

# TOWN OF PROSPER

## REPORT TO TOWN COUNCIL

### FY 2023 RESULTS OF SECOND QUARTER ENDING MARCH 31, 2023

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

#### **GENERAL FUND**

- Revenues total \$34,397,739, or 72% of annual budget
- Property Tax Collections are 99% of annual budget
- Sales Tax Revenues are 48% of annual budget
- Franchise Fees are 54% of annual budget, an increase of 51% from the prior year.
- Building Permit Revenues are 40% of annual budget, a decrease of 13% from the prior year.
- Expenditures total \$29,741,444, or 47% 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 lagging budget slightly due to the loss of a major sales taxpayer at the end of December 2021 that is being offset by organic growth of new businesses overtime. Many franchise fees are paid on a quarterly basis which creates a lag early in the year but as noted organic growth is creating substantial growth in receipts from the prior year. Finally, Building Permits is behind the 50% reference point due to higher mortgage rates slowing demand for new home starts. If this trend continues less for fees and permits will be budgeted in FY2024. Currently, however, the shortfall in this one category is not considered enough to cause total revenues to be under budget.

#### **Expenditures:**

Expenditures halfway through the year are slightly less than the 50% reference point.

## **WATER & SEWER FUND**

- Revenues total \$13,182,563, or 46% of annual budget and up 9% from prior year
- Expenditures total \$13,610,999, or 41% of annual budget and up 5% from prior year
- Water purchases show an increase of 78% from prior year due to the timing of payments and organic growth in volume due to population growth.

### **Revenues:**

Due to monthly billing of utility accounts and recording of revenues monthly on a cash basis, the revenues for January through March are traditionally lower use months explaining why revenues are slightly lower than the 50% reference point. It should be noted that that for FY 2023, a separate Solid Waste fund has been created with solid waste related revenues and expenses being excluded from the utility fund and prior year numbers restated.

### **Expenditures:**

Due to the “take or pay” fee structures of regional supplier’s expenditures tend to have less seasonal variation than revenues. The prior year had 5 payments to NTMWD through March 2022 whereas the current fiscal year has 6 which is why it’s showing a 78% increase. The expenditures have increased 48% due to the North Texas Municipal Water District Water Service Monthly Minimum payment, from \$596,439 to \$884,485 per month. Debt service expenditures are down due to the early redemption of the 2012 CO’s in the prior year.

## **SOLID WASTE FUND**

The Revenues and expenditures recorded reflect the terms of the current contract with the decision to issue a request for proposal and not renew the current contract. The \$1,750,000 was budgeted for administration consisting of \$50,000 for an RFP consultant and \$1.7 million for possible purchase of solid waste and recycling carts. Easing supply chain constraints now make it possible to order the carts in FY2024.

## **IMPACT FEE REVENUES**

- Water Impact Fees total \$1,342,007 which is 38% of annual budget
- Wastewater Impact Fees total \$1,072,415 which is 61% of annual budget
- Street Impact Fees for East Thoroughfare Impact Fees total \$1,391,497 which is 139% of annual budget (Prosper Brookhollow Apts Building 1 - \$1,066,800)
- Street Impact Fees for West Thoroughfare Impact Fees total \$2,072,195 which is 52% 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.

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Town Manager