

Welcome to the February 25, 2025, Prosper Town Council Work Session

Call to Order/Roll Call

Agenda Item 1.

Discussion regarding the Town's multi-year financial projections and Budget Adoption Calendar. (CL)

Multi-Year Financial Forecast Council Workshop February 25, 2025

Town Council Strategic Visioning Priorities



1

ACCELERATION OF INFRASTRUCTURE

- Work with the Capital Improvement Subcommittee to identify gaps in the Town's infrastructure and ensure that it meets the demands of a growing community
- Utilize all available financial methods (Bonds, Certificates of Obligation, Capital Dedicated Fund, Grants, etc.) to fund projects.
- Work with the Capital Improvement Subcommittee to plan for a future bond program and/or pay-as-you-go program.



2

DEVELOPMENT OF DOWNTOWN PROSPER AS A DESTINATION

- Collaborate with the Downtown Business Alliance, Community Engagement Committee, Downtown Committee, and Prosper EDC to implement the Downtown Master Plan.
- Pursue a mix of public and private developments as catalysts for office, retail, restaurants, entertainment, housing, and outdoor events.



3

ENSURE THE TOWN'S COMMERCIAL CORRIDORS ARE READY FOR DEVELOPMENT

- Ensure US 380 and Dallas North Tollway are primed and ready for development.
- Develop long-term strategies for land use, landscaping, lighting, and traffic.
- Leverage partnerships with TxDOT, NTTA and private development.
- Prioritize infrastructure to meet demand, using incentives when appropriate.



4

CONTINUE TO PROVIDE EXCELLENT MUNICIPAL SERVICES

- Strive to be a high-performing organization focused on continuous improvement, best practices, and benchmarking.
- Develop a culture of excellence and provide the financial resources necessary to support these goals.
- Provide a welcoming and respectful environment for residents, visitors, and Town employees.



5

WORK TOWARDS A GROWING AND DIVERSIFIED TAX BASE

- Collaborate with Prosper EDC and be adaptable to changing market conditions.
- Place an emphasis on corporate, medical, and life-sciences sectors.
- Utilize metrics to create resiliency strategies against market changes.

Purpose

- Kick Off to the Budget Season
- Ensures Council and Staff are in alignment
 - Council Goals and Priorities (Previous Slide)
 - Revenue forecasts
 - Committed or requested (per five-year staffing requests) expenditures
 - Expenditure drivers
 - Needed Work sessions
- Helps establish upcoming workplan for Budget Preparation
 - Population growth and capital project completions used for five-year staffing
 - A/V growth used for multi-year capital projects
- Confirm Budget Calendar

Proposed Change in Reporting for Police and Fire SPD

- Trending and Analysis with Police and Fire are difficult because the personnel counts split between the General Fund and both SPDs are inconsistent from year to year
- A proposed solution would be to transfer Sales Tax Revenue from SPDs to General Fund during the year and recognize all Police and Fire personnel costs in the General Fund
- The Fund balance requirement for the General Fund would need to be altered to be 21% of recurring expenditures less the funding provided by the SPDs.



Upcoming Budget Calendar Key Dates

- February – 5-year budget projection
- Early April – Appraisal District Estimates
- May 15 – Preliminary Appraisal Rolls Due
- June 25 – Council Budget Workshop
- July 25 – Certified Appraisal Received by Staff
- August 8 – Preliminary Budget to Town Council
- August 12 – Submit Preliminary Budget to Town Council
- August 18 –Deadline to Call Tax Rate Election if Exceeding Voter Approval Rate
- August 29 – Budget Town Hall Meeting
- September 9 – PH/Vote on Budget/Vote on Tax Rate

