



MEMORANDUM

TO: County and City Officials

FROM: Chip VanSteenberg, Executive Director

DATE: July 15, 2025

SUBJECT: MCECD Proposed Budget for Fiscal Year 2026

The Board of Managers for the Montgomery County Emergency Communication District (MCECD) proposes the attached budget for Fiscal Year 2026. This budget is submitted in accordance with the Emergency Telephone Act of the Texas Health and Safety Code, Section 772.309. Before it can go into effect, the budget must be approved by a majority of the cities in the district and by the Montgomery County Commissioners Court. The law allows sixty (60) days to act on this budget. If no action is taken by the governing body, approval is granted by default. The new fiscal year will begin on October 1, 2025.

This memo provides information about MCECD and the proposed budget.

MCECD INFORMATION

The Montgomery County Emergency Communication District (MCECD) is a special purpose district authorized and created under Chapter 772 of the State of Texas Health and Safety Code. MCECD is governed by a Board of Managers consisting of five voting members and one non-voting member. The voting members are determined as follows: two appointed by the Montgomery County Commissioner's Court, two elected by the cities within the district, and one elected by the fire departments that operate in the district. The principal provider of telephone service in the county appoints the non-voting member; AT&T is the principal provider.

MCECD coordinates the 9-1-1 telephone service among five public safety answering points (PSAPs) in Montgomery County. Two PSAPs are primary, meaning they answer original 9-1-1 calls and route them to the appropriate agency depending upon location and the nature of the emergency. The other three are secondary PSAPs which receive 9-

1-1 calls via a transfer from a primary. The PSAPs are all individually operated by public safety organizations. MCECD does not operate a PSAP or employ telecommunicators. MCECD undertakes the following activities:

- Operate a Next Generation 9-1-1 IP-network to intake and process 9-1-1 calls and route them to the correct PSAP
- Provide and maintain the hardware, software and data network for a county-wide 9-1-1 call-handling system
- Financially support two primary PSAPs for answering and screening 9-1-1 calls
- Maintain a Geographic Information System (GIS) and a comprehensive database of street center lines, street names, address ranges, service boundaries and other critical information.
- Serve as the official addressor for the entire county
- Provide an early warning communication service
- Conduct public education on when to call 9-1-1 and what information to provide
- Assist PSAPs in training telecommunicators in the use of the 9-1-1 system

PROPOSED BUDGET – Operating Deficit

Revenues are less than expenditures in the proposed budget which creates an operating deficit of \$380,800. This deficit was anticipated and is being covered by reserves set aside for this purpose. Next Generation 9-1-1 (NG911) operating costs account for \$315,800 of the deficit. The other \$65,000 is a planned expenditure to improve the financial outlook of MCECD's retirement plan.

The cost to operate an NG911 system has emergency communication districts in a financial bind statewide; this is not just a local problem. The Texas 9-1-1 industry forecast these conditions and pressed the Texas legislature to increase 9-1-1 funding. In 2021, they answered by allocating funds from the federal American Rescue Plan Act for an NG911 grant program. MCECD was awarded \$1.7 million which has been drawn down over the last three years. That program ends with the current budget year.

In 2023, the Legislature allocated money for 9-1-1 from the voter-approved Broadband Infrastructure Fund (BIF). MCECD received \$3.6 million from that fund which was put in reserve to cover future NG911 costs. This was a one-time allocation and those funds are being drawn on for the first time.

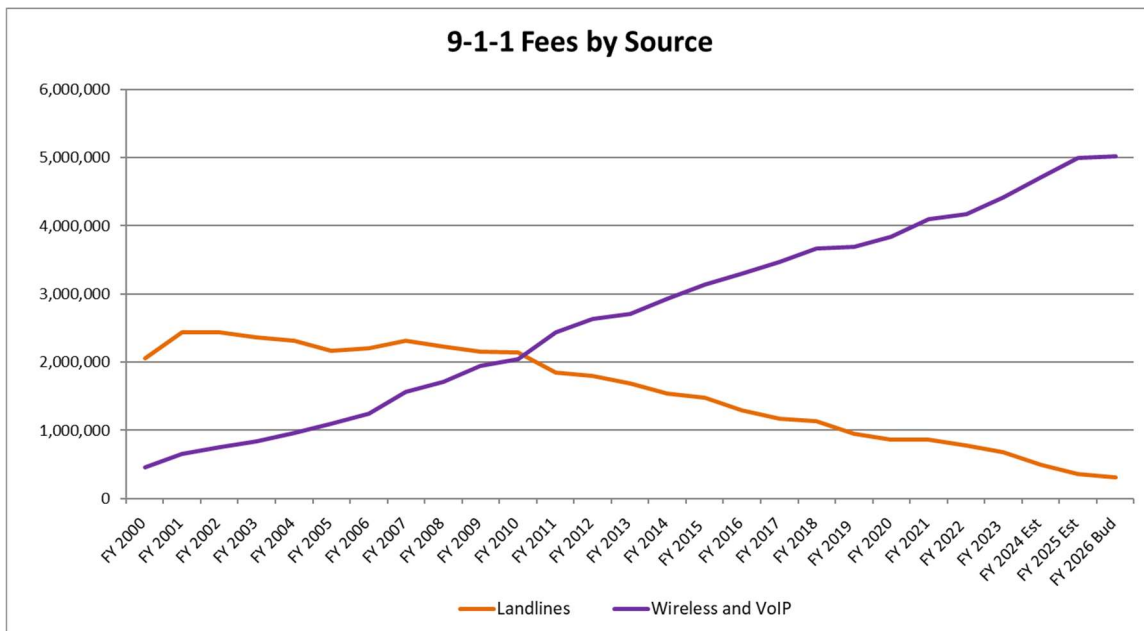
In the legislative session that just concluded, 9-1-1 funding was not addressed at all. Emergency communication districts across the state are now grappling with how to meet budget demands once the BIF money runs out. Given the legislature's reluctance to address 9-1-1 funding with a reliable funding stream, MCECD plans to reduce spending in future years to maximize the use of the BIF reserve.

