

TOWN OF PROSPER
REPORT TO TOWN COUNCIL
FY 2024 RESULTS OF FOURTH QUARTER ENDING SEPTEMBER 30, 2024

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 occurring within the expected ranges and no unexpected events have occurred that require significant changes in original projections. With 100% of the year now complete, results for the major operations of the funds with related commentary are:

GENERAL FUND

- Revenues total \$48,086,667, or 101% of annual budget.
- Property Tax Collections are 97% of annual budget.
- Sales Tax Revenues are 97% of annual budget, but an increase of 9% from the prior year actual.
- Franchise Fees are 116% of annual budget, but an increase of 24% from the prior year actual.
- Building Permit Revenues are 98% of annual budget, but an increase of 15% from the prior year actual.
- Expenditures total \$49,957,660, or 100% of annual budget.
- A fund balance drawdown, to bring fund balance closer to policy guidelines, of \$1,384,981 occurred as planned.

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 9% higher than the previous year which has the year finishing slightly below budgeted amounts. Many franchise fees are paid on a quarterly basis which creates a lag early in the year but organic growth and increased utility services created substantial growth in receipts from the prior year, resulting in a 24% increase. Finally, Building Permit revenue continued it's growth, resulting in an overall 15% increase but ended slightly below the amended budgeted total. Revenue shortfalls in many of the major categories were offset by higher than anticipated charges for services, grants received, and a sale of land to TxDOT. This caused overall revenue to slightly exceed the budgeted total.

Expenditures:

Expenditures the end of the year are slightly above the budgeted total. A major contributor was unbudgeted overtime within the Police Department. Remaining encumbrances are capital items which were not received by year-end that will roll to the next fiscal year.

IMPACT FEE REVENUES

- Water Impact Fees total \$3,467,614 which is 102% of annual budget.
- Wastewater Impact Fees total \$1,660,835 which is 96% of annual budget.
- Street Impact Fees for East Thoroughfare Impact Fees total \$1,005,046 which is 94% of annual budget.
- Street Impact Fees for West Thoroughfare Impact Fees total \$5,283,889 which is 109% 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 \$34,633,550, or 94% of annual budget and down 5% from prior year.
- Expenditures total \$38,600,372, or 99% of annual budget and up 31% from prior year.
- Transfers out shows an increase of 425% from the prior year due to the loan to the solid waste fund and large one-time CIP transfers.

Revenues:

Due to monthly billing of utility accounts and recording of revenues monthly on a cash basis, the revenues for July through September are traditionally the highest use months. Revenue continues to grow from the prior year due to the consistent increase in residential and commercial accounts; however, the growth has been limited by an uncharacteristically wet spring and mild summer. The overall revenue decrease from the prior year are primarily related to no rate increase being adopted for FY2024 and \$4 million of TxDOT reimbursement for water line relocation projects recognized in September of 2023. While more reimbursements of this nature were budgeted for 2024, these projects were not completed during the year.

Expenditures:

Due to the “take or pay” fee structures of regional suppliers, expenditures tend to have less seasonal variation than revenues. The water purchases expenditures have increased 20% due to the North Texas Municipal Water District Monthly Minimum payment increasing, from \$884,485 to \$961,261 per month. Wastewater treatment fees have increased at a similar rate due to higher rates from our suppliers along with surcharges for excess flows to Upper Trinity Regional Water District. Remaining encumbrances are capital items which were not received by year-end that will roll to the next fiscal year.

Mario Canizares
Town Manager