General Fund Assumptions

- Projected Revenues for FY 2026
 - Property Tax – 42% of revenue, 14.7% growth
 - Sales Tax – 21% of revenue, 8.9% growth
 - Costco – March 2025 (50% Developer's Agreement)
 - HEB – Fall 2025 (fiscal year 2026)
- License, Permits & Fees is projected to be flat as growth is making up for the reduction of Engineering Inspection Fees due to legislative changes
- Projected Expenditures – (not reviewed or approved by Town Management)
 - Personnel - 65% of expenditures, 2.5% vacancy rate
 - 3% merit for all employees
 - 5% Benefit Increase
 - New Positions – includes all positions request by departments



Personnel Expenditures – 65% of GF Expenditures

- Merit Adjustment – 3%
 - General Fund Impact - \$1,030,965
 - Water and Sewer Impact - \$167,744
 - Storm Drainage Utility Fund - \$12,781
 - Solid Waste Fund - \$1,911
- Compensation and Classification Study
 - Estimate - \$300,000
 - Philosophy to be established
- Health Benefits – 5%
- Delayed personnel costs from FY2025 “hangover” - \$560,397
- Merit Miscalculation from FY2025
- Fire Station #4 Staffing and Operations – Applied for SAFER Grant

General Fund Assumptions (continued)

- Expenditures (continued)
 - Operations – 3% growth (inflation, contractual increases)
 - Known Project Completion
 - Fire Station 4 – FY2026, staffing in FY2026, FY2027, and FY2028
 - Raymond Park – Late FY2025, full year impact FY2026
 - Public Works Facility – Late FY2026, early FY2027
 - Library – FY2030
 - Parks Multi-generational Facility – FY2030+
 - Streets and Median – Various street openings in all years
 - One-time/Capital Expenditures \$1.7M (typically from new positions or programs)
 - Capital Dedicated – 10 cents
- Town Manager preliminary budget will balance with respect to recurring revenue and expenditures. One-time will balance with respect to available revenues with fund balance drawdowns (if any) complying with minimum fund balance policy.



