



Date: August 22, 2022
To: Johna Easley, Interim President & CEO
From: Frank Gresh, Interim Chief Operating Officer
Subject: Ambulance Emergency Purchases

Policy and Law:

EMSA Purchasing Policy A3 and Section 176.I of Title 60 of the Oklahoma Statutes requires that any purchases over \$50,000 be conducted in compliance with the Oklahoma Public Competitive Bidding Act. An exception to our policy and the law allows for Emergency Purchases in an amount greater than \$75,000 to be completed without public bidding. Section 176.I of Title 60 provides as follows: *should the trustee or the trustees find that an immediate emergency exists, which findings shall be entered in the journal of the trust proceedings, by reason of which an immediate outlay of trust funds in an amount exceeding Seventy-five Thousand Dollars (\$75,000.00) is necessary in order to avoid loss of life, substantial damage to property, or damage to the public peace or safety, then the contracts may be made and entered into without public notice or competitive bids.*

Present Situation:

In the post-COVID world, there have been significant supply chain shortages and reduced manufacturing of all kinds. This has also impacted the ability to manufacture new and remount older ambulances. In June we received a letter from American Emergency Vehicles (AEV), the company that manufactures and remounts EMSA's ambulances, invoking force majeure for all of their contracted sales and remounts. I have attached that letter for your review. Just today the American Ambulance Association in conjunction with the International Association of Fire Chiefs, International Association of Firefighters, and the National Association of Emergency Medical Technicians presented a letter to the United States Secretary of Transportation, Pete Buttigieg, imploring the Secretary to "step in and help to resolve this situation." I have attached that letter for your reference as well.

This is not specifically an EMSA issue, but rather a nationwide issue. Where this nationwide issue impacts EMSA is that we have been unable to maintain our schedule of getting older ambulances remounted on new chassis as well as getting new ambulances to replace those lost to significant crashes and in one case a fire that destroyed one. In addition, those supply chain issues have impacted our ability to repair ambulances that are now out of service due to crashes or mechanical issues because our vendors (and our own shop) have been unable to get the parts necessary to facilitate such repairs.

In the Western Division, we have 60 ambulances. Presently of those 60, we have 12 out of service for what we consider long term, which is more than a week. Six of those 12 vehicles are out of service for extensive repairs. Those range from replacing an engine (in two units) to other serious mechanical issues. Between waiting on parts, and the time it takes to complete the more extensive repairs (while keeping the rest of the fleet serviced and functioning), we hope to have two of those units back in service by the end of August, two more by mid-September, two more by the end of September and the final one back by the end of October. We have done a couple of things to expedite those repairs including using Ford Dealerships for some of the repairs and we have sent units to our shop in Tulsa as well. The remaining six units that are out of service long-term are either at AEV, our ambulance manufacturer, or are out of service permanently and awaiting a replacement unit to be built. Those at AEV are awaiting new chassis from Ford in order for the boxes to be remounted. We anticipate addressing this shortage, in part, by bringing four of those units back from AEV since the chassis for those units won't likely be in until mid to late summer of 2023 (if even then). While these four are high mileage, it's possible that we can keep them functioning for a period of time.

In the Eastern Division we have 50 ambulances, only two are out of service long term, and both of those are permanently out (one due to a crash and one to the fire I mentioned previously). These units will need to be replaced and are unable to be remounted. We have not yet ordered replacement ambulances for these vehicles due to the known critical supply chain shortages.

In FY22 EMSA budgeted \$2 million for ambulances which was not spent due to the fact that we were not able to purchase new vehicles or get remounts completed. For FY23 EMSA has budgeted \$2.4 million for ambulance purchases and remounts. EMSA is seeking to purchase up to eight (8) used ambulances (for a max total of \$760,000) in accordance with the above policies and statutes and to address the shortage facing EMSA which is further detailed below, which would be in addition to the four units we will be bring back from AEV.

EMSA continues to be in the process of employing more EMTs and Paramedics to fill openings on our schedule. EMSA faces a critical shortage of vehicles in both divisions in which to put crews into. The immediate need is greater in the Western division. Our new shift bid in the Western Division will peak at 43 units. When you add in the amount of units we need for a safety margin (20% or a total of 52 units) and additional units needed for special events and other standbys, we are critically short of ambulances by at least six ambulances. In the Eastern Division, our peak is lower by one at 42, but not being able to replace those two vehicles in a timely fashion will cause a shortage this fall in the Eastern Division (when we have additional standbys for football season), also in consideration of the necessary safety margin (20% or a total of 51 units, which is one more than we presently own).

