

**Brushy Creek Municipal Utility District
Fiscal Year 2019
Variance Report
Quarter 2**

General Fund

The second quarter financial report for the operating fund reflects activities and projects that the Board and Community has identified for the District. There are a few patterns in variances to the budget that is emerging. Revenues are at 70% of the annual budget primarily driven by Recreation revenue doing better than budget and \$200,000 better than the same period as last year. On the other hand, the weather is having an impact on Utility Revenue. Although Waste Water revenue is right on budget through the second quarter, due to winter averaging, the second half of the year will be under budget by \$70,000. Water revenue is also short \$70,000 for the first six months. Weather in April and May is a good indication that revenues will remain under budget and staff will continue to monitor this trend.

The Board previously approved budget adjustments for several capital expenses that were not included in the original budget. Through the second quarter, staff have only identified minor amounts that are potentially going to exceed the annual budget. There are however, a number of projects being evaluated by the District's engineers that could impact the current year's budget including the Zebra Mussel solutions, the Woods Lift Station replacement, and the utility locates for the County Great Oaks project.

Brushy Creek Municipal Utility District
Financial Report
Second Quarter Fiscal Year 2019

<u>Summary General Fund</u>	<u>Administration</u>	<u>Maintenance</u>	<u>Utilities</u>	<u>Recreation</u>	Total YTD <u>Actual</u>	Annual <u>Budget</u>	% of 2019 <u>Annual Budget</u>
Non-Tax Revenue	1,597,137	500	2,260,056	1,218,772	5,076,465	8,701,194	58%
Tax Revenue	6,632,084	0	0	0	6,632,084	6,635,879	100%
Total Revenues	<u>8,229,221</u>	<u>500</u>	<u>2,260,056</u>	<u>1,218,772</u>	<u>11,708,549</u>	<u>15,337,073</u>	76%
Operating Expenses	1,755,364	687,307	1,379,113	1,187,640	5,009,424	12,279,088	41%
Capital Expenses	26,446	65,832	232,094	48,064	372,436	3,213,750	12%
Total Expenses	<u>1,781,810</u>	<u>753,139</u>	<u>1,611,207</u>	<u>1,235,704</u>	<u>5,381,860</u>	<u>15,492,838</u>	35%
Net					<u>6,326,689</u>	<u>(155,765)</u>	-4062%

Administration and Maintenance Cost Centers

The Administration and Maintenance departments are funded by fees, operation and maintenance property tax and revenue from trash services.

Non-tax Revenues in the Administrative Cost Centers are exaggerated for the second quarter at 94% of the annual budget. This is due to the \$700,000 property sale and interest income already exceeding the annual budget by 23%. Tax revenue is primarily collected in December and January of each year and you would expect 100% of the annual budget at this point.

Operating expenses are also inline with budget. The one exception is the Supplies category which is at 84% of the annual budget. Staff expect to bring back an adjustment for that category in the third quarter Through the first quarter, 10% of the Board's contingency of \$306,741 has been transferred to other departments.

The capital expenses include the Cornerwood LED sign replacement (\$13,000) and the replacement of switches at the Community Center (\$5,000) which are complete at budget. The server replacement at the Water Facility and related software is ongoing.

Brushy Creek Municipal Utility District
Financial Report
Second Quarter Fiscal Year 2019

<u>Administration</u>	<u>Administration</u>	<u>Executive</u>	<u>Customer Service</u>	<u>Trash Services</u>	<u>Total YTD Actual</u>	<u>Annual Budget</u>	<u>% of 2019 Annual Budget</u>
Non-Tax Revenue	901,650	820	0	694,667	1,597,137	1,703,850	94%
Tax Revenue	6,632,084	0	0	0	6,632,084	6,635,879	100%
Total Revenues	<u>7,533,734</u>	<u>820</u>	<u>0</u>	<u>694,667</u>	<u>8,229,221</u>	<u>8,339,729</u>	<u>99%</u>
Operating Expenses	822,480	165,957	119,298	647,629	1,755,364	3,754,009	47%
Capital Expenses	26,446	0	0	0	26,446	31,000	85%
Total Expenses	<u>848,926</u>	<u>165,957</u>	<u>119,298</u>	<u>647,629</u>	<u>1,781,810</u>	<u>3,785,009</u>	<u>47%</u>
Net					<u>6,447,411</u>	<u>4,554,720</u>	<u>142%</u>

Maintenance Cost Centers include expenditures for Parks, Pools, and the Community Center. These cost centers do not generate revenues with one exception. The County reimburses the District approximately \$11,000 for maintaining the Great Oaks medians. This amount is paid in May.

Expenses are covered through operation and maintenance tax revenues. Total expenses are at 22% of the annual budget six months into the fiscal year. This is primarily due to Capital projects that have been delayed or have yet to begin.