The \$65,000 contribution to the district’s retirement account is an effort to increase the funded ratio of the plan and reduce future liabilities. The money will come from an operating surplus in the current fiscal year (FY 2025).

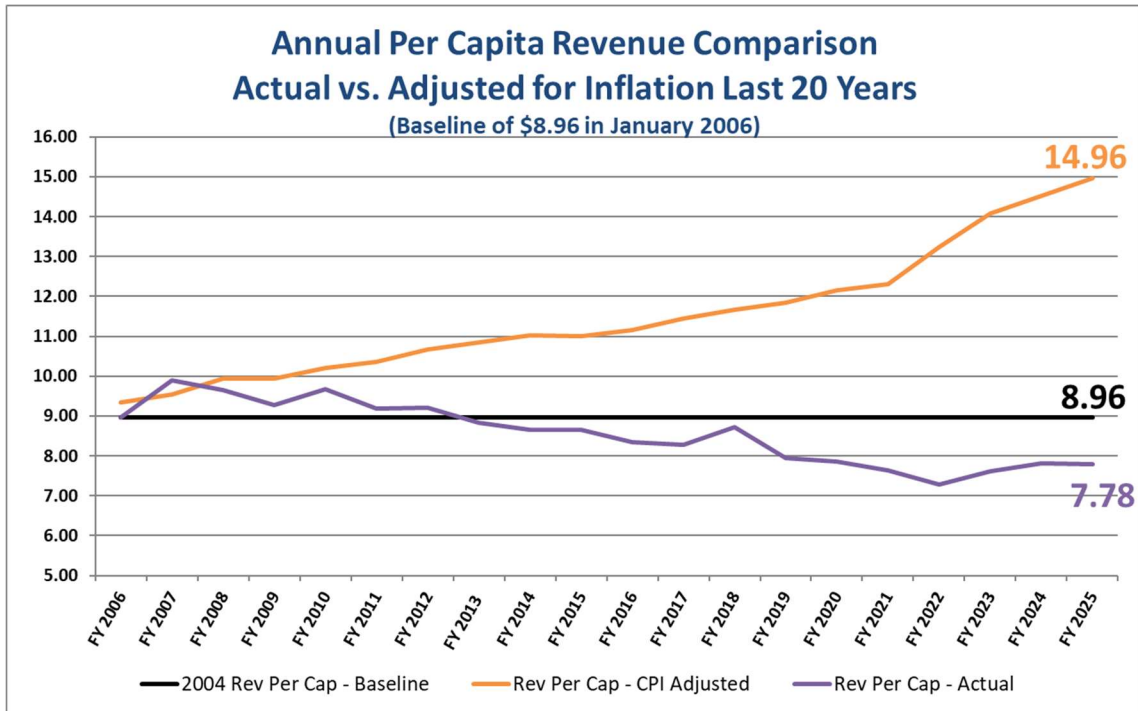
PROPOSED BUDGET - Revenue

MCECD is funded by fees assessed on telephone service. Mobile phone customers with a contract service plan pay \$0.50 per month, per phone. Pre-paid wireless plans are charged a 9-1-1 fee equal to 2% of the retail price for airtime. The fee for a land line and for Voice over Internet Protocol (VoIP) range from \$0.62 to \$1.66 per month for residential service. For business customers, the monthly fee starts at \$1.29 and goes up to \$2.23.

Revenue from wireless service continues to increase while land line revenue rapidly declines. VoIP revenue peaked in FY 2021 has slightly declined since.



The fallout of these long-term trends is that MCECD operates at lower revenue per capita than it did 20 years ago in both real and adjusted terms. MCECD collected \$8.96 per person in 2006. That amount has dropped to \$7.78, a decrease of \$1.18. If adjusted for inflation, the 2006 amount equals \$14.96 in today’s dollars. Therefore, MCECD is providing 9-1-1 service for 48% less than it did in 2006.



MCECD expects to collect \$5,671,800 of revenue in FY 2026 which is 6.0% *less* than the budget for the current year. The decrease is due to completing the three-year grant program in FY 2025 from the State of Texas for implementing Next Generation 9-1-1 (NG911), thereby exhausting that source of funds.