We have identified that there is a market of used ambulances for sale around the country. We have been monitoring this market and have determined that from time to time appropriate vehicles are available for purchase which could then be placed in service soon thereafter which would increase the number of available vehicles and address the imminent shortage. While

certainly not the preferred purchase option, we believe that purchasing these used ambulances will help bridge the gap until we can routinely get new and remounted ambulances flowing again. That gap is likely to be another two to three years according to conversations with industry experts. The used ambulances we have seen available on the used market range from \$40,000 up to \$90,000 depending on their respective mileage and condition. When these ambulances become available on the market, we have observed that they are usually only available for a day or two before another ambulance service in a similar position purchases them. It is imperative that EMSA move quickly when such units become available on the market, which will ultimately mean that from time-to-time EMSA will need to assemble the Board of Trustees on very short notice to facilitate an emergency meeting in order to obtain such units, and to do so in accordance with the constraints of the statutory purchasing requirements. We have been advised by legal counsel that we are unable to pre-approve such purchases until used vehicles are identified, because the emergency clause in the statutes contemplates an identified piece of equipment when making the declaration of emergency.

Request:

With the current amount of in-service vehicles, it is imminent that EMSA will run short on ambulances if additional purchases are not made. We would not be able to provide any vehicles to our partner agencies to enable a hybrid system of service delivery or implement any critical level staffing assistance due to the critical shortage of vehicles. We will not have enough available ambulances to provide the required special event coverage (especially at high school and college sporting events) in the Western Division. So, to avoid “damage to the public peace or safety” by not being able to put the necessary amount of vehicles on the street, I am requesting you and the EMSA Board of Trustees declare that an immediate emergency exists and to authorize the CEO to purchase two recently identified used ambulances for the negotiated price of \$111,700.



VIA EMAIL AND CERTIFIED MAIL

June 6, 2022

Dear Valued Customer:

This letter will confirm various conversations and messages from Halcore Group, Inc. d/b/a American Emergency Vehicles ("AEV") regarding the negative impacts the current unprecedented global supply chain challenges are having on our operations and supply chain. Please be advised that AEV is experiencing material delays in obtaining certain critical components required to manufacture ambulances due to unforeseen circumstances that are beyond our reasonable control, including a shortage of chassis, electronic components and HVAC units (the "Critical Supply Components").

Despite best efforts to remain fully operational during this time, AEV is invoking force majeure. AEV has taken significant steps to mitigate the impact of Critical Supply Component shortage, including extensive global efforts to attempt to source comparable components from alternative suppliers and to adjust our manufacturing processes to attempt to maintain normal operations. Nevertheless, the Critical Supply Component shortage has severely limited AEV's ability to manufacture product. Specifically, AEV is unable to maintain a normal production schedule because the Critical Supply Components shortage renders AEV unable to build complete ambulances in accordance with required product specifications and regulatory compliance requirements. These events could not have been foreseen or avoided by AEV and makes invoking force majeure necessary. In addition, as a result of the Critical Supply Components shortage, the fundamental purpose of the Contract has been frustrated rendering performance impracticable and impossible.

Accordingly, AEV is notifying you that your delivery of pending AEV orders (new vehicle and/or remounts) will be delayed due to the unforeseen impact of the Critical Supply Components shortage. AEV fully intends to resume normal operations and delivery of the Ordered Units as soon as practicable once the Critical Component Supply shortage is resolved. In addition to the foregoing, AEV reserves all rights and remedies afforded under the agreement and at law.

We are grateful for your partnership and regret any inconvenience this situation may cause for your organization. We will continue to use diligent efforts to mitigate the impact of this situation on you and our other customers. As we work to better understand the situation, we will continue to provide updates regarding the impacts to AEV and to your organization. Should you have any questions regarding this notice or would like to discuss this matter in greater details, please contact me.

Sincerely,

A handwritten signature in black ink that reads "Randy Barr". The signature is written in a cursive, flowing style.

Randy Barr
AEV Director of Sales

**165 American Way – Jefferson, N.C. 28640
336-846-8010 – FAX 336-982-9826**



Mr. Pete Buttigieg
Secretary, Department of Transportation
1200 New Jersey Avenue, SE
Washington, DC 20590

Dear Secretary Buttigieg:

We are writing to you to share with you our concerns regarding the availability of ambulance chassis and its impact on the delivery of ambulances to all services nationwide. The issue is now at a crisis level.