	ACTUAL	Amended	Proposed	Projected	Projected	Projected	Projected
	2024	2025	2026	2027	2028	2029	2030
RECURRING REVENUES							
Property Tax	20,571,175	23,332,018	26,764,630	29,420,940	32,026,839	34,596,953	37,274,590
Sales Tax	11,266,378	12,903,535	13,305,252	14,146,592	14,925,187	15,599,589	16,119,165
Licenses, Permits & Fees	6,349,407	5,990,720	6,608,173	6,897,920	7,023,598	7,155,423	7,293,825
Franchise Fees	3,624,352	3,334,932	4,031,529	4,236,175	4,437,583	4,632,933	4,819,487
Other Revenue	4,795,229	4,153,057	3,934,449	3,968,137	3,920,000	3,998,400	4,078,368
Transfers In	1,297,102	1,478,696	1,349,884	1,390,380	1,432,092	1,475,055	1,519,306
SPD Transfer In	-	-	7,095,638	7,549,306	7,967,867	8,337,595	8,648,167
TOTAL RECURRING REVENUES	47,903,643	51,192,958	63,089,554	67,609,452	71,733,167	75,795,948	79,752,908
RECURRING EXPENDITURES							
Administration	10,185,682	10,506,487	10,633,835	11,596,091	12,534,959	13,579,534	14,654,876
Police Services	8,918,504	10,779,230	11,160,094	13,240,303	15,057,335	17,006,106	19,396,022
Police SPD Personnel			3,445,180	3,548,535	3,654,992	3,764,641	3,877,580
Fire Services	10,519,091	10,236,399	10,609,774	12,476,163	13,786,912	15,453,088	16,620,065
Fire SPD Personnel			3,648,116	3,757,559	3,870,286	3,986,395	4,105,986
Public Works	4,360,020	4,994,174	5,283,707	5,782,731	6,169,362	6,630,457	7,176,742
Community Services	6,504,709	8,003,896	8,669,929	9,421,503	10,215,238	11,061,516	12,517,889
Development Services	3,248,592	4,119,971	4,440,873	4,811,183	5,124,266	5,459,228	5,817,650
Engineering	2,586,031	2,552,112	2,688,231	3,013,429	3,361,437	3,739,173	4,008,087
New Sworn Police	-	-	1,283,959	898,600	905,480	1,183,613	1,124,793
New Fire	-	-	1,108,245	470,375	700,894	146,555	1,108,245
New Other	-	-	1,103,862	806,517	909,972	1,307,513	865,710
Market Study Implementation	-	-	300,000	-	-	-	-
Fire Station 4 (Operations)	-	-	100,000	100,000	100,000	100,000	100,000
Raymond Park (Full-year)	-	-	100,000	100,000	100,000	100,000	100,000
New Street Median Maintenance	-	-	60,000	80,000	100,000	100,000	100,000
TOTAL RECURRING EXPENDITURES	46,322,629	51,192,269	64,635,805	70,102,991	76,591,132	83,617,819	91,573,645
NET CHANGE FROM RECURRING	1,581,014	689	(1,546,251)	(2,493,540)	(4,857,966)	(7,821,871)	(11,820,737)
NON-RECURRING "ONE-TIME" REVENUES							
Grants	183,024	14,848	-	-	-	-	-
TOTAL NON-RECURRING REVENUES	183,024	14,848	-	-	-	-	-
NON-RECURRING EXPENDITURES							
One-time Expenditures	4,079,019	1,627,359	1,700,000	1,700,000	1,700,000	1,700,000	1,700,000
TOTAL NON-RECURRING EXPENDITURES	4,079,019	1,627,359	1,700,000	1,700,000	1,700,000	1,700,000	1,700,000
NET CHANGES FROM NON-RECURRING	(3,895,995)	(1,612,511)	(1,700,000)	(1,700,000)	(1,700,000)	(1,700,000)	(1,700,000)
NET CHANGE IN FUND BALANCE	(2,314,981)	(1,611,822)	(3,246,251)	(4,193,540)	(6,557,966)	(9,521,871)	(13,520,737)
BEGINNING FUND BALANCE	15,546,341	13,231,360	11,619,538	8,373,287	4,179,748	(2,378,218)	(11,900,089)
ENDING FUND BALANCE	13,231,360	11,619,538	8,373,287	4,179,748	(2,378,218)	(11,900,089)	(25,420,826)
CONTINGENCY PER CHARTER	9,264,526	10,238,454	11,508,033	12,510,737	13,724,653	15,056,045	16,585,096
1% RESERVE	463,226	511,923	575,402	625,537	686,233	752,802	829,255
AMOUNT OVER(UNDER) MINIMUM TARGET	3,503,608	869,162	(3,710,148)	(8,956,526)	(16,789,104)	(27,708,936)	(42,835,176)

Debt Service and Capital Dedicated

Goal is to maintain stable I&S rate of 18 cent rate but no more than 20.2 cents per policy

- With additional DS capacity due to greater than expected A/V growth in FY 2026 to maintain the DS tax rate, we can:
 - Issue more debt in 2025 since first DS payment is 2026
 - Front load DS to pay off debt sooner and keep rate up
 - Issue same amount but plan on redeeming callable debt in 2025
 - Restructure callable debt in 2026
- Keeping Capital Dedicated at 10 cents means at projected growth, we will have about \$10.7 million in capital dedicated funds





Property Valuation

Fiscal Year	Starting Taxable Valuation	Reappraisal Growth	Reappraisal Growth	New Property	Total Valuation	Total Growth
2021	4,209,067,499	31,571,433	0.80%	360,557,369	4,601,196,301	9.30%
2022	4,601,196,301	366,487,773	8.00%	469,526,490	5,437,210,564	18.20%
2023	5,437,210,564	582,365,527	10.70%	596,431,779	6,616,007,870	21.70%
2024	6,616,007,870	842,814,805	12.70%	876,474,004	8,335,296,679	25.99%
2025	8,335,296,679	408,205,593	4.90%	878,599,323	9,622,101,595	15.44%
2026	9,622,101,595	279,040,946	2.90%	851,843,858	10,752,986,399	11.75%
2027	10,752,986,399	215,059,728	2.00%	805,586,082	11,773,632,209	9.49%
2028	11,773,632,209	235,472,644	2.00%	740,376,945	12,749,481,798	8.29%
2029	12,749,481,798	254,989,636	2.00%	679,429,721	13,683,901,155	7.33%
2030	13,683,901,155	293,678,023	2.14%	659,429,721	14,637,008,899	6.97%



