

Brushy Creek Municipal Utility District Second Quarter 2008 Variance Report

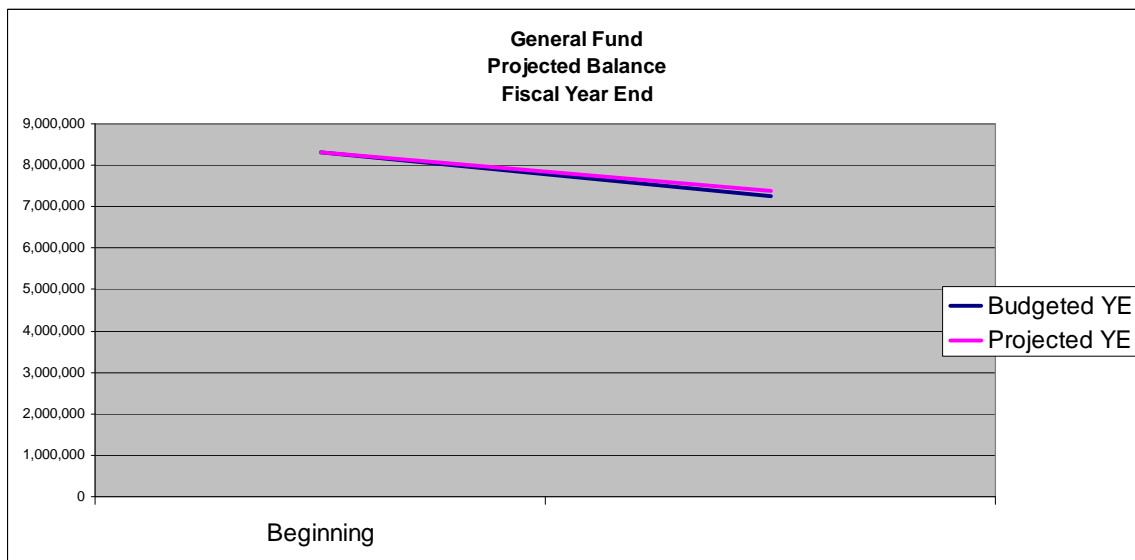
General Fund Outlook

The General Fund budget for FY2008 is looking well even though we have had several unexpected costs including the repairs to the Cat Hollow lift station (est. \$265,000), creation of the Customer Service Department (est. \$45,000), and the slowdown in the housing market which has reduced builder fee revenue projections (est. \$460,000). These are in addition to the adjustments staff is requesting; Utility billing software (\$65,000), a new IT position (\$21,000), and an increase in the number of Customer Service Department FTEs (\$7,500).

The District's General Fund can still end the fiscal year without a loss if the following occurs;

- All departments keep expenditures within budget including approved adjustments,
- All departments meet or exceed budgeted revenue,
- Water revenue continues to exceed budget and prior year actual,
- Phase II of the District sign project is delayed until next fiscal year,
- The maintenance building construction is delayed until next fiscal year,
- TCEQ releases from escrow the funds for the repair of the Cat Hollow lift station,
- Retained earnings are used to cover the shortfall in builder's fees for the regional wastewater contract expenses.

If the above scenarios are accurate, the General Fund will actually end the fiscal year with more funds than budgeted due to the delay in the capital projects.



