

TOWN OF PROSPER

REPORT TO TOWN COUNCIL

FY 2023 RESULTS OF FIRST QUARTER ENDING DECEMBER 31, 2022

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 occurring within the expected ranges and no unexpected events have occurred that require significant changes in original projections. With 25% of the year now complete, results for the major operations of the funds with related commentary are:

GENERAL FUND

- Revenues total \$18,488,490, or 39% of annual budget
- Property Tax Collections are 57% of annual budget
- Sales Tax Revenues are 24% of annual budget
- Franchise Fees are 14% of annual budget, an increase of 158% from the prior year.
- Building Permit Revenues are 21% of annual budget, an increase of 18% from the prior year.
- Expenditures total \$10,903,554, or 28% 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 lagging budget slightly due to the loss of a major sales taxpayer that is being offset by organic growth of new businesses over time. 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 slightly behind the 25% reference point due to the seasonality of building activity.

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. These non-recurring items typically occur early in the fiscal year resulting in expenditures slightly higher than the 25% reference point.

WATER & SEWER FUND

- Revenues total \$7,643,285 which is 26% of annual budget and up 10% from prior year
- Expenditures total \$5,903,988 which is 20% of annual budget and up 25% from prior year
- Water purchases up 48% from prior year

Revenues

Due to monthly billing of utility accounts and recording of revenues monthly on a cash basis, these revenues include some of August and all of September usage which are traditionally higher use months explaining why revenues are slightly higher than the 25% reference point. It should be noted 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.

Expenditures

Due to the “take or pay” fee structures of regional suppliers expenditures tend to have less seasonal variation than revenues. These expenditures increased due to a 48% increase in the North Texas Municipal Water District Water Service Monthly Minimum payment, from \$596,439 to \$884,485 per month.

IMPACT FEE REVENUES

- Water Impact Fees total \$666,247 which is 19% of annual budget
- Wastewater Impact Fees total \$528,188 which is 30% of annual budget
- Street Impact Fees for East Thoroughfare Impact Fees total \$1,423,860 which is 142% of annual budget (Prosper Brookhollow Apartments Building 1 - \$1,066,800)
- Street Impact Fees for West Thoroughfare Impact Fees total \$724,370 which is 18% of annual budget

Due to their nature, impact fees can vary significantly throughout the year. Large multi-family permits are collected all at once, which resulted in the East Thoroughfare revenue increase. West Thoroughfare 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.

Mario Canizares
Town Manager