PROPOSED BUDGET – Operating Expenditures

The proposed budget for expenses is \$6,052,600 which is 2% *above* the budget for FY 2025. MCECD’s operating budget is broken into three major expenditure categories – Cost of Services, Personnel Costs, and General & Administrative Costs.

Cost of Services increased by only \$1,100 in this budget. It is the largest category of costs and accounts for nearly 60% of all expenditures. It includes \$875,600 for 9-1-1 network connections and operating costs. The single largest line item is in this section of the budget - \$2,182,200 to pay contracts with the Montgomery County Sheriff’s Office (MCSO) and the Conroe Police Department (CPD) to answer all 9-1-1 calls. MCECD reimburses these two agencies for the salary and benefits of 27 telecommunicators combined.

Other major expenses in the Cost of Services category are:

- \$201,800 for service enhancements such as foreign language translations service, Smart 9-1-1 safety profiles, and an emergency notification system, and
- \$199,400 in certificate pay to incentivize professional development for 9-1-1 telecommunicators.

The second category of operating expenditures is Personnel Costs. The district budgets for 11 full-time staff members who provide technical support, addressing, mapping, public education, database management, training, and administration. There are no changes proposed with staffing in the upcoming fiscal year. There is, however, a plan to increase the contribution to the district's retirement plan to reduce future liabilities. The personnel budget is 7.4% higher than the current year budget due to this contribution.

The final and smallest category of operating expenditures is General & Administrative Costs. The proposed budget for this category is 5.5% **below** the budget for the current year. The decrease is mainly due to reductions in general consulting fees and public service advertisements.

PROPOSED BUDGET – Capital Expenses

Besides operating expenditures, MCECD also budgets for capital and other non-operating outlays. The capital budget includes \$715,000 to replace the servers and switches for the call-handling equipment. Another \$150,000 is set aside for grants to emergency call centers and projects that improve interoperability among the call centers.

The district purchased 15 acres to develop a new regional emergency communication center and a multi-agency data center. The budget includes \$800,000 to cover pre-development and/or design expenses for the property. The total budget for capital expenses is \$1,911,000.

ADDITIONAL DATA AVAILABLE UPON REQUEST

Additional data on the budget is available upon request. MCECD can supply audited financial statements, historical budget information, and details of line-item expenditures. Contact Abby Barocio to make your request: abarocio@mc911.org or 936 523-5912.



Montgomery County Emergency Communication District Proposed Budget for Fiscal Year 2026

OPERATING REVENUES & EXPENSES	FY 2025 Budget	FY 2026 Budget
REVENUES		
9-1-1 Fees	\$ 5,149,700	\$ 5,327,800
Interest Earned	244,000	242,000
Other Income	2,000	2,000
NG911 Grant Program	641,200	100,000
Total Revenues	\$ 6,036,900	\$ 5,671,800
OPERATING EXPENSES		
Cost of Services	\$ 3,568,800	\$ 3,569,900
Personnel Costs	1,897,200	2,037,900
General & Administrative Costs	470,600	444,800
Total Expenditures	\$ 5,936,600	\$ 6,052,600
Operating Surplus (Deficit) of Revenues over Expenditures	\$ 100,300	\$ (380,800)
Use of Reserves - NG 9-1-1 Allocation from Broadband Infrastructure Fund	-	315,800
Use of Reserves - FY 2025 Operating Surplus for TCDRS Funding Policy	-	65,000
Net Surplus (Deficit)	\$ 100,300	\$ -
Emergency Allocation for Repairs and Replacements	\$ 350,000	\$ 350,000
CAPITAL OUTLAY & PSAP IMPROVEMENT GRANTS	FY 2025 Budget	FY 2026 Budget
Estimated Project Costs		
Technology	\$ 250,000	\$ 957,000
PSAP Improvement Grants	300,000	150,000
Facilities	1,300,000	800,000
Vehicles	-	-
Total Estimated Project Costs	\$ 1,850,000	\$ 1,907,000



Montgomery County Emergency Communication District Proposed Budget for Fiscal Year 2026

Cash Flow Estimate

Operating Funds

Estimated Cash Balance on 10/1/2025	\$ 9,508,100
Surplus of Revenues over Expenditures (FY25)	(380,800)
Net Funds Available	9,127,300

Restricted Reserves

Operating Reserve (2 months of expenses)	1,010,800
Emergency Allocation for Repairs and Replacements	350,000
Allocation from Texas Broadband Infrastructure Fund*	3,313,900
Pension and OPEB Deferrals	278,000
Capital Reserve	4,100,000
Total for Restricted Reserves	9,052,700
Unencumbered Reserves (est. on 9/30/2025)	\$ 74,600

Capital Outlay & PSAP Improvement Grants

Capital Reserve	4,100,000
Capital Outlay & PSAP Improvement Grant Budget	1,907,000
Estimated Capital Reserve on 9/30/2025	\$ 2,193,000

*Allocation from Texas Broadband Infrastructure Fund for NG 9-1-1

FY 2024 - Original Allocation	3,629,700
FY 2025 - Estimated Drawdown	-
FY 2026 - Budgeted Drawdown	315,800
Remaining Allocation	3,313,900