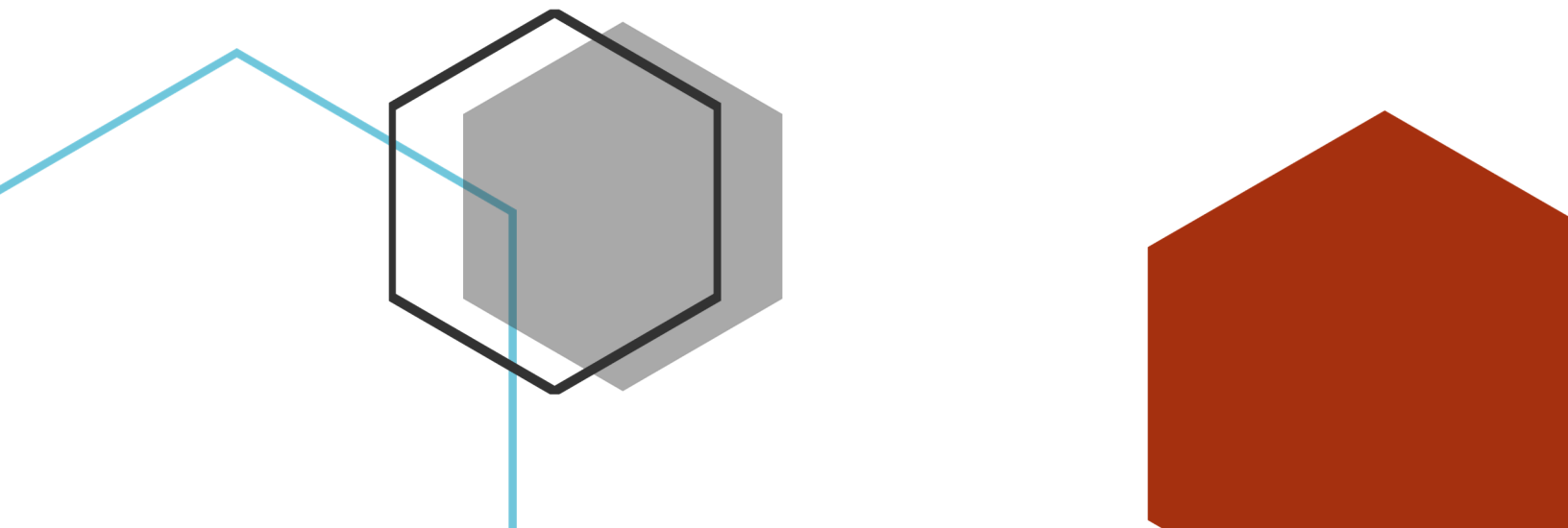


PRINCIPLES OF SOUND FINANCIAL MANAGEMENT

Travis County Emergency Services District No. 2

September 2021





Travis County Emergency Services District No. 2

Mission

To provide public safety services to the community.

We are committed to the preservation of life and property in that order. We will meet those needs by being a high performing fire department that educates the community on fire prevention, administers the fire code, prepares for and responds to incidents involving Emergency Medical Services, Fires, Hazardous Materials, Water Rescues, Confined Space Rescues, Building Collapses, Transportation Accidents, Unsafe Conditions, and Public Assistance.

Vision

We serve and protect health and safety and strive to enhance the quality of life. We are recognized as the Fire Department that goes above and beyond, providing superior levels of traditional and innovative services.

Our vision outlines what our organization will be in the future. It is a beacon for planning for the future as we continue to meet demands of our constituency. We will maximize commonly accepted methodologies to go beyond traditionally accepted practices to better serve our community.

Motto

Because We Care.

Leadership



Board of Commissioners

- President – Mike Bessner
- Vice President – Rico Reyes
- Treasurer – Mike Howe
- Assistant Treasurer – April Griffin
- Secretary – Robert Turner

Staff

- Fire Chief – Ron Moellenberg
- Assist. Chief – Nick Perkins
- Deputy Asst. Chief – Mark Moellenberg
- Finance Director – Jessica Frazier
- Facilities Director – Victor Gonzalez
- HR Director – Rob Humphrey



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Governance

The Travis County Commissioners' Court appoints five members to the Travis County Emergency Services District Number 2 (TCESD2, District) Board of Commissioners who govern the operations of TCESD2. They are appointed to staggered two-year terms, represent a cross-section of the TCESD2 and meet on a regular basis to determine administrative policy and perform financial oversight.

The TCESD2 Board of Commissioners appoints the District's Fire Chief. He/she is authorized to organize and direct the operations in an efficient and effective manner. The current Fire Chief is Ronald Moellenberg and he has been employed as the Fire chief since 1986.

Service Area

TCESD2 was created according to Chapter 775 of the Texas Health and Safety Code. TCESD2 provides fire prevention, fire suppression and emergency medical services to an estimated population of more than 139,000 residents in an area of about 75 square miles in northeast Travis County. It was created in 1992 when local property owners voted to convert an existing rural fire prevention district to the current emergency services district.

The service area is roughly bounded by Farm-to-Market Road 1325 in the West, the Travis-Williamson County line on the North, Manda Carlson Road and Cameron Road on the East, and Yager Lane, Dessau Road and Howard Lane on the South. The City of Pflugerville lies within the boundaries of the District and there are two large municipal utility districts included, Wells Branch and Northtown.



Introduction

The Principles of Sound Financial Management establishes a foundation for the fiscal strength and stability of Travis County ESD No. 2. These Principles guide the Board of Commissioners and Executive Team as they make fiscal decisions regarding resource allocations and annual appropriations. Fiscal principles assure sound stewardship of taxpayer dollars as they guide the District in the planning of expenditures, revenues and funding arrangements for public services and ensure budget flexibility and structural stability to weather economic cycles.