New Property Valuation

Fiscal Year	New Commercial	New Single Family	Single Family Permits	New Multi-family	Total New Property Valuation
2021	79,258,829	281,298,540	1244		360,557,369
2022	146,247,781	323,278,709	700		469,526,490
2023	134,460,200	461,971,579	1225		596,431,779
2024	188,002,668	654,248,828	904	34,222,508	876,474,004
2025	216,099,749	572,465,566	900	76,216,381	864,781,696
2026	191,928,988	583,914,870	900	76,000,000	851,843,858
2027	205,769,922	529,416,160	800	70,400,000	805,586,082
2028	200,372,465	540,004,480	800		740,376,945
2029	197,475,731	481,953,990	700		679,429,721
2030	167,836,661	491,593,060	700		659,429,721



Tax Rate

Fiscal Year	I&S (Debt Service)	O&M (General Fund)	Capital Dedicated	Total Tax Rate	Unused Increment Balance	Foregone Revenue	Unused Increment New Calculation
2021	0.1525	0.3675	0	0.52	0.013725		
2022	0.182	0.328	0	0.51	0.043161		
2023	0.18017	0.32983	0.112	0.51	0.017336		
2024	0.177258	0.332742	0.102	0.51	0.002523		
2025	0.180392	0.224608	0.100	0.505	-	1,599,176	0.017075
2026	0.18	0.225	0.100	0.505	-	1,599,176	0.014871
2027	0.18	0.225	0.100	0.505	-		
2028	0.18	0.225	0.100	0.505	-		
2029	0.18	0.225	0.100	0.505	-		
2030	0.18	0.225	0.100	0.505	-		

Sales Tax Projections – 21%

Fiscal Year	Sales Tax (TIRZ Adj.)	Sales Tax Growth	Mixed Beverage	Mixed Beverage Growth
2020	6,096,355	N/A	74,941	N/A
2021	8,212,231	34.71%	101,327	35.21%
2022	9,464,641	15.25%	122,298	20.70%
2023	10,160,615	7.35%	202,909	65.91%
2024	11,150,961	9.75%	163,725	-19.31%
2025	12,008,218	7.69%	219,665	34.17%
2026	13,083,390	8.95%	221,862	1.00%
2027	13,911,419	6.33%	235,173	6.00%
2028	14,675,904	5.50%	249,284	6.00%
2029	15,335,348	4.49%	264,241	6.00%
2030	15,839,069	3.28%	280,095	6.00%



Benchmarking Proposed Fiscal Year 2024-2025 Tax Rates

Entity	Homestead Exemption Rate	General Fund	Capital Dedicated	I&S	Total Tax Rate	Equivalent Tax Rate for Homestead	Freeze
Anna	5.0%	0.360213	-	0.146987	0.507200	0.481840	No
Celina	None	0.287061	-	0.311107	0.598168	0.598168	Yes
Coppell	5.0%	0.392071	-	0.070151	0.462222	0.439111	No
Flower Mound	12.5%	0.348344	-	0.038956	0.387300	0.338888	No
Frisco	15.0%	0.283406	-	0.142111	0.425517	0.361689	Yes
Keller	20.0%	0.249292	-	0.043888	0.293180	0.234544	Yes
Little Elm	None	0.435787	-	0.124113	0.559900	0.559900	Yes
McKinney	None	0.278935	-	0.136578	0.415513	0.415513	No
Southlake	20%	0.250000	-	0.055000	0.305000	0.244000	Yes
Average of Comparison	8.61%	0.320568	-	0.118766	0.439333	0.408184	-
Prosper (FY2024-2025)	17.5%	0.224608	0.10	0.180392	0.505	0.416625	Yes
Prosper (FY2025-2026)	17.5%	0.225	0.10	0.18	0.505	0.416625	Yes