The American Ambulance Association (AAA), International Association of Fire Chiefs (IAFC), International Association of Fire Fighters (IAFF) and National Association of Emergency Medical Technicians (NAEMT) represent the providers of vital emergency and non-emergency ground ambulance services and the paramedics, emergency medical technicians (EMTs) and firefighters who deliver the direct medical care and transport for every community across the United States. Our members are all experiencing the strain of a shortage of vehicles, and we request that the Department of Transportation leadership encourage the chassis manufacturers to prioritize ambulance chassis productions so we can get inventory to the appropriate and necessary levels.

Lead times for new ambulance deliveries have extended from pre-pandemic norms of 90-120 days (from order to delivery) to 24 months and longer. This means that when an EMS provider loses an ambulance to a crash, or when it exceeds its useful/safe life, they have to wait almost two years to replace it - making it harder to ensure timely responses to 911 calls. A multitude of supply chain issues are impeding ambulance manufacturing, but the significantly reduced and erratic supply of ambulance chassis is the most crippling of the shortages.

Ambulance chassis are supplied by automotive original equipment manufacturers (OEMs) including Ford (accounting for about 80% of demand), GM, Chrysler, Daimler Trucks -North America and Navistar. These OEMs allocate a portion of their chassis production to be built with their required ambulance prep packages. For the past year and a half, ambulance manufacturers have been receiving only a fraction of their chassis orders. This has greatly slowed and disrupted production, and recently necessitated furloughs and layoffs at ambulance factories in places such as Indiana, North Carolina and Ohio. Ambulance factories in California, Florida and elsewhere in the U.S. risk having to furlough employees if supply chain issues are not quickly addressed. These staff reductions will hinder future recovery of the ambulance industry due to very tight labor markets and the time needed to train replacement employees.

The supply issues are happening at a time when ambulance demand from EMS providers is at record-high levels. In a typical year, the North American ambulance industry receives about 6,000 orders. Since 2020, that demand has continuously grown and in 2021 orders increased to 8,500/year (an increase of 41%). A growing chorus of fire chiefs and private EMS providers have gone on record stating their concern about ambulance shortages, including the Chief of EMS at the Fire Department of New York (FDNY), the Deputy Chief at the Washington DC Fire Department (DC Fire), representatives for the Fire Departments of Nashville, Detroit and Miami-Dade, in addition to the Fleet Director at American Medical Response (AMR), which is the largest private ambulance service operator in the U.S.

While the nation is facing supply chain issues in virtually every sector, this issue is a rapidly emerging threat to public safety. The lack of proper equipment puts additional pressure on an EMS system that is already over-stressed. This comes at a time when the country is still battling the COVID-19 pandemic, bracing for hurricane season, and dealing with increased roadway fatalities. The fifth pillar of the Department of Transportation's "National Roadway Safety Strategy" is Post-Crash Care - "Access to emergency and trauma care is critical to the survivability of crashes." The availability of ambulances is a critical element of post-crash care, and the safety of the patients, the first responders and must be addressed immediately.

Through our ongoing discussions with ambulance manufacturers, we know that for the past year they have been raising this issue with the chassis OEMs, several federal government organizations and lawmakers across the country. To date, they have gotten little meaningful traction and the situation has only deteriorated. What is even more alarming is that the chassis OEMs have indicated that the supply issues will continue well into 2023.

Secretary Buttigieg, we are calling upon you to step in and help to resolve this situation. The nation's ambulance manufacturers need a steady, predictable supply of these ambulance-specific chassis to keep production running smoothly and to catch up on the unacceptable backlog of orders from our nation's EMS providers. We ask that the DOT work with the chassis OEMs to truly prioritize EMS by allocating a larger portion of their builds to ambulance manufacturers. Chassis supply should be restored to pre-crisis levels that allow for a continual 90-days of supply. This will position ambulance manufacturers to properly serve our members with timely production. Our hope is that with your help, the right people can come together to solve this issue in support of our nation's EMS providers.

Thank you in advance for continuing to help ensure that ground ambulance service organizations and fire departments and our paramedics, EMTs and firefighters have the ambulances necessary to continue providing critical emergency 9-1-1 and non-emergency care and medical transport.

Sincerely,

American Ambulance Association

International Association of Fire Chiefs

International Association of Fire Fighters

National Association of Emergency Medical Technicians