

# TOWN OF PROSPER

## REPORT TO TOWN COUNCIL

### FY 2025 RESULTS OF SECOND QUARTER ENDING MARCH 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, 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 50% of the year now complete, results for the major operations of the funds with related commentary are:

#### **GENERAL FUND**

- Revenues total \$34,996,476 or 68% of annual budget
- Property Tax Collections are 95% of annual budget
- Sales Tax Revenues are 46% of annual budget
- Franchise Fees are 51% of annual budget
- Building Permit Revenues are 39% of annual budget, a decrease of 38% from the prior year.
- Expenditures total \$28,758,350, or 54% 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 31<sup>st</sup> with many paying by the end of December to receive the income tax deduction in the current calendar year. Sales tax revenue is 5% 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 17% increase in receipts from the prior year is indicative of the growing sales tax base. Building Permits are below the 50% reference point due to the seasonality of building activity. Finally, the decrease of 38% from the previous year is due to several large building permits being issued in October 2023.

#### **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 contribute to expenditures in multiple departments being higher than the 50% reference point. Encumbrances add an additional 6% to the year to date expenditures.

#### **IMPACT FEE REVENUES**

- Street Impact Fees for East Thoroughfare Impact Fees total \$461,483 which is 46% of annual budget
- Street Impact Fees for West Thoroughfare Impact Fees total \$1,878,845 which is 42% of annual budget
- Water Impact Fees total \$1,320,117 which is 38% of annual budget
- Wastewater Impact Fees total \$658,557 which is 33% 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 \$16,621,877 or 38% of annual budget which is up 15% from prior year
- Expenditures total \$19,820,472 which is 51% of annual budget and down 6% from prior year

### **Revenues**

Water and sewer billings had a notable decrease in January through March, which is customary during the winter months, but still showed a combined 17% increase from the prior year. The rise in billings is partially attributed to the scheduled water rate increase, in addition to season consumption changes. Revenue from water and sewer charges is tracking in line with budget projections, with further growth anticipated as new accounts are added throughout the year.

### **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 slightly above the 50% 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 50% mark, primarily due to one-time annual payments made early in the fiscal year.

## **HEALTH FUND**

- Expenditures total \$3,727,550 which is 69% of annual budget and up 61% from prior year

While revenues are in line with budget projections, expenditures are well above the 50% 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  
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