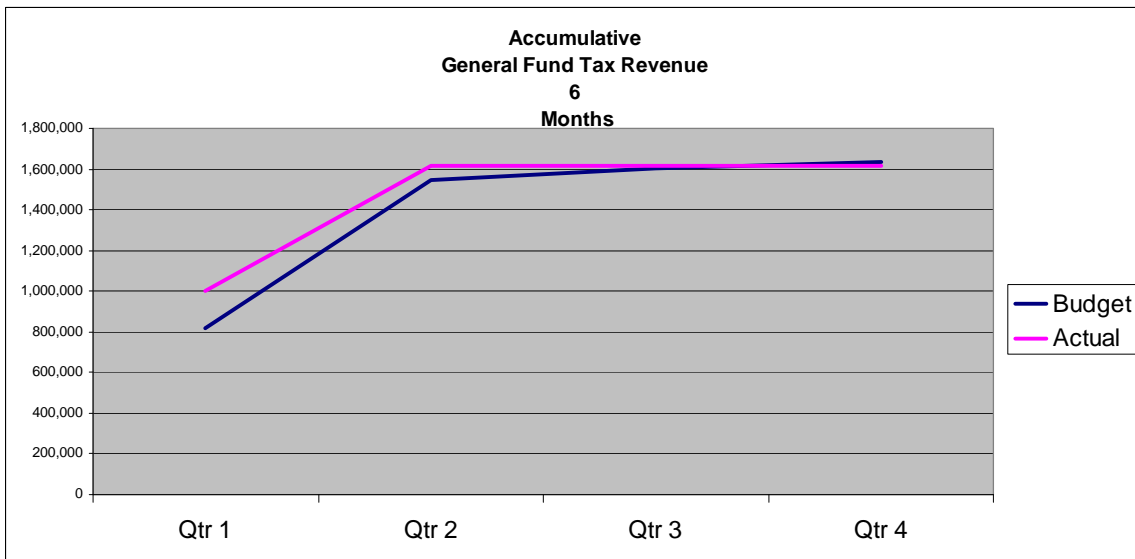
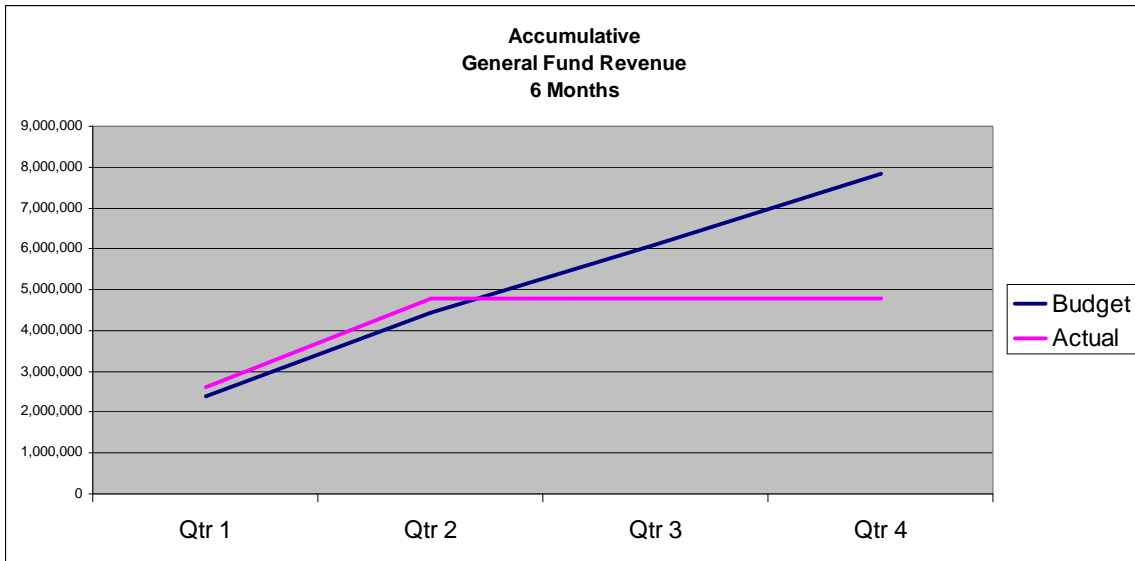
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