structural fires and are connected to the property owner insurance policy wording, policy coverage and the insured perils. Insurance perils related to Fire Department type services may include: fires, lightning strikes, explosions, smoke damage, and sudden or accidental damage due to short circuiting. Some insurance policies, but not all, will cover fire response.

An example provided by Fire Marque Inc, one such vendor of these services, included a structure fire where 2 fire stations respond. Potential recovery costs include: 4 fire trucks at the current MTO rate of \$485 per truck per hour plus firefighter labour and extinguishing foam replacement costs.

Lakeshore Fire responds to an estimated 20 to 25 structure fire related calls per year of varying levels of damage while responses to lightning strikes, explosions and vehicle fires on the owners property are rare.

This property policy insurance coverage (paid for by the policy holder) is intended for this purpose. Understanding that different insurance policies have different Fire Department expense coverage limits and insured perils, Lakeshore Fire would only be eligible to claim up to the limit of the policy.

### ***How does this work?***

The municipality enters into an agreement with the service provider to work on their behalf to follow up on these revenue opportunities. Their administrative costs are covered within the cost recovery process with the insurer. There is no cost to the Town. Any completed fire reports that fit the potential list of related insured peril categories would be sent to the service provider for further investigation. Once their process is completed and potential fees collected, the Town would receive the revenue for deposit. Fire Marque Inc. estimated an annual revenue generation between \$30,000 and \$45,000 however that is based on provincial fire statistics not Lakeshore specifically.

It should be noted that the London Fire Department recently announced they were also looking to access this part of the property owner insurance coverage. A February 18, 2020 CTV News article stated that, “According to the insurance industry, if the City were to begin collecting this fee, insurance premiums would most assuredly go up. Insurance companies, they base the premiums they charge on what they're paying out in claims,” said Suzanne Pountney of Ontario West Brokers in London. Pountney continued, “If

London becomes a municipality that's tacking \$500 onto every fire, London's (homeowner/ business owner) rates go up.”

There are some potential sensitivities related to this cost recovery consideration:

- Resident understanding that emergency response coverage is part of municipal taxes and for the Town to invoice against a homeowner insurance policy would appear that the resident is paying twice.
- Resident perception of having to pay out of pocket (either through insurance premium increase or not having enough coverage or if no coverage at all) for the response may lead to hesitation to call 911 for any emergency.
- The potential for the insurance industry to consider increasing local fire insurance line premiums to cover the municipal fee for service costs collected.

With access to the appropriate information and with additional administrative resources, this cost recovery initiative could become an opportunity. However, the sensitivities listed above could create concerns with residents not reporting fire events and not providing the required information to support a cost recovery claim. Administrative resources will be required in order to collect the necessary information to administer this process.

Should Council wish to pursue this cost recovery option, there is a significant work burden attached and additional clerical resources may be required. Administration would incorporate this into the ongoing Organizational Review to explore how to implement such a program. Should Council wish to pursue this direction, then Council should direct Administration to pursue Cost Recovery option 2.

## **Conclusion**

Although revenue generation through one or both cost recovery initiatives would offset Fire Department operational costs, there are several sensitivities from each to consider:

- Limited clerical resources to administer the work;
- Unpredictable recovery revenue to offset the administrative time and cost to process the claims;
- Public perception of municipal double-dipping;
- Potential for the public not to call for assistance for fear of additional costs; and,
- Potential for the insurance industry to increase local fire insurance premiums as a result of this program.

Administration supports the cost recovery efforts suggested in Option 1 but would likely require additional staff resources to oversee the claims management process.

Administration supports in principle, the opportunity to use Option 2 for fire insurance policy related cost recovery.

## **Others Consulted**

Chris Carrier – Fire Marque Inc. National Municipal Accounts Manager

Dan Monk – Amherstburg Fire Services Administrative Assistant

Michelle Van Wyk – Township of Blanchard Blenheim Protective Service Administration

Rose Madigan – Collingwood Fire Department Administrative Assistant

Vanessa Bond – Township of Centre Wellington Administrative Assistant

Jenelle Malyon – The Corporation of the City of Cornwall Administrative Assistant

Ashleigh Milliner-Cowan – Orangeville Fire Services Administrative Assistant

Dave Sutton – Town of LaSalle Fire Chief

Marilyn Abbruzzese – Town of LaSalle Supervisor of Revenue

Dana Paladino – City of Windsor Supervisor of Risk Management

Marc Gomes – City of Windsor Claims Administrator

Andrea Dejong – City of Windsor Deputy Fire Chief

## **Financial Impacts**

Without any experience, the potential revenue generated through these initiatives is unpredictable at best. Administration anticipates that both of the options described above will result in cost recovery. However, successful cost recovery could be directed towards offsetting the costs to administer the cost recovery programs and then offset the Fire Department's response efforts.

## Report Approval Details

Document Title:	Fire Department Cost Recovery Considerations.docx
Attachments:	
Final Approval Date:	Oct 20, 2020

This report and all of its attachments were approved and signed as outlined below:

Kristen Newman

Rosanna Pellerito

Truper McBride