

TOWN OF PROSPER
REPORT TO TOWN COUNCIL
FY 2026 RESULTS OF FIRST QUARTER ENDING DECEMBER 31, 2025

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 25% of the year now complete, results for the major operations of the funds with related commentary are:

GENERAL FUND

- Revenues total \$14,601,711 or 21% of annual budget.
- Property Tax Collections are 20% of annual budget.
- Sales Tax Revenues are 23% of annual budget.
- Franchise Fees are 16% of annual budget.
- Building Permit Revenues are 15% of annual budget.
- Expenditures total \$17,288,393, or 25% 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. In prior years, a large portion of property taxes would be paid by December 31st. This year, collections are behind as of December 31st however, large deposits have already been seen in January 2026 that are anticipated to return the into alignment with prior years. Sales tax collections are 5% higher than the prior year. Franchise fees are below the expected percentage, which is common since these fees are paid after the services have been rendered, but are 46% higher than the previous year. Building Permit revenue is under expected percentages but is up 10% compared to the previous year. Building permits are often slow to start the fiscal 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 \$417,648 which is 35% of annual budget
- Street Impact Fees for West Thoroughfare Impact Fees total \$1,317,929 which is 29% of annual budget
- Water Impact Fees total \$564,455 which is 17% of annual budget
- Wastewater Impact Fees total \$301,060 which is 15% 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 \$10,575,974 or 22% of annual budget which is up 8% from prior year
- Expenditures total \$9,742,891 which is 21% of annual budget

Revenues

Due to a mild summer, consumptions rates are lower than in previous years, however, accounts have continued to rise. The number of accounts increased by about 620 over the last calendar year. Consumption will be monitored throughout the year, but at this time, there are no concerns of drastic shortfalls in revenue.

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 as of December 2025. Year-over-year increases are attributed to higher rates charged by regional suppliers.

HEALTH FUND

- Expenditures total \$1,828,692 which is 22% of revised budget and up 24% from prior year

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