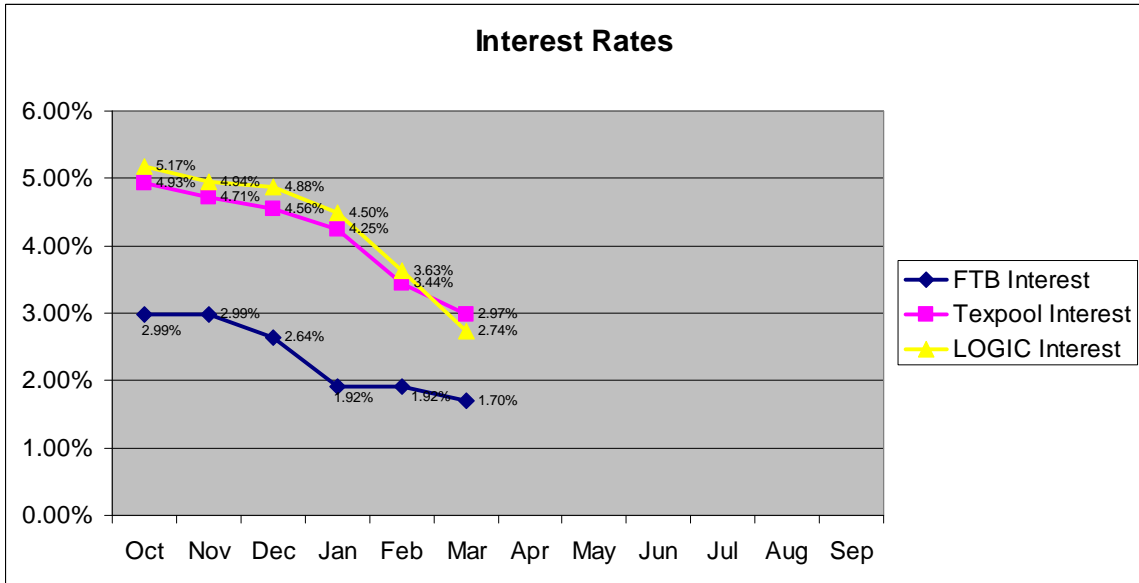
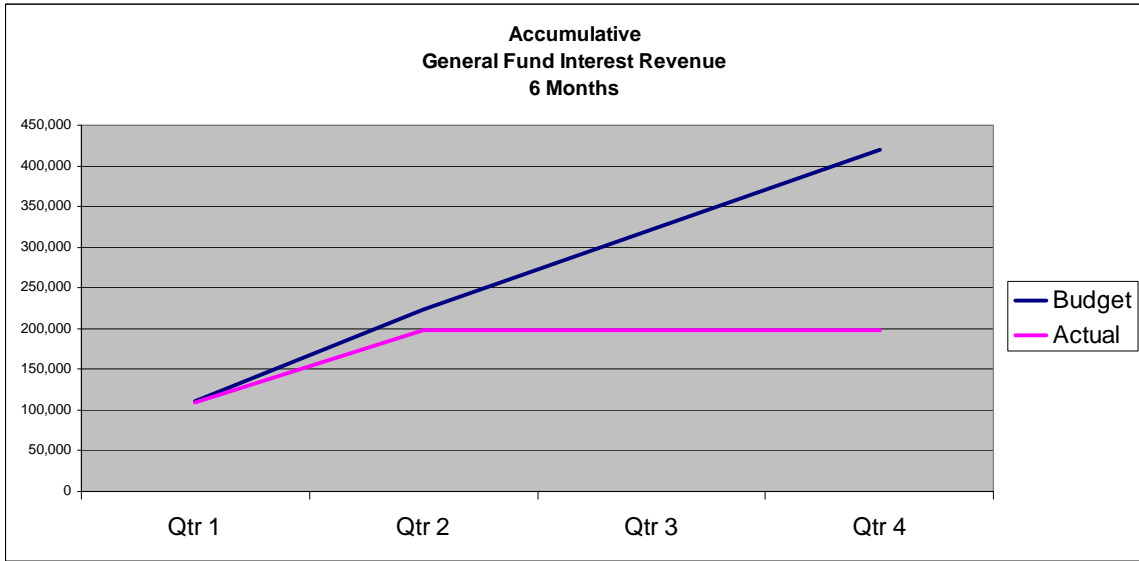
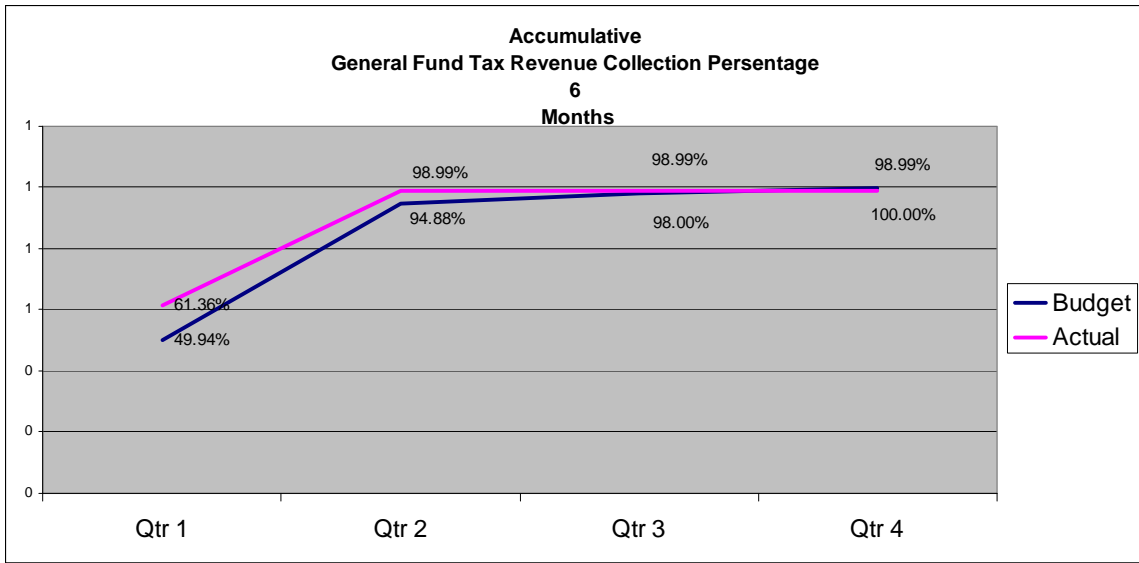
General Fund Summary

