

**TOWN OF PROSPER**  
**REPORT TO TOWN COUNCIL**  
**FY 2026 RESULTS OF SECOND QUARTER ENDING MARCH 31, 2026**

In compliance with the Town Charter, Town Management presents to the Council the following summary of the first 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 50% of the year now complete, results for the major operations of the funds with related commentary are:

### **GENERAL FUND**

- Revenues total \$45,677,969 or 67% of annual budget
- Property Tax Collections are 100% of annual budget
- Sales Tax Revenues are 47% of annual budget
- Franchise Fees are 49% of annual budget
- Building Permit Revenues are 38% of annual budget, an increase of 36% from the prior year.
- Expenditures total \$28,122,381 or 46% of annual budget

#### **Revenues:**

It is common for a disproportionate percentage of General Fund revenues to be received early in the fiscal year. The Town's largest revenue source, property taxes, is due January 31<sup>st</sup>. In prior years, a large portion of property taxes would be paid by December 31<sup>st</sup>. This year, collections were primarily received in January 2026 and are in alignment with prior years. Sales tax revenue is 4% higher than the previous year's revenue and is projected to meet budget expectations. Many franchise fees are paid on a quarterly basis, which creates a lag early in the year, but a 34% increase in receipts from the prior year is indicative of the growing sales tax base. Building Permits are below the 50% reference point but is up 36% compared to this time last year.

#### **Expenditures**

Overall, the General Fund expenditures are in line with budget as of the reporting date, with encumbrances making up 5% of the total. A large emphasis was made to encumber expected funds early in the year to give departments a better look at actual budgets remaining as the year progresses. Fire and Police show large increases when compared to previous years. This is related to all payroll expenditures being moved from the special purpose districts to the General fund. All departments are projected to remain below budget.

## **IMPACT FEE REVENUES**

- Street Impact Fees for East Thoroughfare Impact Fees total \$823,749 which is 68% of annual budget
- Street Impact Fees for West Thoroughfare Impact Fees total \$1,583,642 which is 35% of annual budget
- Water Impact Fees total \$1,046,615 which is 32% of annual budget
- Wastewater Impact Fees total \$534,573 which is 27% of annual budget

Due to their nature, impact fee revenue can fluctuate significantly throughout the year. 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 \$18,771,268 or 40% of annual budget which is up 13% from prior year
- Expenditures total \$21,123,183 which is 47% of annual budget

### **Revenues**

Water and sewer consumption for January through March are typically the three lowest consumption months of the year, but due to the increase in accounts we showed a combined 13% increase from the prior year. Revenue from water and sewer charges is tracking in line with budget projections, and consumption will be monitored throughout the year.

### **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 below budget halfway through the year. Year-over-year increases are attributed to higher rates charged by regional suppliers. Administration expenditures are well above the 50% mark, primarily due to one-time annual payments made early in the fiscal year.

## **HEALTH FUND**

- Expenditures total \$3,630,851 which is 43% of annual budget

Health fund revenues are currently below the expected percentage. This is primarily due to vacancies, the new plan year beginning in January 2026, and new FY positions slated for hire in February 2026. Once staffing levels increase and the new rates take effect, revenues will increase to offset the early shortfall.

Mario Canizares  
Town Manager