

TOWN OF PROSPER
REPORT TO TOWN COUNCIL
FY 2025 RESULTS OF THIRD QUARTER ENDING JUNE 30, 2025

In compliance with the Town Charter, Town Management presents to the Council the following summary of the third 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, both revenues and expenditures are within the expected ranges and no unexpected events have occurred that require significant changes in original projections, with the exception of the health fund (discussed below). With 75% of the year now complete, results for the major operations of the funds with related commentary are:

GENERAL FUND

- Revenues total \$41,936,117 or 82% of annual budget
- Property Tax Collections are 97% of annual budget
- Sales Tax Revenues are 66% of annual budget
- Franchise Fees are 73% of annual budget
- Building Permit Revenues are 72% of annual budget, a decrease of 19% from the prior year.
- Expenditures total \$38,538,337, or 78% of annual budget

Revenues:

It is common for a disproportionate percentage of General Fund revenues to be received early in the year as our largest revenue-property taxes are due January 31st with many paying by the end of December to receive the income tax deduction in the current calendar year. Sales tax revenue is 3% higher than the previous year's revenue, but is projected to be about 3% under budget expectations. Many franchise fees are paid on a quarterly basis, which creates a lag early in the year, but a 13% increase in receipts from the prior year is indicative of the growing sales tax base. Building Permits are slightly below the 75% reference point due to the seasonality of building activity. Finally, the decrease of 19% from the previous year is due to several large building permits being issued early in the prior fiscal year.

Expenditures

The General Fund budget includes a large amount of non-recurring items such as patrol vehicles computers, radios, and other equipment for new police officer positions. The annual property and liability insurance premium is paid in the first quarter and covers the entire year. Encumbrances for items that are paid throughout the year contributes to expenditures in multiple departments being higher than the 75% reference point. Encumbrances add an additional 5% to the year-to-date expenditures.

IMPACT FEE REVENUES

- Street Impact Fees for East Thoroughfare Impact Fees total \$924,618 which is 92% of annual budget
- Street Impact Fees for West Thoroughfare Impact Fees total \$3,257,358 which is 72% of annual budget
- Water Impact Fees total \$2,094,794 which is 60% of annual budget
- Wastewater Impact Fees total \$1,070,832 which is 54% of annual budget

Due to their nature, impact fees can vary significantly throughout the year. West impact fees are primarily single family residential and are generated when a home builder takes out a permit for a single home. As such they will occur more evenly throughout the year. Large multi-family will be collected all at once.

WATER & SEWER FUND

- Revenues total \$25,788,393 or 59% of annual budget which is up 19% from prior year
- Expenditures total \$26,662,850 which is 71% of annual budget and flat from prior year

Revenues

This year, increased consumption in the third quarter was driven by lower rainfall and the addition of new customer accounts, contributing to higher revenues. Approximately 60% of annual consumption typically occurs during the first three quarters of the year, with the remaining 40% in the final quarter. Along with the scheduled water rate increases, these factors have resulted in 59% of total revenues recognized year-to-date, keeping us on track to meet budget expectations.

Expenditures

Because of the “take or pay” fee structures with regional suppliers, water and sewer expenditures typically show less seasonal fluctuation than revenues. Sewer management fees are above the 75% target due to the timing of payments. Both expenditures reflect year-over-year increases driven by rising rates from regional suppliers. Administration expenditures are well above the 75% mark, primarily due to an increase in one-time annual payments made early in the fiscal year.

HEALTH FUND

- Expenditures total \$5,970,122 which is 111% of annual budget and up 65% from prior year

While revenues are in line with budget projections, expenditures are well above the 75% mark. This is due to many high-dollar claims that have come in under the individual stop-loss limit. This is being addressed as part of mid-year budget adjustments.

Mario Canizares
Town Manager