

MEMORANDUM

TO: Claire Powell, City Manager

FROM: David Erb, Director of Finance

DATE: August 18, 2025

SUBJECT: Approval of a Resolution of the City Council of the City of Lewisville, Texas, Approving the “Draft” Fiscal Year 2026 Annual Budget of the Denco Area 9-1-1 District, Pursuant to the Texas Health and Safety Code, Chapter 772, as Amended; and Providing an Effective Date.

BACKGROUND

At its regular meeting on July 10, 2025, the Denco Area 9-1-1 District Board of Managers unanimously approved the Draft Fiscal Year 2026 Annual Budget. Pursuant to Section 772.309 of the Texas Health and Safety Code, Denco Area 9-1-1 is required to provide a draft of its annual budget to all participating jurisdictions for a review and comment period.

ANALYSIS

Staff performed a review of the draft budget and is not recommending changes to the budget as presented. The following are highlights and excerpts from the Denco Fiscal Year 2026 Annual Budget:

Total anticipated revenues for FY 2026 are \$6,625,000, reflecting a decrease of \$830,000 from the previous year. This reduction is primarily due to the elimination of grant funding from the Texas Senate Bill 8 program, which supported the ongoing operation of next-generation 9-1-1 and accounted for \$815,000 in the prior year’s budget. While service fee revenue is expected to increase slightly by \$43,000, bringing the total to \$6,130,000, non-service fee revenue, which includes grants, investment income, contract service revenue, and miscellaneous income, is projected to decline significantly to \$495,000, down \$875,000 from FY 2025.

Financial support for Denco operations comes from the 9-1-1 service fees assessed to district citizens through their telecommunication service supplier. No fees are charged to, or paid by, member entities within the district. The service fee must be set at a uniform rate across the entire district. It is collected and remitted based on the total jurisdiction, without any breakdown by municipality.

As required by statute, the board annually sets the wireline 9-1-1 service fee rate to meet current and future financial needs. The proposed budget includes no changes to the wireline service fee for FY 2026, which remains \$1.50 for residential service and \$1.80 for business service.

On the expenditure side, the total proposed for FY 2026 is \$8,165,685, which is a reduction of \$2,085,183 compared to the previous fiscal year. Expenditures are categorized into Personnel, Administration, and Direct Services.

Personnel costs are proposed at \$2,643,435, representing 32.4% of the total budget and reflecting a 2.42% increase from the prior year. This includes salary adjustments such as a 3% merit-based increase, skills-based (certification) pay, and a 2.4% cost-of-living adjustment based on consumer price index data for the Dallas-Fort Worth Consolidated Statistical Area as of May 2025.

In early 2025, Denco contracted with an independent human resource consulting firm to conduct a thorough review of the Denco employee pay classifications to validate both internal equity and market appropriateness. The study examines similar jobs in the comparator organizations based on duties, competencies and qualifications. The analysis will be completed during the summer of 2025 and will include recommendations to ensure Denco remains competitive in the aggressive employment market.

Benefits are expected to total \$837,146, a 5.1% increase from the prior year primarily due to higher health insurance premiums. Denco employees receive medical insurance through the Texas Health Benefits Pool (formerly TML Health Benefits), with Denco covering increases in employee premiums, while family coverage costs are shared between the organization and employees. Dental insurance premiums will remain unchanged.

Administrative expenditures for FY 2026 are proposed at \$649,950, which makes up 8.0% of the overall budget and reflects a \$72,650 increase from FY 2025. The majority of this increase is attributable to one-time facility expenses, including roof repairs, screening wall replacement, security system upgrades, network cabling improvements, and enhancements to the training room.

Direct Services, which are central to the District's mission and encompass 9-1-1 operations, GIS, database management, rural addressing, the training academy, public education, and related capital projects, are budgeted at \$4,872,300. This represents 59.7% of total expenditures but also reflects a \$2,220,400 decrease, or 31.3% from the previous year. The reduction is primarily due to the completion of major capital projects, including the buildout of two emergency communications centers and the refresh of technical workstations, which drove down equipment-related expenses by \$2,460,000.

Additional details, including further financial breakdowns and contextual information, are provided in the introduction memos from the Board Chair and Executive Director, as well as in Sections 4 through 6 of the Annual Budget.

CITY STAFF'S RECOMMENDATION

That the City Council approve the resolution as set forth in the caption above.