There are several large projects budgeted in these cost centers. The pool and park bathrooms at Cat Hollow Park (\$200,000) have been postponed pending consideration of additional projects at the park. The construction documents for the Cat Hollow Park sign (\$75,000) have been completed.

The Community Park trail drainage improvements project (\$300,000) has not begun. The Community Center garden refurbishment (\$120,000) is pending design. Both the Shaded fuel Break trimming (\$20,000) and median tree replacement (\$25,000) started in May.

Brushy Creek Municipal Utility District
Financial Report
Second Quarter Fiscal Year 2019

<u>Maintenance</u>	Park <u>Maintenance</u>	Pool <u>Maintenance</u>	Community Center <u>Maintenance</u>	Total YTD <u>Actual</u>	Annual <u>Budget</u>	% of 2019 <u>Annual Budget</u>
Non-Tax Revenue	500	0	0	500	10,500	5%
Tax Revenue	0	0	0	0	0	0%
Total Revenues	<u>500</u>	<u>0</u>	<u>0</u>	<u>500</u>	<u>10,500</u>	<u>5%</u>
Operating Expenses	500,764	88,578	97,965	687,307	1,814,500	38%
Capital Expenses	47,650	4,970	13,212	65,832	1,615,075	4%
Total Expenses	<u>548,414</u>	<u>93,548</u>	<u>111,177</u>	<u>753,139</u>	<u>3,429,575</u>	<u>22%</u>
Net				<u>(752,639)</u>	<u>(3,419,075)</u>	<u>22%</u>

Utility Services Cost Centers

The Utility Services departments are funded by service revenues. In addition to covering the costs of utility services, the Utilities department also funds Recreation programs, a transfer budgeted at \$1,375,920 in FY2019. Revenues are currently under budget and the trend is not showing that this will improve in the third quarter. Waste Water revenues are set for the next 12 months and due to winter averaging, these revenues will be \$15,000 less per month until April 2020. The wet weather has also had an impact on water revenues. Staff will continue to monitor this as we reach the critical revenue months of May through September.

Operating expenses are slightly below budget with the exception of capital projects. Capital Projects are at only 15% of the annual budget. Well # 6 was completed in the first quarter and the clearwell tank resurfacing project completed in the second quarter. There are a number of significant large projects planned for this year in utilities including the maintenance yard refurbishment (\$2 million) and Woods Lift Station replacement (\$550,000).

Brushy Creek Municipal Utility District
Financial Report
Second Quarter Fiscal Year 2019

<u>Utilities</u>	<u>Distribution</u>	<u>Collection</u>	<u>Treatment</u>	<u>Compliance</u>	Total YTD <u>Actual</u>	Annual <u>Budget</u>	% of 2019 <u>Annual Budget</u>
Non-Tax Revenue	1,261,243	937,731	0	61,082	2,260,056	5,298,377	43%
Tax Revenue	0	0	0	0	0	0	0%
Total Revenues	<u>1,261,243</u>	<u>937,731</u>	<u>0</u>	<u>61,082</u>	<u>2,260,056</u>	<u>5,298,377</u>	<u>43%</u>
Operating Expenses	227,890	539,787	555,019	56,417	1,379,113	3,816,592	36%
Capital Expenses	127,758	21,282	83,054	0	232,094	1,512,750	15%
Total Expenses	<u>355,648</u>	<u>561,069</u>	<u>638,073</u>	<u>56,417</u>	<u>1,611,207</u>	<u>5,329,342</u>	<u>30%</u>
Net					<u>648,849</u>	<u>-30,965</u>	<u>-2095%</u>

Recreation Cost Centers

The Recreation departments are funded through the collection of service fees and funding from a \$240 per connection fee transferred from Utility services. In 2019, that amount is just over \$1.3 million. Recreation continues to generate more cost recovery revenue than the industry average. This year, recreation revenues are budgeted to recover 55% of non-capital operating expenses. Recreation revenues continue to improve year over year with the first six months of FY2019 exceeding the same period last year by over \$250,000. Revenues are at 72% of the annual budget. For this same period in 2018, revenues were at 64% of the annual budget.

Recreation expenses are on target for the first year. Due to higher levels of activities in the summer, a higher percentage of expenses are recognized in the fourth quarter.

