

**DISCUSSION: DISTRICT BUDGET and FINANCE**

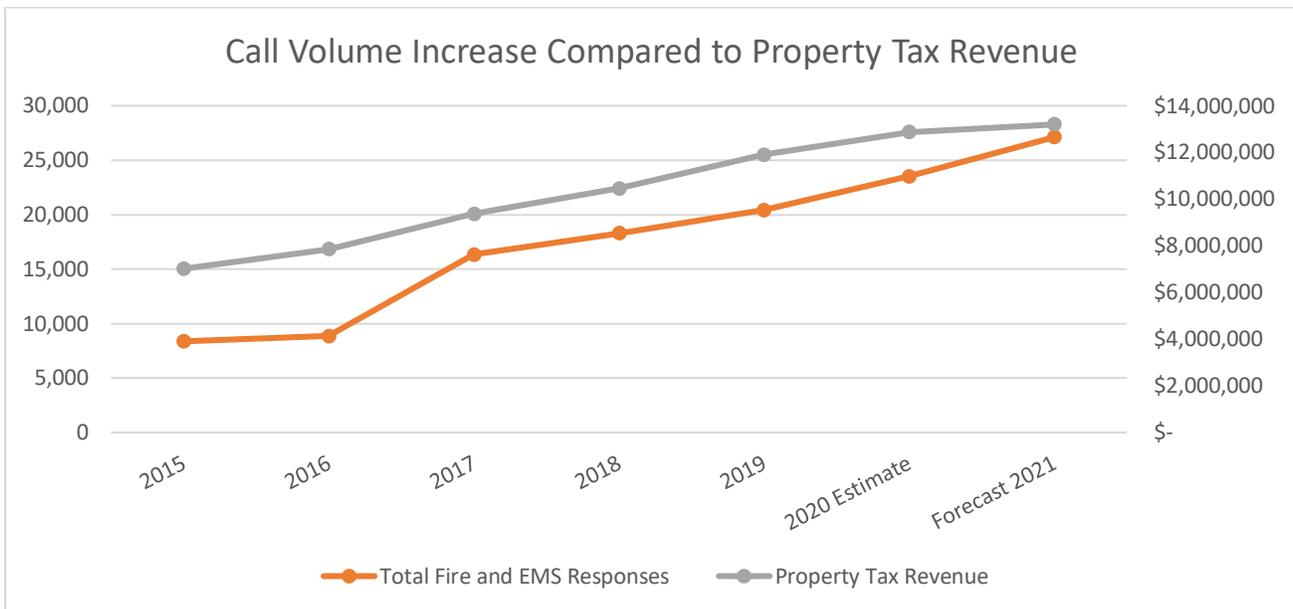
As we formulate the budget for next year, we remember that the effects of SB-2 on the District’s budgeted revenues were discussed openly over a year ago. Not all emergency services districts will see immediate effects of the passage of SB-2 but it does have profound effect on emergency services districts like ours. That is our District is (1) large with respect to population and demographics; (2) responds to an extraordinarily large number of emergencies; (3) provides a very comprehensive range of services; and (4) tremendous growth in the District does not offset negative impacts of SB-2.

The difference we see this year is that SB-2 is in force; and, while COVID is a contributing factor it is limited in its long-term effect. However, the long-range effect of revisions to the property tax levy are more permanent particularly with emergency services districts having a 10-cent tax ceiling; and, a requirement to include both maintenance/operation and debt service in that single 10-cent cap.

Our budgeting process is always focused on solvency of the District, (living within the confines of financial reality). We also remain aware that at any given point in time we could face totally unexpected emergency events like wildfires, conflagrations, floods, or other such expensive impacts on our general budget. That is why efforts have been made over the years to create reserve funds that cover those unexpected events.

Again, a prime concern is the effect over time, of SB-2. Looking at Figure 1 the important observation to be made is that the rates of increase of calls versus rate of increase in property tax revenue. EMS responses certainly have contributed to the District’s dramatic increase in calls for service. However, that increase is not simply because of ambulance calls. The District was making first response EMS calls prior to implementation of the ambulance transport; and that was a necessity even then because of the level of EMS service that was available. (Only two ambulances assigned in this District).

Figure 1.



The District did begin its ambulance system in 2017. It was a necessity then, considering the number of calls that we responded to in relation to the number of ambulances assigned to the District by the Austin-Travis County EMS system. Prior to 2017 the District was truly filling the gap while waiting for advanced life support and transport of patients. Prior to that plans were to involve the District, the City of Pflugerville and Travis County to build a partnership for a comprehensive EMS system. Those plans were set aside due to political atmosphere of the time.