The financial condition of the District must be maintained at the highest level to assure resources are available to meet the community's ever-changing needs and these Principles reflect the District's commitment to continued fiscal strength.

This is the first edition of the formalization and publishing of Principles of Sound Financial Management, though the District has operated under these principles since the beginning of the creation of the ESD. Establishing, adhering to and updating these guiding financial policies improves the District's image and credibility with the public.

As the District and its citizen base continue to grow and become more complex, policy changes are occasionally needed. It is important to regularly engage in the process of financial planning including reaffirming and updating these financial guidelines and it is the District's intent to review them at least annually and update them as needs change.



Policy I – Fund Balance

Committed Fund Balance: The District maintains a “Rainy Day” fund of \$3.5 million that was established by the Board of Commissioners in July 2016. This committed fund balance is to be used only during unforeseen financial conditions that adversely affect the District’s finances and requires Board approval to use or change these funds.

Minimum Fund Balance: The District shall maintain a minimum General fund balance of at least three months of general fund operating expenses which includes salaries, benefits, services, and supplies, but excludes debt service payments and capital outlay expense. This fund balance is in addition to the Committed Fund Balance and will be utilized if needed in the event of revenue unavailability or economic downturn.

Policy II – Grants

The District strives to utilize all available resources to fund operations and equipment including grant funding. The District shall research and apply for grants provided:

- The cost to administer the grant doesn’t exceed the benefits provided by the grant;
- The grant terms and conditions align with those of the District and all other applicable laws and regulations the District must follow;
- Programs can be completed within the allotted time frame utilizing the allotted grant resources.

All grants and other Federal and State funds shall be managed to comply with the laws, regulations, and guidance of the grantor, and all gifts and donations shall be managed and expended according to the wishes and instructions of the donor.



Policy III – Debt

The District shall strive to utilize debt responsibly with the goal to maintain a debt service to total expenditure (operating expense combined with debt service) level of less than 15%. Debt shall never be used to fund current expenditures.

The District shall evaluate all available debt options (voted-bonds, private placement, etc.) and perform a cost-benefit analysis to determine the most financially advantageous option.

The term of debt issued shall never exceed the useful life of the asset.

The use of reimbursement resolutions shall be encouraged as a cash management tool for debt funded projects. Reimbursement resolutions may be used for any project which is funded within the department's operating budget or included on the schedule of capital projects to be funded by debt in a subsequent year.

The District shall make every effort to secure debt with funds on hand and only may pledge their tax revenue when financially advantageous.

Policy IV – Long-Term Financial Planning

The District shall create a five-year forecast annually to determine the financial capacity of the District's Strategic Plan. The forecast shall project revenue and expenditures conservatively and identify potential imbalances in revenue and expense. The forecast shall be presented to the Board of Commissioners in the annual strategic planning session along with Strategic Plan updates.

Policy V – Budget

The District shall present each year to the Board of Commissioners a structurally balanced budget. Current revenue, which does not include the General Fund beginning balance, will be sufficient to support current expenditures (defined as "structural balance"). Unreserved fund balances in excess of required shall normally be used to fund capital items in the operating and capital budget. However, if projected revenue in future years is not sufficient to support projected requirements, an unreserved ending balance may be budgeted to achieve structural balance.



Revenue

The District shall project forecasted revenues conservatively and slightly below historical trends. This conservatism is intended to reduce long-term risk associated with potential economic decline. Revenue estimates prepared for the upcoming budget year shall be slightly less conservative.

The following types of revenue will not be included in the annual proposed budget: Funds whose revenue source is primarily donations or contributions from the public, interest on escrow accounts, and grant funds for applications not yet approved.

Charges for services and other fees shall be examined at a minimum of once every five years and adjusted as deemed necessary to respond to changes in cost of service.

Expenditures

Forecasted expenditures shall include ongoing expenses projected utilizing the standard CPI with lump-sum additions for known increases such as new staffing, equipment or capital projects.

Expenditures for the upcoming budget year will be determined on a line-by-line basis of expected program needs. Ongoing routine expenses and maintenance shall be funded on a pay-as-you-go basis.

When new FTE (full-time equivalent) staff or programs are added to the budget, the expenses will be calculated on a prorated basis if they will not begin on October 1st of the proposed budget year. This will allow the District's budget to accurately reflect only expenses that are expected to be realized. This methodology shall be utilized for vacant positions as well.

Capital Projects

Capital project planning shall occur annually as a component of the financial and strategic planning process. The forecast shall contain a projection of upcoming facilities, vehicles and equipment needs including additions and replacements.

Maintenance and replacement funding will be prioritized each year to ensure that capital facilities and equipment are sufficiently maintained to avoid service disruptions.



Consideration for inclusion in the capital budget shall align with the District's capitalization policy for assets which is currently defined as a cost in excess of \$5,000 and a useful life of at least three years.

Capital projects should be financed through a combination of cash and debt and align with the District's debt policy.

Policy VI – EMS Billing

The District shall provide emergency medical services (EMS) to its citizens utilizing a public utility model that relies on fire based EMS delivery. This model combines a blend of subsidy and user fees, with a focus on high quality patient care and system response time performance. This model provides funding through multiple sources including insurance billing, tax revenue and direct patient billing. The District shall also participate in any available funding sources from state or federal programs and grantors as those align with the District's mission and values. The District shall not refer outstanding patient balances to collection agencies. The District will have reasonable and compassionate billing practices that are sensitive to people living below the poverty line.

Information on Other District Policies

The District has adopted numerous detailed financially-related administrative policies that cover topics such as procurement and internal controls. Additionally, the Board of Commissioners is required to adopt an investment policy and review it annually which occurs outside of this document.