Brushy Creek Municipal Utility District Financial Report Second Quarter Fiscal Year 2019							
<u>Recreation</u>	<u>Community Center</u>	<u>Park Programs</u>	<u>Pool Programs</u>	<u>Park Fees</u>	<u>Total YTD Actual</u>	<u>Annual Budget</u>	<u>% of 2019 Annual Budget</u>
Non-Tax Revenue	976,116	163,597	65,875	13,184	1,218,772	1,688,467	72%
Tax Revenue	0	0	0	0	0	0	0%
Total Revenues	<u>976,116</u>	<u>163,597</u>	<u>65,875</u>	<u>13,184</u>	<u>1,218,772</u>	<u>1,688,467</u>	<u>72%</u>
Operating Expenses	901,113	129,099	157,428	0	1,187,640	3,063,912	39%
Capital Expenses	0	0	48,064	0	48,064	0	#DIV/0!
Total Expenses	<u>901,113</u>	<u>129,099</u>	<u>205,492</u>	<u>0</u>	<u>1,235,704</u>	<u>3,063,912</u>	<u>40%</u>
Net					<u>(16,932)</u>	<u>(1,375,445)</u>	<u>1%</u>

**Brushy Creek Municipal Utility District
FY2019
Q2 Variance Report**

General Fund Summary

Revenue

Annual Budget	\$15,337,073
Actual Q2	\$11,708,549
76% of Annual Budget	

Revenue, as a percentage of the annual budget is at the same level as the second quarter in 2018 with one exception. The \$700,000 in proceeds from the sale of the Great Oaks/ O'Connor property was not budgeted. Recreation revenues exceeded budget almost across the board. Memberships, Fitness, and Camp Income are all higher. Water and Waste Water revenues are falling short of budget for this time of year by about \$140,000. Staff will continue to monitor this trend.

Expenses - Payroll

Annual Budget	\$3,629,714
Actual Q2	\$1,575,686
43% of Annual Budget	

Expenses - Benefits

Annual Budget	\$989,354
Actual Q2	\$435,766
44% of Annual Budget	

Payroll and Benefits are under budget primarily due to seasonal fluctuations. Payroll will increase in the last 4 months of the fiscal year due to recreational activities. Actual costs are at the same percentage of the annual budget as the same period last year.

Expenses – Travel

Annual Budget	\$29,820
Actual Q2	\$11,255
38% of Annual Budget	

This category was increased to allow the CFO to travel back to Brushy Creek for regular meetings. It is at the appropriate percentage of annual costs. There is \$7,900 budgeted for Board travel that has no expenditures.

Expenses – Contractual

Annual Budget	\$1,632,422
Actual Q2	\$ 662,016
41% of Annual Budget	

This category was increased for maintenance projects in Parks (shaded fuel break trimming, tree removal and planting), water facility projects (clearwell coating, engineering fees) and lift station projects in the waste water cost center. Also budgeted here is the cost of sewer line filming. The sewer line filming, tree replacement, and shaded fuel break trimming is all in the third quarter. It is at the appropriate level of expenses for the second quarter.

Expenses – Supplies

Annual Budget	\$1,537,963
Actual Q2	\$ 644,951
42% of Annual Budget	

The Supplies category is at an acceptable level of expenditures for the first quarter. There is a \$425,000 payment to the Brazos River Authority in the fourth quarter for raw water rights.

Expenses – Other Expenses

Annual Budget	\$4,430,315
Actual Q2	\$1,679,764
38% of Annual Budget	

The Other Expenses category is at an appropriate level of expenditures for the second quarter. The principal and second interest payment on the Community Center debt is due in the third quarter (\$500,000).

Expenses – Capital

Annual Budget	\$3,358,250
Actual Q2	\$ 372,436
11% of Annual Budget	

Capital expenditures are under budget in Q2 due to many of the capital projects not yet starting. Project details are included in the Financial Report.

Debt Service Fund Summary

Revenue

Annual Budget	\$3,811,550
Actual Q2	\$3,836,542
101% of Annual Budget	

The majority of debt service revenues are collected in December and January through property tax receipts. Overall revenue is exceeding the annual budget due to investment income.

Expenses

Annual Budget	\$4,173,216
Actual Q2	\$1,238,702
29% of Annual Budget	

Debt Service expenses are higher than what would be expected due to the refunding of two bond payments on October 1. Generally, one half of interest payments are made in the first quarter and the second half plus the annual principal payments are made in the third quarter.

Capital Fund

The Capital Fund is budgeted to receive revenue from the Water and Waste Water impact fees. The Water impact fee revenue is budgeted to be transferred to Debt Service to contribute to the cost of the long-term water project debt and the Waste Water impact fees are transferred to the General Fund to contribute to the cost of the Regional Waste Water capital charges.

Activity in this Fund is little since the District has reached build out.

Capital Fund Summary

Revenue – Builders Fees

Annual Budget	\$11,697
Actual Q1	\$39,499

Capital recovery fees were budgeted based on 3 LUEs being sold for the year. Impact fees for the urgent care center in Highland Horizon totaled 5 impact fees. The town homes paid their impact fees for 16 LUEs in the third quarter. Interest income of \$20,000 is also over budget. No interest income was budgeted.