

MEMORANDUM

TO: Donna Barron, City Manager

FROM: David Erb, Director of Finance

DATE: August 1, 2021

SUBJECT: **Approval of a Resolution Approving the Draft Fiscal Year 2022 Financial Plan of the Denco Area 9-1-1 District**

BACKGROUND

At its July 8, 2021 regular meeting, the Denco Area 9-1-1 District Board of Managers approved the FY 2021 draft financial plan. 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 financial plan to all participating jurisdictions for a review and comment period. Staff performed a review of the draft financial plan and is not recommending changes to the plan as presented.

ANALYSIS

The following are highlights and excerpts from the Denco 2022 Financial Plan:

Total revenues anticipated for FY 2021 are \$5,806,500. This includes revenue from wireless and wireline service fees and non-service fee revenue including grants, interest income, contract service revenue and miscellaneous revenue. The largest portion is derived from service fees and totals \$5,509,000. This is an overall increase of \$250,000 from what was budgeted for fiscal year 2021. The increase in this revenue is attributed to a rise in service fee revenue derived from wireless service providers. Wireless service fee revenue increased \$315,000 due to a rise in subscribers. Wireline service fee revenue, on the other hand, saw a decline of \$50,000 due to a drop in line count. Non-service fee revenue includes grant income, investment income, charges for service and miscellaneous revenue. Total non-service fee revenue projected for FY 2022 is \$297,500.

As required by statute, the board annually sets the wireline 9-1-1 service fee rate to meet current and future financial needs. The monthly wireline service fees for FY 2022 will be \$1.32 for residential customers and \$1.59 for business customers. The FY22 budget is prepared anticipating **no changes** in 9-1-1 service fee rates for residential and business lines.

The total expenditures of \$7,328,187 proposed in the FY 2022 budget reflect a \$2,613,662 increase in spending when compared to the estimated expenditures for FY 2021; and a \$1,884,629 increase in spending compared to the FY 2021 approved budget. The COVID-19 outbreak had a significant impact on fiscal 2021 expenditures. Fiscal Year 2022 anticipates a return to normal operations along with investments in public safety technology and enhanced 9-1-1 call handling.

Proposed expenditures for the draft plan can be broken down into three categories: Personnel, Administration, and Direct Services.

Personnel - Total personnel expenditures proposed in FY 2022 is \$1,737,537, or 23.7% of the total budget, representing an increase in this budget section of \$174,830 when compared with the FY 2021 approved budget. To accommodate the operational workload and changing staff structure, this budget includes a reallocation of the deputy executive director position to technical services manager. The resulting salary savings partially off-set the additional GIS specialist position identified several years ago to assist in support for enhanced location data collection and graphic display and preparation for more robust spatial routing of 9-1-1 calls. Salaries reflect 3% for potential merit-based pay increases and skills-based (certification) pay and 2.3% market adjustment. Total benefit expenditures proposed in FY 2022 are \$90,976 more than approved in the current fiscal budget, due to an increase in the required contribution rate for the Texas County and districts Retirement System and a slight increase in health insurance premiums.

Administration - Administration expenditures reflect organizational functions that support the overall operation of the agency. Expenses include business software, contract services, office equipment, travel, and professional development for administrative functions. Expenditures proposed for FY 2022 are \$363,300 or 5.0% of the total budgeted expenditures. Proposed spending in this category actually decreased slightly, \$200, from the prior fiscal year.

Direct Services – Direct Services expenditures are the core mission of the District. These direct services include 9-1-1 technical and operational elements, Geographic Information Systems, database, rural addressing, the training academy, public education, and supporting capital projects. Expenditures for these services account for \$5,227,350 or 71.3% of the FY 2022 budget. Included in this cost is the implementation of the public safety radio communications consoles at the Denco Annex. The initial cost of the system, as proposed, is \$1,305,000 before negotiated discounts with annual recurring costs of approximately \$100,000. Also included in the Direct Services budget is \$131,500 to interface the radio system with the district's IP recording system.

For additional perspective on the draft financial plan, please read the introduction memos from the Board Chair and Executive Director. Additional financial information and budget details can be found in Sections 4 through 6 of the Plan.

RECOMMENDATION

It is City staff's recommendation that the City Council approve the resolution as set forth in the caption above.