Revenue

Second Quarter Year to Date Budget	\$4,431,557
Annual Budget	\$7,836,299
Actual Second Quarter Year to Date	\$4,775,148
108% of Second Quarter Year to Date Budget	
61% of Annual Budget	

The second quarter year to date actual revenue exceeded budget by \$343,591 due to higher than projected tax collections in the first six months (\$77K). This will not impact annual revenue since we are still projecting the same amount of tax receipts for the year. Water revenue is 18% higher than budgeted (\$172K), and administrative fee revenue is higher than budget (\$79K) for the first six months. Although interest revenue is below budget by only \$25K for the first half, due to the decline in rates, we expect this will have a bigger impact by year's end.





Expenses - Payroll

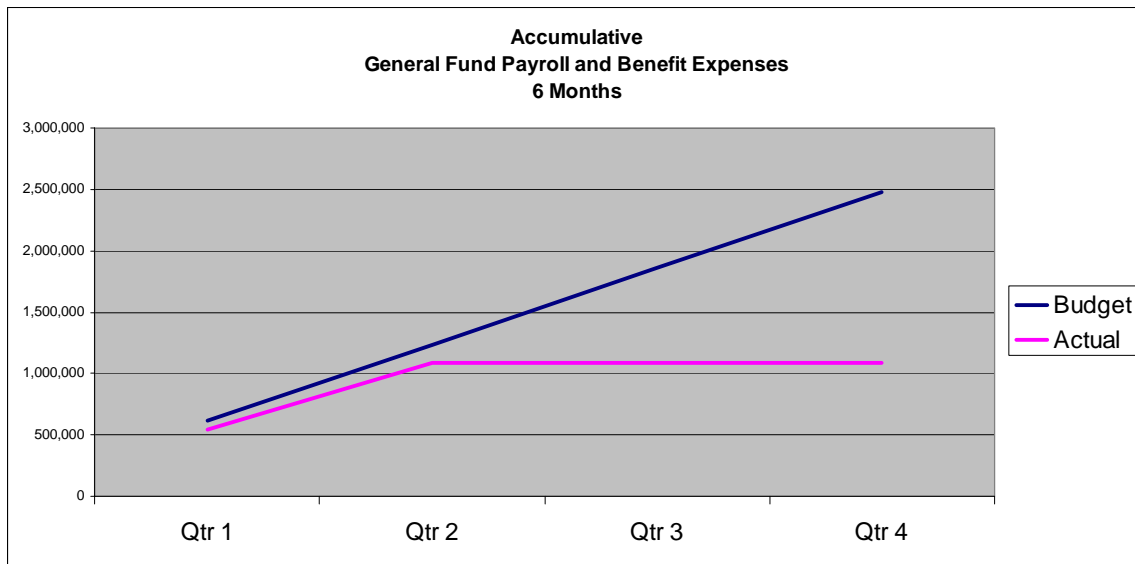
Second Quarter Year to Date Budget	\$1,011,684
Annual Budget	\$2,023,370
Actual Second Quarter Year to Date	\$ 868,285
86% of Second Quarter Year to Date Budget	
43% of Annual Budget	

Payroll is below budget for the first six months by \$143,399 primarily due to vacancies in the first quarter. Overtime is at 60% of the annual budget so we will watch that closely. We also expect an increase in payroll cost during the summer do to the increase in programming and the opening of the pools. These are mostly part-time positions.

Expenses - Benefits

Second Quarter Year to Date Budget	\$226,154
Annual Budget	\$452,314
Actual Second Quarter Year to Date	\$221,765
98% of Second Quarter Year to Date Budget	
49% of Annual Budget	

Employee benefit expenses are within an acceptable range of the budget.



Expenses – Travel and Vehicle Expenses

Second Quarter Year to Date Budget	\$26,410
Annual Budget	\$45,140
Actual Second Quarter Year to Date	\$28,452
108% of Second Quarter Year to Date Budget	
63% of Annual Budget	

Travel and vehicle expenses are within an acceptable range of the budget.

Expenses – Contractual

Second Quarter Year to Date Budget	\$570,928
Annual Budget	\$963,498
Actual Second Quarter Year to Date	\$463,403
81% of Second Quarter Year to Date Budget	
48% of Annual Budget	

Contractual expenses are below budget by \$107,525 for the first half primarily due to the billing for the long term planning projects, Parks Master Plan and the Water / WW/ Rate Study. Legal fees are higher than budget. Legal costs increased in the first quarter due to assistance with the bond issue. Additionally, legal counsel is now reviewing all contracts and many executive summaries prior to Board meetings.

Expenses – Supplies

Second Quarter Year to Date Budget	\$ 603,434
Annual Budget	\$1,325,604
Actual Second Quarter Year to Date	\$ 455,108
75% of Second Quarter Year to Date Budget	
34% of Annual Budget	

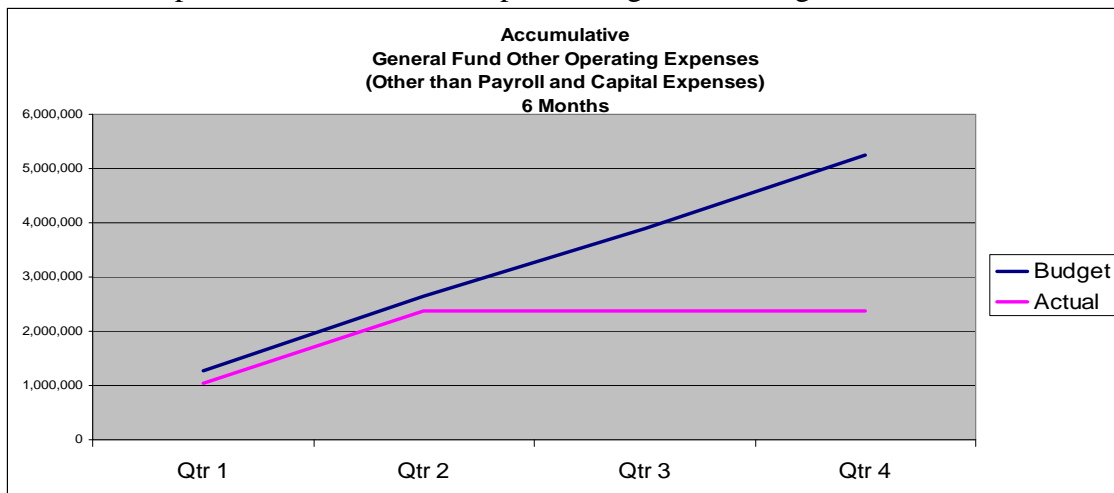
Included in this category are the total expenses for Fitness/ Leagues and Programs. League expenses have exceeded budget by \$42,000, the total expenses is equivalent to the percentage of revenue that was budgeted. Fitness/League expenses for the first quarter are 54% of the revenue for the first quarter. The annual budget for Fitness / League expenses is 55% of total revenue. Program expenses are below budget by \$19,000. Actual expenses are equivalent to the percentage of actual revenue as was budgeted.

