SWEETWATER SPRINGS WATER DISTRICT

TO: Board of Directors **AGENDA NO. V-A**

FROM: Steve Mack, General Manager

Meeting Date: November 7, 2013

SUBJECT: ACTUAL VS. BUDGETED (OPERATIONS AND CAPITAL) REPORT THRU DECEMBER 31, 2013 (50%)

RECOMMENDED ACTION:
(Discussion item only.)

FISCAL IMPACT:
(None.)

DISCUSSION:

This report presents the 2nd quarter actual revenues and expenses. This comprises 50% of the year by time and so we compare the revenues and expenses to that standard.

Operating Budget:

2Q Revenue is greater than 50% of budgeted amount.

Water Sales, the largest revenue line item, came in 2.68% ahead of the 50% schedule. Some acceleration is expected, as seasonal fluctuations typically render second quarter water sales higher than other quarters due to higher sales for outside watering and greater visitor activity during the warmer weather. In terms of the units of water sold the mid-year sales amount was less than last year (147,445 vs 158,024 units). Revenue, however, is in line with budgeted amounts and about $30,000 more than last year at this same time due to the rate increase.

Overall revenues are up 3.32%, or $77,831, more than budgeted (assuming a 50% split in the fiscal year).

2Q Expenditures are slightly higher than 50% of budgeted amount.

2Q expenditures are 0.49% higher than budgeted which is closer to target than last quarter. There were some notable unbudgeted expenses during the 2Q:

- A fallen tree resulted in an electricity outage that blew out several District batteries and revealed that the office generator needed repairs. Cost: $565 to replace the backup batteries and $2,378 to repair the generator (this repair will be reimbursed by Ferrellgas). Line items: 6890-District computers/software; 6143-Generator maintenance.
- We were notified that our 10-year contract for District's domain name (sweetwatersprings.com) was due to expire. Cost to renew: $600 (renewed for 20 years) Line item: 6890-District computers/software
- The Mill Street Emergency resulted in a single large claim for repair of the MiCasita parking lot. Cost $7,586 (versus a $1,500 budget for Claims). Line item: 6303-Claims.
- The District's annual phone system maintenance contract almost doubled from last year due to new corporate policies at Shoretel. Cost: $1,450 (versus $785.16 in previous years). Line item: 6151-Office Maintenance.

To date, all the 1Q and 2Q unbudgeted expenses are less than the increase in revenues.

For more detail on all the budget line items, please refer to the attached Actual vs. Budgeted breakdown provided with your packet.

Capital Budget:

The 2Q Capital Budget (Table 2) is not in balance because revenues tend to lag and 2014 CIP expenses are paid when billed and not on any regular schedule.

Revenue from the Capital Debt Reduction Charge (CDRC) and transfers to in-house construction won't be happening until later in the fiscal year.

At mid year, there are two major differences from the approved budget – the refinancing which was completed in the first quarter and the Mill Street Emergency Project which was done in October. The refinancing results in a savings this fiscal year of approximately $30,000 and that is shown in Table 2, but won't become fully apparent until the end of the year when all payments are made for the General Obligation Bonds and the Capital One Bond. The Mill Street Emergency Project will end up costing the District approximately $47,000 but Piazza Construction has not billed for their part yet. This amount is less than the savings expected from the 2014 CIP from changing to directional boring instead of trenching for pipe installation.

We could do a revised budget to reflect these two changes. Staff recommends just noting the changes in the comments section; this will be easy to track.

FUNDS AT THE COUNTY

Table 3. Fund and Loan Balances show a comparison of the budgeted and 2nd Quarter balances. Also attached is the County Fund Balances for the 2nd Quarter (from which the Table 3 actuals come).

It is difficult to make much of the comparisons in Table 3 because this is just the mid year of the fiscal year. There are many expenses not incurred or paid and many revenues not received. Reserves above Policy are much higher than budgeted but much of the expense of the budgeted 2014 CIP is yet to be paid and very little of the budgeted 2015 CIP has been paid (only some design costs) and most of this expense will not be incurred until next fiscal year even though the contract is planned for award in this fiscal year.

Of note, the change in the annual bond payments could be reflected in the Debt Repayment Reserve element of the Reserve Policy. Because annual debt payments are reduced by approximately $30,000, the Debt Payment Reserve can be reduced by approximately $7500.