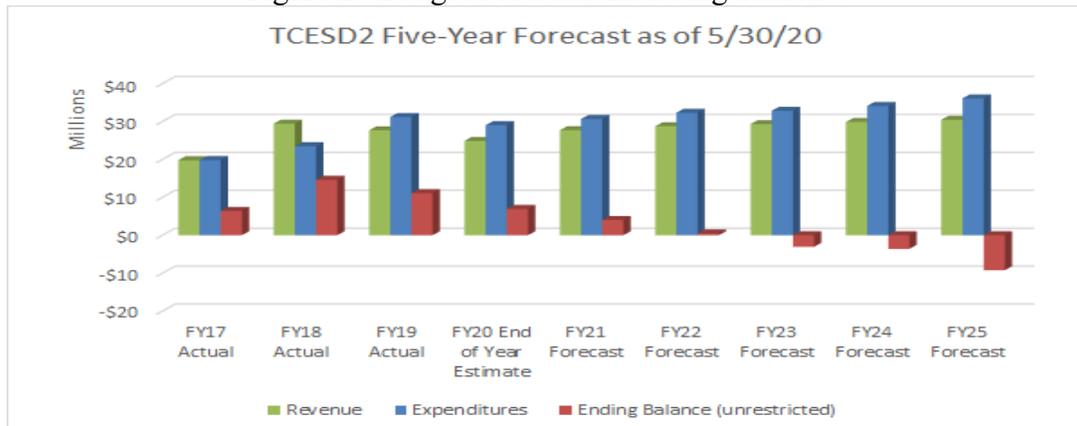
Use of private EMS services were also considered. However, the long-term effects and needs of the community pushed the District to move forward and assume the full responsibility as it does today. Presently we have a minimum of 5 ambulances operating 24/7. While the per unit costs for initiation and operation of the District’s ambulances are nearly half of what we see for other service providers, that cost is being borne wholly by the District’ operating budget.

The funding mechanism designed and implemented by State Legislation for Emergency Services Districts was in fact designed to help mostly volunteer fire departments in rural settings to ease the burden of fire protection that relied largely on fund raising activities. This District exists today because of this very premise, having developed from the days of volunteers that not only responded to emergencies, but also existed by the proceeds from bake sales, bar-b-cues, street dances, and donations from the public. As a comparison it has been demonstrated that municipal fire departments can cost cities 24 – 45 cents of their ad valorem tax rate. (That is for maintenance and operation and does not include debt service for capital assets). Additionally, these are generally cases where the fire department does not provide EMS transport.

The District’s financial position this year is on solid footing even as we deal with the ongoing COVID disaster. That is because of District Commissioners and Administration that are focused as addressed above. Realistic and careful planning have always readied the District to face its challenges. During the June 2019 Planning Conference there were discussions about the long-range effects of SB-2 coupled with the effects of growth and development in the District. All of this along with our newest and most complicated mission of providing EMS advanced life support and ambulance transport makes us once again plan carefully to offset the forecasted financial challenge.

Figure 2 below, is a refinement of data that was first revealed in June 2019. It has been updated to reflect more current financial information (as of May 2020). Expenditures that satisfy strategic objectives will exceed projected revenues and erode reserve funds beyond the point of solvency.

Figure 2. Budget Forecasts Including Station 6



Attendees at the June 2019 Planning Conference began discussions about means to offset the projected imbalance between revenues and expenditures. The equation that yields solvency is simply that revenues must be increased; or, expenditures reduced and/or services curtailed.

The Board of Commissioners and District staff have always been committed to reduction of costs in all areas possible. The responsibility to return the greatest value to taxpayers is a basic tenet taught to all personnel early in their employment. One prime example is the District's extensive systems of equipment maintenance that prevent costly after the event repairs. Another larger example is that we have begun to explore refurbishment of fire apparatus rather than buying new trucks. We desire to continue efforts to provide the highest level of service to our customers, while we continually evaluate our unit costs of operation to ensure the balance of greatest value.

In a system such as ours, deeper cuts in the budget can only be achieved by limitations of the services provided. That translates into a lower service level that will be experienced in the community we serve. It easily takes us back to times like we experienced prior to 2017 when the high-quality, highly responsive EMS that exists today was not the case.

Raising fees for service and more stringent billing practices were discussed in 2019 as an option to raise revenues. This will be considered in the coming weeks as part of adopting the FY '21 Budget. Even so, that action if approved will not fully correct the effects of SB-2. (Refer Figure 1. Rates of Increase Call Volume / Ad Valorem Tax Revenue).

Several districts in Travis County have had similar dilemmas addressed by voter approval for an overlay district. In those cases of district overlay one district is focused on finance for EMS while the other is focused on finance of fire suppression and prevention services. This created a long-term solution that addresses rapid growth and development leading to greater service costs superimposed on slower gains in revenue.

District Commissioners must be mindful that efforts to create an overlay district have to originate at the property owner/voter level of people living in the district. For that reason, it is not an option that can be considered as a "*Commissioner Fix*" to the outlined issues.

In conclusion, it is my intent to provide Commissioners with precise and detailed information regarding the current and future financial situation that we face. As the appointed officials for Travis County ESD No. 2 Commissioners will be called upon by the public, your political peers, and the media because of the COVID emergency. The importance of this is that the real and longer lasting problem is the pre-existing financial hardship that has been coming our way.

In the coming days District Staff will provide you with more directed and printed information that you can use as reference.