In addition to these categories, Supplies fell short of budget by \$88,000 for the first quarter due to the delay in purchasing software, furniture, camera and security equipment for the pools, and the tree replacement program in the Grounds department.

Expenses – Other Expenses

Second Quarter Year to Date Budget	\$1,439,364
Annual Budget	\$2,907,158
Actual Second Quarter Year to Date	\$1,424,105
99% of Second Quarter Year to Date Budget	
49% of Annual Budget	

The Other Expenses are within an acceptable range of the budget.



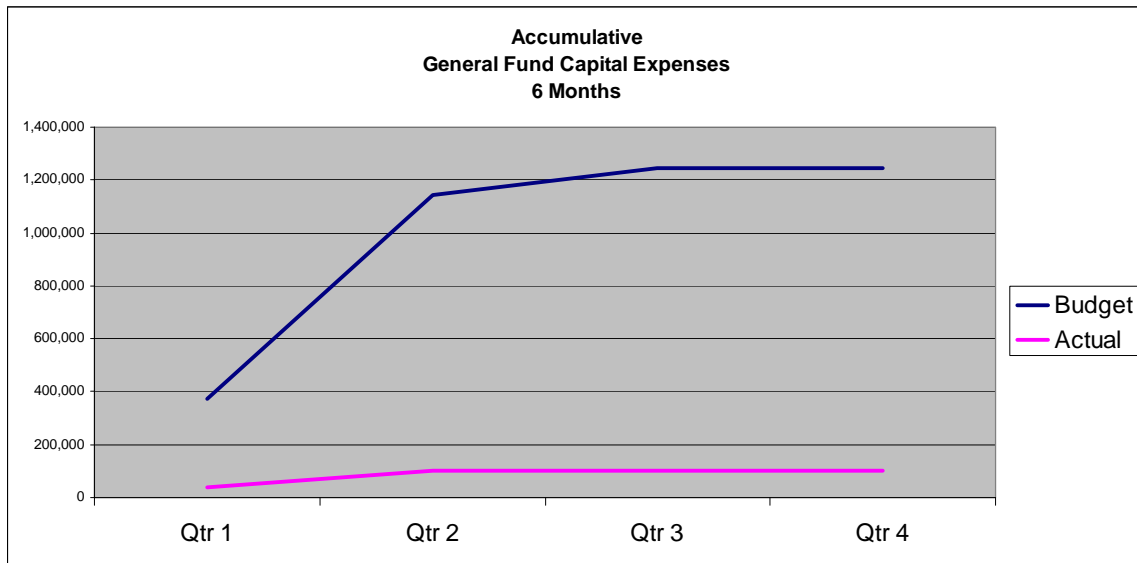
Expenses – Capital

Second Quarter Year to Date Budget	\$1,143,000
Annual Budget	\$1,243,000
Actual Second Quarter Year to Date	\$ 102,183
9% of Second Quarter Year to Date Budget	
8% of Annual Budget	

Capital expenditures are below budget in the first half by \$1,040,817 due to the delay in completing the projects budgeted. The status of the capital projects are;

<u>Project</u>	<u>Actual Annual Budget</u>	<u>QTR 2</u>	<u>Status</u>
District Signs	\$196,000	\$40,573	Work Started
Sendero Pavilion	\$265,000	\$784	Under Construction
Lobby Renovation	\$120,000	\$1,324	Construction completed. Payments will be completed in the third quarter.
Maintenance Yard	\$400,000	\$16,200	Part of project may be postponed
Lift Station Pumps	\$50,000	\$0	Project expanded to include repairs.
Class Software	\$27,000	\$0	Project to be completed by year end.
Fitness Equipment	\$5,000	\$4,365	Purchased in Jan for \$4,365
Disc Golf Parking Lot	\$150,000	\$0	Construction bid anticipated soon
Pool Pumps	\$30,000	\$30,354	Project complete
Total	\$1,243,000	\$93,600*	

Additionally, \$1300 has been spent on the SCADA system which was included in the prior year budget. The Board has designated funds from retained earnings to pay for the SCADA system. The Board also approved payment to CTWM for the final SCADA system invoice of \$11,653.

