

TOWN OF PROSPER
REPORT TO TOWN COUNCIL
FY 2025 RESULTS OF FOURTH QUARTER ENDING SEPTEMBER 30, 2025

In compliance with the Town Charter, Town Management presents to the Council the following summary of the fourth quarter financial results. These results are presented on a cash/budgetary basis in which certain accruals including property taxes, sales tax, payroll, accounts payable etc. are recorded on a cash basis month by month to facilitate more timely financial reporting and then at year end are recorded for the purposes of reporting in the audited financial statements to reduce the difference between budget basis and GAAP (Generally Accepted Accounting Principles) basis.

In summary, various accounts have been over and under budget, with detailed comments discussed below. With 100% of the year now complete, results for the major operations of the funds with related commentary are:

GENERAL FUND

- Revenues total \$49,226,952 or 96% of annual budget
- Property Tax Collections are 99% of annual budget
- Sales Tax Revenues are 95% of annual budget
- Franchise Fees are 89% of annual budget, with approximately \$450,000 to be received.
- Building Permit Revenues are 93% of annual budget, a decrease of 27% from the prior year.
- Expenditures total \$52,467,662, or 99% of annual budget
- Current fund balance is temporarily below the 21% reserve but is expected to be in compliance once outstanding revenues are received.

Revenues

It is common for a disproportionate share of General Fund revenues to be received early in the fiscal year. The Town's largest revenue source, property taxes, is due January 31st with many taxpayers remitting payments by the end of December to receive the income tax deduction in the same calendar year. Sales tax collections are 4% higher than the prior year but are projected to finish approximately \$575,000 below the revised budget. Franchise fees of roughly \$450,000 are expected to be received in November for the final quarter for FY2025. The current year reflects an 11% decrease compared to the prior year due to the timing of FY2024's fourth-quarter financials, which were issued in December 2023 and include those revenues. Building Permit revenue is anticipated to fall about \$270,000 short of budget due to the seasonal slowdown in development activity. The 27% decrease from the prior year is primarily attributable to several large permits that were issued in FY2024.

Expenditures

Overall, the General Fund expenditures are slightly under budget as of the reporting date. Encumbrances will decline as invoices are received and paid over the next several weeks. For goods

and services not received by September 30, related encumbrance will be released and paid for in the following fiscal year. All departments are projected to remain below budget.

IMPACT FEE REVENUES

- Street Impact Fees for East Thoroughfare Impact Fees total \$1,423,018 which is 129% of annual budget
- Street Impact Fees for West Thoroughfare Impact Fees total \$3,787,799 which is 84% of annual budget
- Water Impact Fees total \$2,750,781 which is 79% of annual budget
- Wastewater Impact Fees total \$1,437,915 which is 72% of annual budget

Due to their nature, impact fee revenue can fluctuate significantly throughout the year. Several large developer reimbursements are anticipated for projects completed through September 30; however, the corresponding expenditures will be recorded once payments are processed. West impact fees are primarily generated from single-family residential development and are recognized when builders obtain individual home permits, resulting in a more consistent flow of revenue throughout the year. In contrast, large multi-family permits are collected in a single payment, leading to greater variability.

WATER & SEWER FUND

- Revenues total \$38,224,033 or 88% of annual budget which is up 11% from prior year
- Expenditures total \$39,201,630 which is 102% of annual budget

Revenues

This fiscal year, higher water and wastewater rates have contributed to revenue growth compared to the prior fiscal year. The number of residential accounts increased by about 600 during the year; however, only 75 were added in the fourth quarter. Slower account growth, combined with a mild summer, resulted in billed consumption during the final quarter being about \$1.2 million lower than the same period last year. Despite total revenues not meeting budget expectations, the revenue bonds coverage ratio remains compliant.

Expenditures

Due to the “take or pay” fee structures with regional providers, water and sewer expenditures typically experience less seasonal variation than revenues. Both water purchases and sewer treatment costs are above budget, primarily due to surcharges associated with excess volume treated. Year-over-year increases are attributed to higher rates charged by regional suppliers.

HEALTH FUND

- Expenditures total \$8,010,283 which is 110% of revised budget and up 56% from prior year

While revenues are slightly above budget projections, largely due to stop loss reimbursements, expenditures are significantly over budget. The variance is driven by several high-dollar claims that fell below the individual stop-loss threshold, resulting in higher than anticipated expenditures.

Mario Canizares
Town Manager