New Personnel Requests

FTE Count	Current	2026	2027	2028	2029	2030	Total	Ending
Fire	81	9	4	7	1	9	30	111
Police	93	14	9	10	14	12	59	152
Other General Fund	166.75	14	15	12	19	8	68	234.75
Utility Fund	71	7	4	3	4	2	20	84
Total FTE	410.75	44	32	32	38	31	177	581.75
Population	45,788	49,908	54,399	59,294	63,796	68,298		
FTE per 1,000 Population	8.97	9.11	8.95	8.75	8.73	8.61		

Amount	2026	2027	2028	2029	2030
Fire	1,108,244	470,375	700,894	146,555	1,108,245
Police	1,283,959	898,600	905,480	1,183,613	1,124,793
Other General Fund	1,025,305	938,176	939,182	1,195,287	643,787
Utility Fund	485,044	282,591	206,049	250,557	116,016
Total FTE	3,902,553	2,589,742	2,751,605	2,776,013	2,992,841

Utility Fund Assumptions

- Work in Progress
- Rate consultant will review rate structure and propose changes for consideration
- Rate increases from suppliers
- We are a Distribution and Collection Utility
 - 50% of total expenditures service cost from regional provider
 - Do not have firm increases from providers
- Continue to issue revenue bonds



FUND	ACCOUNT TYPE	ACTUALS 2023-2024	ADOPTED YEAR 2024-2025	FORECASTED YEAR 2024-2025	PLANNING YEAR 2025-2026	PLANNING YEAR 2026-2027	PLANNING YEAR 2027-2028	PLANNING YEAR 2028-2029	PLANNING YEAR 2029-2030
REVENUES	Water Charges for Services	\$21,248,246	24,470,841	25,914,073	26,971,398	30,657,624	34,624,893	38,781,342	42,092,653
	Wastewater Charges for Services	11,436,813	14,674,289	13,458,431	17,674,593	21,370,494	25,382,505	27,292,745	32,775,176
	Sanitation Charges for Services	-	-	-	-	-	-	-	-
	License, Fees & Permits	350,004	377,705	377,705	409,791	426,941	444,875	463,560	490,442
	Water Penalties	\$0	186,900	186,900	2,000	2,000	2,000	2,000	2,000
	Utility Billing Penalties	228,378	-	-	200,000	200,000	200,000	200,000	200,000
	Investment Income	582,382	450,000	450,000	350,000	350,000	350,000	350,000	350,000
	Other	\$862,610	3,284,690	3,284,690	691,700	768,359	848,076	932,884	1,006,249
	TOTAL REVENUES	\$ 34,708,433	\$ 43,444,425	\$ 43,671,800	\$ 46,299,482	\$ 53,775,418	\$ 61,852,349	\$ 68,022,530	\$ 76,916,521
EXPENDITURES	Administration	965,329	1,063,187	1,063,187	1,799,883	2,746,388	3,344,968	3,851,702	4,558,178
	Franchise Fee	990,801	1,136,854	1,136,854	1,339,380	1,560,844	1,800,222	1,982,223	2,277,720
	Debt Service	4,984,279	6,753,424	6,753,424	9,624,845	11,311,926	13,388,250	13,379,463	13,300,000
	Water Purchases	12,567,118	13,563,295	13,563,295	15,779,849	18,824,680	22,434,201	26,058,383	30,170,082
	Sewer Management	4,924,570	5,270,599	5,270,599	6,055,373	6,898,939	7,402,576	8,108,590	8,962,988
	Trash Collection	-	-	-	-	-	-	-	-
	Public Works	8,912,810	9,601,940	9,601,940	9,163,264	9,731,766	9,942,719	10,611,733	10,999,353
	Capital	-	-	-	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
	Market	-	-	-	-	-	-	-	-
	New Positions	-	-	-	421,325	208,697	116,016	125,279	52,297