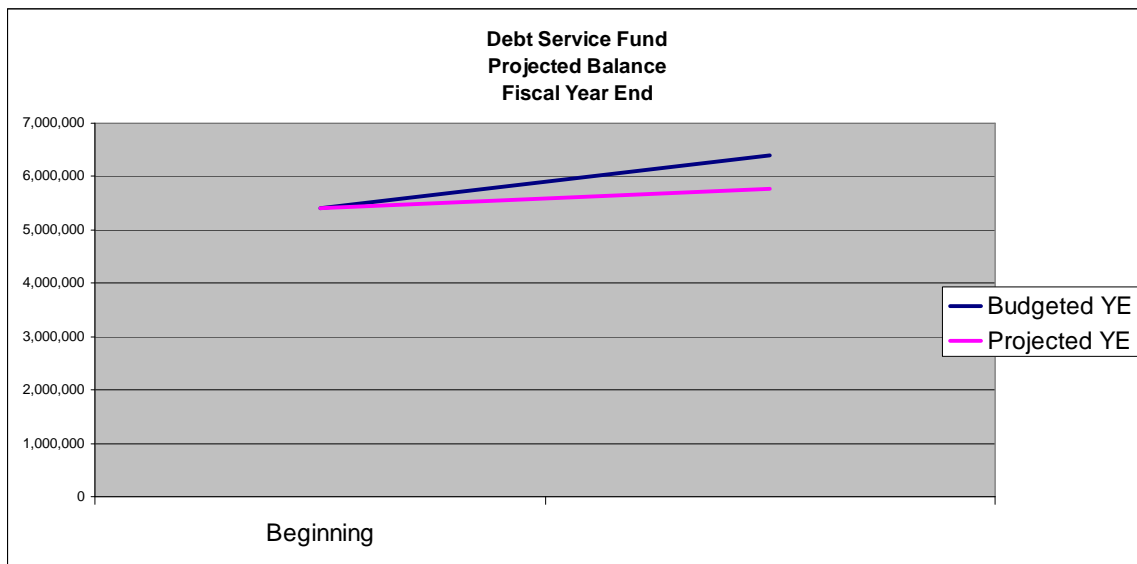


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Debt Service Fund Outlook

The Debt Service Fund is impacted significantly by the drop in builder fee revenue and the lowering interest rates. We will have to use more debt service retained earnings of approximately \$107,000 instead of increasing the debt service retained earnings. This year's debt service payments will delete the water CRF retained earnings to zero.

However, if TCEQ approves the release of escrow from the 1997 and 2001 bond proceeds, a portion of those funds will be transferred to debt service, which will actually increase the fund balance.

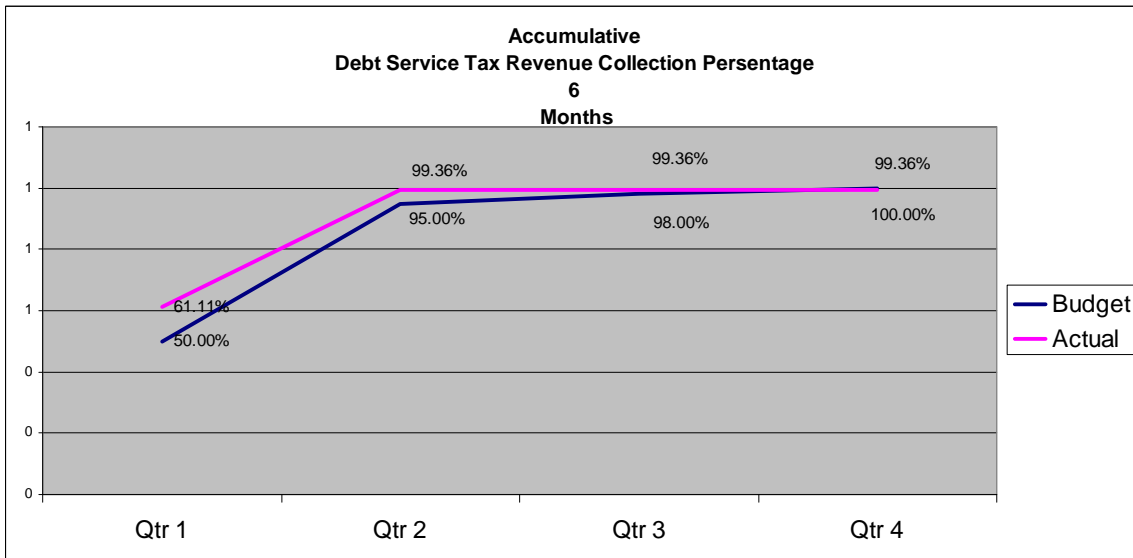
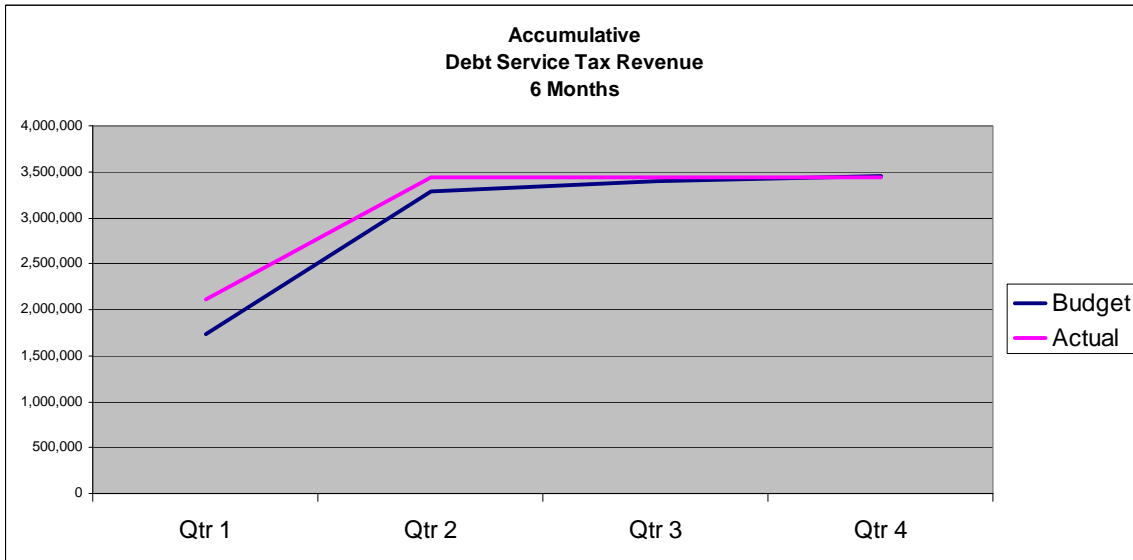


