# TOWN OF PROSPER
# REPORT TO TOWN COUNCIL
# FY 2026 RESULTS OF THIRD QUARTER ENDING JUNE 30, 2026

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, various accounts have been over and under budget, with detailed comments 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 $55,012,400 or 81% of annual budget
- Property Tax Collections are 99% of annual budget
- Sales Tax Revenues are 71% of annual budget
- Franchise Fees are 70% of annual budget
- Building Permit Revenues are 64% of annual budget, an increase of 25% from the prior year.
- Expenditures total $45,626,650 or 71% of annual budget

**Revenues:**

It is common for a disproportionate percentage 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 were primarily received in January 2026 and are in alignment with prior years. Sales tax revenue is 9% 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 34% increase in receipts from the prior year is indicative of the growing sales tax base. Building Permits are below the 75% reference point but is up 25% compared to this time last 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 $1,216,000 which is 94% of annual budget
- Street Impact Fees for West Thoroughfare Impact Fees total $2,818,435 which is 63% of annual budget
- Water Impact Fees total $1,725,201 which is 53% of annual budget
- Wastewater Impact Fees total $846,681 which is 42% 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 $29,563,693 or 62% of annual budget which is up 15% from prior year
- Expenditures total $29,781,885 which is 67% of annual budget

**Revenues**

Water revenue typically averages 60% through the first three quarters of the year. Currently, we are slightly below the average (56%), but due to the increase in accounts we showed an 11% increase from the prior year. Revenue from water and sewer charges is tracking slightly below budget projections and is being closely monitored. Revenue is highly dependent upon the weather, and the final quarter of the year typically averages roughly 40% of the annual revenue during this timeframe.

**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 nine months through the year. Year-over-year increases are attributed to higher rates charged by regional suppliers. Administration expenses are well above the 75% mark, primarily due to one-time annual payments made early in the fiscal year.

## HEALTH FUND

- Expenditures total $5,557,343 which is 65% of annual budget

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