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by Blake Rasmussen

Pflugerville Emergency Services District Faces Falling Revenue

Emergency Services District No. 2—which includes the Pflugerville Fire Department—is facing revenue cuts that could lead to departmental cuts or possibly a vote for a new ESD.

Fire chief: Financial model unsound, new funding sought

Declining revenues, rising costs and proposed annexations have forced officials with Travis County Emergency Services District No. 2—which serves Pflugerville—to take out more than \$1 million in loans and reconsider the district's entire financial structure.

"If this were presented as a business plan in the private sector, it wouldn't be considered a sound financial model," Fire Chief Ron Moellenberg said.

Finances have become so strained, Moellenberg said, that the district is even considering the creation of a second ESD—which would require voter approval—a move that would effectively raise area taxes.

The department is being squeezed from a number of directions, including a declining property tax base, rising call volume, one-time expenses associated with last September's fires and the possibility of portions of the district being annexed by Austin.

"Costs go up, call volume goes up, money's not as free as it was," Moellenberg said.

Declining tax base

ESDs are primarily supported by a 10-cent property tax and a half-cent sales tax. Unlike cities, ESDs cannot adjust their tax rate above that rate to account for a decrease in the tax base, which is what ESD No. 2 now faces.

The taxable value in ESD No. 2 hit a high of just more than \$6 billion in 2009, according to the Travis County Central Appraisal District. Since then, property values have declined by nearly \$169 million, or about 2.8 percent.

As a result, property tax revenue for the district peaked at slightly more than \$6 million in fiscal year 2010 but is estimated to drop to \$5.7 million in fiscal year 2012.

While total revenue from taxes has remained relatively stable—revenue from the half-cent sales tax increased from about \$2.7 million to \$3 million between 2010 and 2012—it has not kept pace with expenses.

For example, tax revenue from fiscal year 2007 to 2008 increased by about \$500,000. The following year, it increased by \$800,000. Between 2010 and 2012, revenue differed by just \$50,000.

To keep up, Moellenberg said the district has had to dip into its reserve fund, taking out more than \$1 million between fiscal years 2011 and 2012. "That's not a sound financial model; you can't keep drawing out of savings," Moellenberg said.

Rising costs

At the same time as revenues have been slowing, call volume has been picking up.

Figures provided by the district show that year-to-year call volume has increased between 4 percent and 8 percent nearly every year since 2006.

The result has been rising costs just to maintain the status quo.

"Those big red gas hogs out there require fuel to move down the road, and when you're faced with [the] increasing call volume that we are, well, you're consuming more fuel at a higher rate," Moellenberg said.

This year has especially been taxing on ESD No. 2, in part because of three major fires— Hoddie Lane, East Pflugger Street and Pigeon Forge Road—that threatened large areas in and around Pflugerville Sept. 5.

"We got slammed at the end of the year," Moellenberg said.

The Hoddie Lane fire alone cost the department more than \$76,000, about \$50,000 of which came from personnel costs inflated by the overtime necessary to keep the fires in check. Some of that could be reimbursed by the federal government, Moellenberg said, but not all.

The district has also had to dig further into its pockets to pay for equipment. State law requires the department to replace even functioning gear every few years, and the department also had to replace two brush trucks that were damaged in fires.

To pay for those costs, Moellenberg said the ESD Commissioners approved taking out a loan of \$1,117,462 last year to pay for equipment.

Annexation

Another threat to the Pflugerville Fire Department's revenue stream is Austin's annexation plans, which can take taxable areas from ESDs.

ESDs throughout Travis County have been hit financially by annexations by the City of Austin, which has its own fire department.

"That's a threat to the ESDs for sure," said Bob Nicks, Austin Fire Department battalion chief and the president of the Austin Firefighters Association. "It harms the ESDs because it takes away their tax revenue."

Virginia Collier, city planner for Austin, said staff would likely bring an annexation plan to the Austin City Council in October to officially annex the area around I-35 and Grand Avenue Parkway, which is located in ESD No. 2. Because the area is almost entirely commercial, state law would only require 30 days notice before the annexation is complete.

Moellenberg said such an annexation would have a "significant financial impact," and that he expects that one day Wells Branch and Northtown MUD will be annexed as well.

Solutions

Moellenberg said a number of solutions are being kicked around, including the possibility of letting voters vote to establish another ESD in town, allowing one ESD to focus on medical services and one on fire, for example.

That would involve voters voting to essentially raise their taxes, as both the current ESD and any new ESD would be able to collect up to a 10-cent property tax.

For that reason and others, Moellenberg said the district was not ready to campaign on the issue, but was considering it.

Moellenberg said the district is also already looking at ways to improve efficiencies, both as a way to do more with less and to improve response times.

“We are losing ground. Our response times are longer, we’re tied up on more incidents where we’re not free and we’ve got to correct that first,” Moellenberg said. “And then we can talk about where we go from there.”

Personnel costs

One of the areas Moellenberg said the district was unlikely to touch soon was personnel costs.

“Recently a citizen said, ‘What have you done to tighten your belt? Have you cut people, have you cinched up, done salary freezes?’” Moellenberg said.

But, he said, “We can’t do that. If what we deliver is a human service with humans, we have to continue to take care of our people so that they are there to provide that service.”

In fact, Moellenberg said, ESD No. 2 still lags behind national standards in staffing. While four firefighters per truck is standard, the Pflugerville fire department has a minimum staffing of three.

Four firefighters are assigned to each truck, but any time one is on leave, there is no replacement. Moellenberg said, more often than not, trucks have three firefighters.

Moellenberg also said the Pflugerville fire department still lags behind other area districts in pay, especially for new recruits.

Monica Reed, the executive director for staff services with EDS No. 2, said the district has an average hourly pay of \$12.35.

“Even at \$12.35, I dare say you can go down here to the hamburger joint and make darn near \$12 an hour,” Moellenberg said.

His focus, Moellenberg said, is to keep the budget trim and find new ways of financing without citizens noticing any difference in service.

“This is a costly business,” he said. “But it’s where we take care of our citizens, and that’s what we’re here for.”