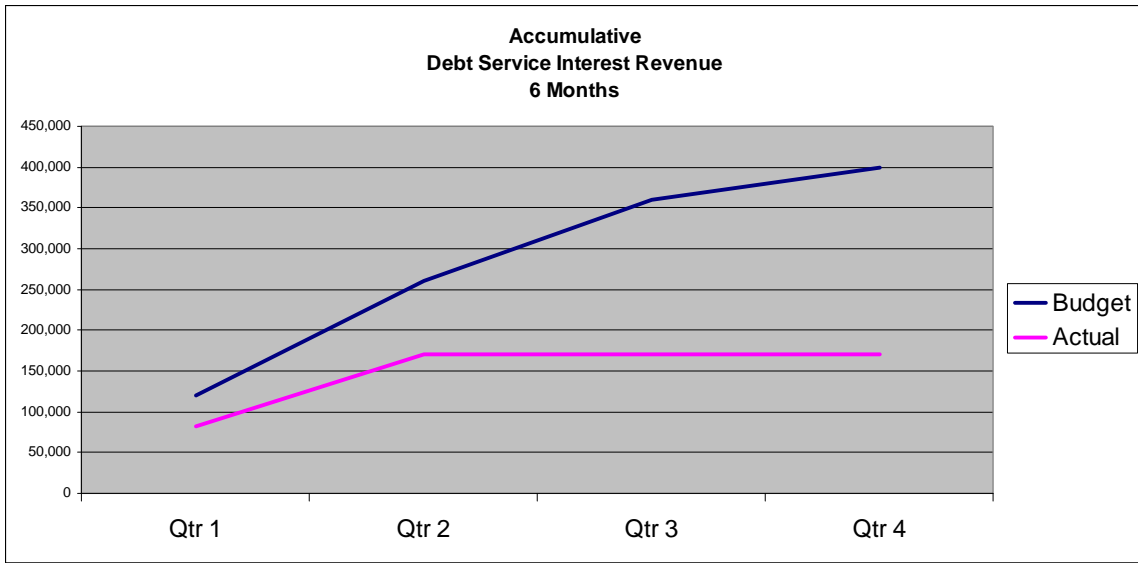
Debt Service Fund Summary

Revenue

Second Quarter Year to Date Budget	\$3,564,700
Annual Budget	\$3,878,632
Actual Second Quarter Year to Date	\$3,626,779
102% of Second Quarter Year to Date Budget	
94% of Annual Budget	

Debt Service revenue is within an acceptable range of the budget due to better collection rates on tax revenue. The majority of tax revenue is budgeted in the first half of the year. Interest income is significantly below budget for the first half and we expect this to continue.





