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DATE: August 20, 2018
TO: Board of Directors, Metropolitan Area EMS Authority (MAEMSA)
FROM: Douglas Hooten, Chief Executive Officer
SUBJECT: Budget for Fiscal Year 2018-2019

Executive Summary

We are pleased to present the proposed budget to the MAEMSA Board for the fiscal year beginning October 1, 2018 and ending September 30, 2019 for your consideration. The following is how the FY 2018-2019 budget relates to the FY 2017-2018 forecasted actual revenues and expenses.

We have budgeted FY 2018-2019 revenues to be **\$52,455,677** which is an increase of **\$3,223,481** or **7%** over FY 2017-2018 forecasted actual. Expenses are budgeted to be **\$48,221,122** which is an increase of **\$2,496,661** or **5%** over FY 2017-2018 forecasted actual. EBITDA (earnings before interest and depreciation) is budgeted to be **\$8,040,892**. Capital expenditures are budgeted to be **\$4,487,042** for a cash surplus of **\$3,553,850**.

Management has established 3 overriding goals for FY 2018-2019. These goals are:

1. Fully evaluate the available options regarding transitioning from the traditional single tier, all ALS response for system calls for service, providing a comprehensive plan for leadership consideration.
2. Develop and present to the Board a plan that establishes a remote deployment center within 3 months, and anticipating a complete build within one year of approval.
3. Continue investigation and development of new programs and/or economic models to ensure revenue sustainability.
4. Develop a plan to improve employee satisfaction scores 5% from the 2018 survey scores, including supervisor training, career path development, and programs to assist transitions to other areas of health care.
5. Develop a plan to improve the customer experience including customer service training, civility training, and web and community presence.

The FY 2018-2019 budget includes the funding of initiatives to accomplish these goals.

Budget Summary

Revenue

Revenue is up by **7%** to **\$52,455,677** for an increase of **\$3,223,481** in the FY 2018-2019 budget over the FY 2017-2018 forecasted actual due the following drivers:

- Transports will increase by 2.75 %
- Charge per loaded mile traveled will increase from \$10 to \$15
- Charge for response and assessment will increase from \$126.50 to \$500
- Collection rate will remain at 27.9%
- Subsidy provided by member cities will remain constant.

Expenses

Expenses are up by **5%** to **\$48,221,122** for an increase of **\$2,496,661** in the FY 2018-2019 budget over the FY 2017-2018 forecasted actual due to the drivers discussed below.

- Payroll and Benefits are up by **4%** or **\$1,225,867** and the main drivers are:
 - 1 new position is anticipated: Adjunct faculty in MTAC
 - Incentive payments to all staff are 4% of base salaries
 - Market survey increase will be made to nearly all employees based on the Salary Survey received in July, 2018.
 - Annual pay increases will be decoupled with performance evaluations beginning 10/1/18. FY2018-2019 annual increase is budgeted to be 3%.
 - Tuition reimbursement for employees other than paramedics has been implemented. 25 staff members have applied for reimbursement at \$2,000 each.
 - Workers' Compensation rates reduced by 38% from FY 2017-2018 due to favorable experience rates.
- Interest expense is up by **14%** or **\$15,498**
 - Frost Bank has agreed to finance up to \$21million of capital needs over the next 5 years. This year includes refinancing the note on the Alta Mere Facility, and building of the North Deployment Center.
- Vehicles and Equipment is up by **5%** or **\$193,609**
 - Fuel is projected to increase 5% or \$33,210
 - Zoll monitors were under warranty in FY2017-2018; this year the cost of maintenance will increase \$43,929
 - Medical Supplies is projected to increase 5% or \$102,337 due to increased transports and increased costs per item.

- Professional fees have increased by **9%** or **\$221,485**
 - A new IT employee, if hired full time, will bear a recruiting fee to the agency of \$18,000
 - Modifications to current software applications are budgeted to be \$152,000
 - In order to migrate toward alternative payment models, MedStar proposes to obtain a HI Trust certificate which would increase the comfort of client third parties that our IT systems are secure. The cost to analyze the system for gaps is \$36,000. Additionally, there is a cost to migrate to Microsoft365 of \$35,000.

Net Revenue over Expenditures

Net revenue in excess of expenditures is budgeted to be **\$4,234,555** which is an increase of **\$726,820** or **21%** over FY2017-2018 forecast.

EBITDA (earnings before depreciation, interest, and taxes) is budgeted to be **\$8,040,892** for an increase of **\$1,440,342** or **22%** over FY2017-2018 forecast. Capital is budgeted to be **\$4,487,042** resulting in a net cash flow of **\$3,553,850**.

Capital Plan – FY 2017-2021

The capital plan addresses needed infrastructure improvements over the next five years. Total capital request is summarized as follows:

FY 2019 - \$4,487,042

- Replace 12 ambulances - \$2,500,000
- Refresh data center server technology and increase redundancy for disaster recovery needs - \$1,304,000
- Routine annual technology refresh - \$131,100
- Field upgrades to mobile gateways, GPS units, portable radios - \$223,030
- Replace mannequins to improve simulation opportunities on site - \$250,000
- MIH scheduling software and replace MIH ventilator - \$60,912
- Replace communications center chairs - \$18,000

FY 2020 - \$4,378,080

- Replace 12 ambulances, MIH vehicle, 2 mules - \$2,754,000
- Mechanical CPR device, video laryngoscopy - \$1,120,000
- Replace MedStar headquarters carwash - \$200,000
- Routine annual technology refresh, video wall enhancement - \$137,080
- Improve training center remote teaching capabilities with Cisco meeting server/camera and simulation software - \$167,000

FY 2021 – \$2,778,830

- Replace 12 ambulances - \$2,669,000
- Routine technology refresh - \$109,830

FY 2022 - \$2,694,330

- Replace 12 ambulances - \$2,584,500
- Routine technology refresh - \$109,830

FY 2023 - \$2,609,830

- Replace 12 ambulances - \$2,500,000
- Routine technology refresh - \$109,830

We respectfully submit the FY 2018-2019 budget for your review.