	TOTAL EXPENDITURES	\$ 33,344,906	\$ 37,389,299	\$ 37,389,299	\$ 45,183,919	\$ 52,283,241	\$ 59,428,952	\$ 65,117,372	\$ 71,320,617
	Net Income (Loss)	\$ 1,363,527	\$ 6,055,126	\$ 6,282,501	\$ 1,115,563	\$ 1,492,177	\$ 2,423,397	\$ 2,905,158	\$ 5,595,903
OTHER FINANCING	Transfers In	2,093,693.58	-	-	-	-	-	-	-
	Transfers Out	(3,658,707)	(1,218,340)	(1,218,340)	(1,218,340)	(1,218,340)	(1,218,340)	(1,218,340)	(1,218,340)
	Loan to Solid Waste Fund	(1,001,877)	-	-	-	-	-	-	-
	TOTAL OTHER FINANCING SOURCES (USES)	\$ (2,566,890)	\$ (1,218,340)	\$ (1,218,340)	\$ (1,218,340)	\$ (1,218,340)	\$ (1,218,340)	\$ (1,218,340)	\$ (1,218,340)
CHANGE IN NET ASSETS		\$ (1,203,363)	\$ 4,836,786	\$ 5,064,161	\$ (102,777)	\$ 273,837	\$ 1,205,057	\$ 1,686,818	\$ 4,377,563
BEGINNING NET ASSETS		\$ 12,385,346	\$ 11,181,983	\$ 16,018,769	\$ 16,018,769	\$ 15,915,992	\$ 16,189,829	\$ 17,394,886	\$ 19,081,704
ENDING NET ASSETS		\$ 11,181,983	\$ 16,018,769	\$ 21,082,929	\$ 15,915,992	\$ 16,189,829	\$ 17,394,886	\$ 19,081,704	\$ 23,459,268
	1.25 times Debt Service Reserve Limit	2.24	2.37	3.12	1.65	1.43	1.30	1.43	1.76
AMOUNT OVER (UNDER) IN DAYS OPERATING COST		121	154	203	127	111	105	105	118

Future Work Sessions

- June 24 – Budget Workshop
 - Compensation
 - Budget assumption updates
- Utility Rate Structure?
- Other Capital needs not currently on Plan for CIP consideration?
- Long-term Facility Maintenance Planning?
- Others Needed?

- Finance Committee met February 3, 2025, recommended no change in tax rate or homestead exemption if not required.
- Discussion

Executive Session

- Section 551.087 – To discuss and consider economic development incentives and all matters incident and related thereto.
- Section 551.072 – To discuss and consider the purchase, exchange, lease, or value of real property for municipal purposes and all matters incident and related thereto.
- Section 551.074 – To discuss and consider personnel matters and all matters incident and related thereto.
- Section 551.089 - To deliberate security information collected, assembled, or maintained by or for a governmental entity to prevent, detect, or investigate criminal activity, pursuant to Section 2059.055 of the Texas Government Code, and all matters incident and related thereto.
- Section 551.074 - To discuss and consider personnel matters, including the annual evaluation of the Town Manager, Town Attorney, and the Municipal Judge, and all matters incident and related thereto.
- Section 551.071 - To consult with the Town Attorney regarding legal issues associated with code enforcement activities and substandard structures, law enforcement activities, and all matters incident and related thereto.
- Section 551.071 – Consultation with the Town Attorney to discuss legal issues associated with any agenda item.

The Town Council will reconvene after Executive Session.

Reconvene into Work Session

Adjourn