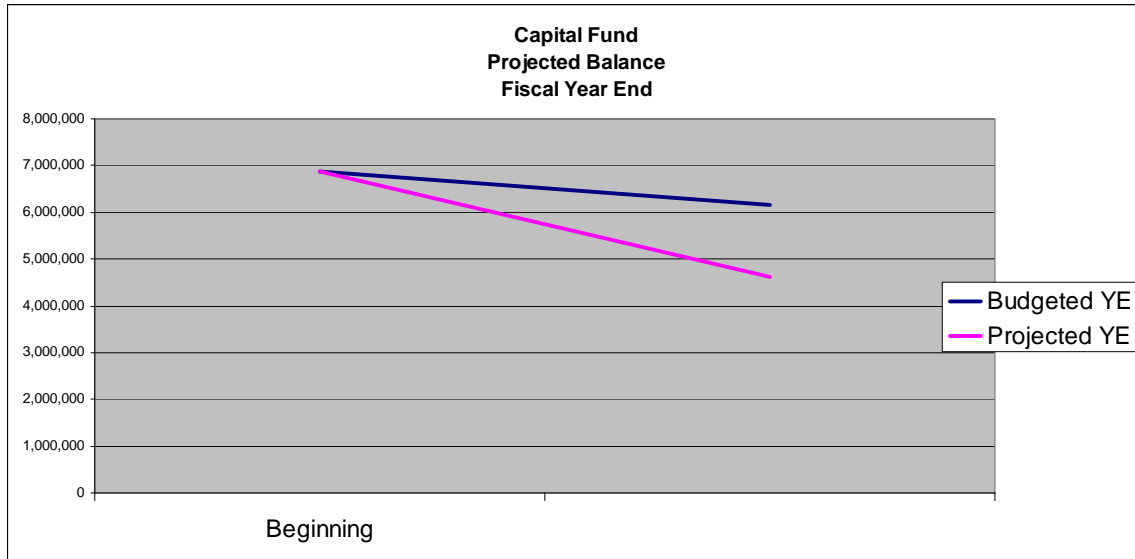
Debt Service Expenses are primarily debt payments and these are within budget. The second and final debt service payments for the fiscal year will be in May.

Debt Service payments were budgeted to be funded in part by transfer of funds from the builder's fees. However, since these fees will be lower than budgeted, we will have to transfer funds from Debt Service retained earnings.

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Capital Fund Outlook

The Capital fund is being impacted by both the declining interest rates on investments and the reduced builder's fee revenue. The District is using retained earnings from the builder's fees to cover the shortfall in the current year revenue. Additionally, the District has requested that TCEQ approve the release from escrow, funds for the two lift stations. This will reduce the Capital Fund balance by an additional \$1.1 million.



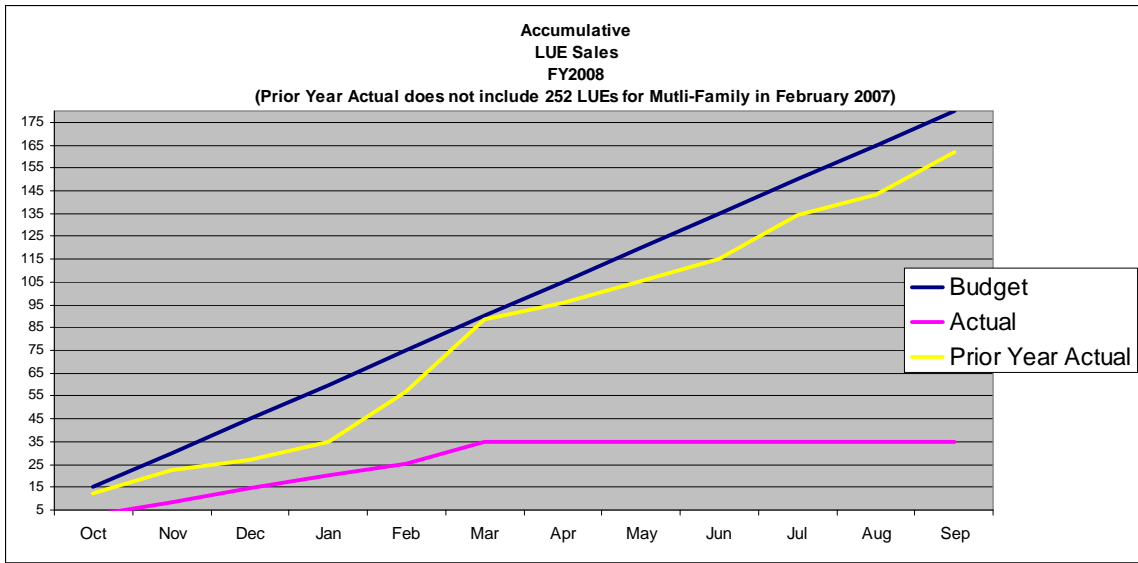
Capital Fund Summary

Revenue – Builders Fees

Second Quarter Year to Date Budget	\$350,910
Annual Budget	\$701,820
Actual Second Quarter Year to Date	\$141,849
40% of Second Quarter Year to Date Budget	
20% of Annual Budget	

Capital recovery fees are below budget for the first half by \$208,061. We do not anticipate that we will make budget for the builder's fees due to the slowdown in the housing market.

These funds are budgeted to be transferred to the debt service fund and general fund. We do not anticipate a shortfall in those two funds as we will be able to use the retained earnings to cover the shortfall in current year revenue.



Revenue – Park Fees

Second Quarter Year to Date Budget	\$60,390
Annual Budget	\$120,780
Actual Second Quarter Year to Date	\$24,830
40% of Second Quarter Year to Date Budget	
20% of Annual Budget	

Park fee revenues are below budget for the first quarter by \$35,560. This is also due to the slowdown in the housing market. The majority of park fees are collected from Sendero Springs which are then paid to Highland for the purchase of the Sendero Pool debt.