MEMORANDUM

TO: Claire Powell, City Manager

FROM: David Erb, Director of Finance

DATE: August 17, 2026

SUBJECT: **Approval of a Resolution of the City Council of the City of Lewisville, Texas, Approving the "Draft" Fiscal Year 2027 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 9, 2026, the Denco Area 9-1-1 District Board of Managers unanimously approved the Draft Fiscal Year 2027 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. Staff performed a review of the draft budget and is not recommending any changes to the plan as presented.

ANALYSIS

The following are highlights and excerpts from the Denco Fiscal Year 2027 Budget:

Total anticipated revenues for FY 2027 are $6,915,000, reflecting an increase of $290,000 from the previous year. Service fee revenue is expected to increase $295,000, bringing the total to $6,425,000. Non-service fee revenue, which includes grants, investment income, contract service revenue, and miscellaneous income, is projected to decline $5,000 to $490,000.

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 2027, which remains $1.50 for residential service and $1.80 for business service.

On the expenditure side, the total proposed for FY 2027 is $9,011,375, which is an increase of $845,690 compared to the previous fiscal year. Expenditures are categorized into Personnel, Administration, and Direct Services.

The personnel budget maintains the District's current staffing levels, with no new permanent positions added. Total personnel expenditures are budgeted at $2,994,525, representing 33.2% of the District's total proposed budget. The budget includes a 2.6% cost-of-living adjustment, based on the Consumer Price Index for the Dallas-Fort Worth-Arlington area, along with a 3% merit pool to support performance-based salary increases and help the District remain competitive in attracting and retaining qualified employees.

Employee benefits reflect several changes for Fiscal Year 2027. The budget maintains the District's elected 10% contribution rate to the Texas County and District Retirement System (TCDRS), and includes $170,000 designated for potential retiree cost-of-living adjustments. Health insurance costs increase significantly, with a 25% increase in medical insurance premiums, while dental insurance premiums remain unchanged. In addition, the District is introducing a short-term disability benefit to provide income protection for employees experiencing qualifying medical conditions. The budget also includes funding for a temporary finance intern to provide operational support during a planned employee absence, addressing a short-term staffing need without creating a permanent position. Additionally, a follow-up compensation market review is planned for Spring 2027 to ensure the District's pay structure remains competitive following the comprehensive classification and compensation study completed in 2025.

Administrative expenditures for FY 2027 are proposed at $614,350, which makes up 6.8% of the overall budget and reflects a $35,600 decrease from FY 2026. The majority of this decrease is attributable to the completion of one-time facility expenses.

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 facility improvements, are budgeted at $5,402,500. This represents 60.0% of total expenditures but also reflects a $530,200, or 10.9% from the previous year.

The Denco Board is actively addressing the District's structural funding imbalance, driven in part by a wireless 9-1-1 service fee that has remained unchanged for approximately 30 years. During the 2021 and 2023 legislative sessions, state grants provided short-term funding relief as a temporary alternative to increasing the wireless service fee. Denco and the Texas 9-1-1 Alliance plan to pursue a wireless service fee increase during the 2027 legislative session and, if necessary, again in 2029.

The Board's goal is to achieve a sustainable funding model by 2030. If legislative relief is not secured, the Board may consider adjustments to the wireline service fee, program cost reductions, or a combination of both.

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 budget document.

CITY STAFF'S RECOMMENDATION

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