



Town of Hillsborough 2018-19 Quarterly Financial Report Third Quarter Ending March 31, 2019

EXECUTIVE SUMMARY

This financial report summarizes the activities of the Town's General Fund and its Enterprise Funds for the fiscal period July 1, 2018 to March 31, 2019. The General Fund is the primary operating fund of the Town and accounts for most operating activities. The Enterprise Funds account for the sewer and water operations and funding is primarily through user charges.

GENERAL FUND

Overall, revenues in the General Fund for fiscal year 2018-19 at the end of third quarter are in line with budget and are 11% higher when compared to the same period last fiscal year. The increase is primarily due to property tax. Excess ERAF (Education Revenue Augmentation Fund) is 38% higher than budgeted (\$2.2 million) due to a one-time methodology change.

Overall, General Fund expenditures are at 65% of budget at the end of third quarter for fiscal year 2018-19 and are in line with budget. Operating expenditures (excluding storm drain/sewer funding) are at 70% of budget.

General Fund ending fund balance at March 31, 2019 is \$23.9 million with \$12.6 million reserved for contingencies by policy. The remaining funds are held for capital projects and future contingencies. The ending fund balance is higher as compared to budget primarily due to the increase in property tax and lighter in expenditure.

WATER ENTERPRISE FUND

Water operating revenue for fiscal year 2018-19 at the end of the third quarter is at 65% of the annual budget and is 8% lower when compared to the same period last fiscal year. The decrease from the prior year is primarily attributable to a decrease in water usage by 16%. Total operating expenses are 65% of budget at end of third quarter for fiscal year 2018-19 and are in line with budget.

The Water Fund shows net excess of \$1.9 million due to timing of capital improvement project spending, which adds to reserves that are restricted for use in the Water Fund only.

SEWER ENTERPRISE FUND

Sewer charges are collected annually on the property tax bill for residential customers and on the monthly water bill for non-residential customers. The first installment of the tax roll is received in the second quarter of each year, showed an increase of 12% increase when compared to the same period last fiscal year. The Sewer Fund received State Revolving Fund loan proceeds of \$1.2 million in the first quarter. The proceeds are reimbursement for the large El Cerrito sewer line project. Total operating expense is 45% as compared to budget primarily due to timing of expenses.

The Sewer Fund shows net excess revenue of \$2.3 million due to timing of capital improvement projects, which adds to reserves that are restricted for use in the Sewer Fund only.



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GENERAL FUND - FUND BALANCE

The General Fund accounts for direct services provided to the citizens of Town of Hillsborough. The Fund Balance as compared to full year budget is higher due to timing of capital transfers that will occur by year end.

GENERAL FUND	FISCAL YEAR 2018-2019		
	Budget	YTD Actual to 03/31/19	YTD %
Revenue	\$26,905,508	\$19,178,292	71%
Expenditures	26,499,876	17,040,816	64%
Transfers	993,670	747,529	75%
EXCESS(DEFICIT)	(588,038)	1,389,948	-236%
Beginning Fund Balance	22,503,940	22,503,940	100%
Ending Fund Balance	\$21,915,902	\$23,893,888	109%

GENERAL FUND REVENUE

Total General Fund revenue is up 11% from the same time last year primary driven by property tax and improved investment income.

GENERAL FUND	FISCAL YEAR 2018-2019			FISCAL YEAR 2017-2018		\$ Variance YTD vs. PY	YTD Var over PY
	Budget	YTD Actual to 03/31/19	YTD %	YTD Actual to 03/31/18			
Property Taxes	\$16,881,303	\$10,771,817	64%	\$9,670,341	\$1,101,476	11%	
Excess ERAF	1,600,000	2,209,536	138%	1,693,630	515,906	30%	
Public Safety Special Tax	2,234,611	1,121,938	50%	1,405,421	(283,483)	-20%	
Permits	1,287,539	1,127,095	88%	1,042,428	84,666	8%	
Service Charges	1,060,636	855,225	81%	757,052	98,173	13%	
Motor Vehicle License Fees	1,317,653	667,840	51%	633,646	34,194	5%	
Business License	650,000	493,988	76%	471,997	21,991	5%	
Franchise Tax	751,440	330,940	44%	346,838	(15,898)	-5%	
All Others	1,122,326	1,599,913	143%	1,277,312	322,601	25%	
TOTAL	\$26,905,508	\$19,178,292	71%	\$17,298,666	\$1,879,626	11%	

- Property tax revenue is in line with budget and shows an 11% increase as compared to prior year. The growth is primarily attributable to increase in assessed values and a 38% increase in excess ERAF compared to budget.
- The 8% increase in overall permit revenue and 43% increase in planning application are driven by the increase in master fee schedule and the valuation of each permit.
- “All Others” revenue growth exceeds expectation due to receipt of one-time reimbursement fee from PG&E and higher investment income. Investment income is above the prior year due to the improved rate of return and diversification of the Town’s investment portfolio. The PG&E monies were collected for replacement of trees and will be held in reserve for that purpose.



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GENERAL FUND EXPENDITURES

Total General Fund actual year-to-date expenditures are in line with budget.

Expenditures by Department	FISCAL YEAR 2018-2019			FISCAL YEAR 2017-2018		\$ Variance YTD vs. PY	YTD Var over PY
	Budget	YTD Actual to 03/31/19	YTD %	YTD Actual to 03/31/18			
City Council	\$46,890	\$32,939	70%	\$30,641	\$2,298	8%	
City Manager	813,065	573,680	71%	508,057	65,623	13%	
Finance	460,363	318,864	69%	312,552	6,312	2%	
General Government	1,819,799	1,226,300	67%	872,571	353,729	41%	
City Attorney	149,246	198,234	133%	55,778	142,456	255%	
Police	9,908,890	7,057,825	71%	6,714,899	342,926	5%	
Fire	7,669,372	5,760,977	75%	5,444,426	316,551	6%	
Building	1,493,406	1,033,668	69%	960,875	72,794	8%	
Planning	529,016	354,732	67%	339,013	15,720	5%	
Streets	2,403,499	1,231,124	51%	1,378,781	(147,657)	-11%	
Storm Drain/Sewer Funding	2,200,000	-	0%	-	-		
TOTAL	\$27,493,546	\$17,788,345	65%	\$16,617,592	\$1,170,752	7%	

- General Government is in line with the budget for year-to date. The increase in expenditures as compared to the prior year is primarily due to adopted budget increases for capital and asset replacement reserves.
- City Attorney year-to-date spending is higher than budget and last year primarily due to litigation matters.
- Streets Department spending is low as compared to budget primarily due to the timing of projects.

The following chart summarizes the cost recovery level of each department for actual year-to-date fiscal year 2018-19 results and annual budget fiscal year 2018-19. Note that general revenues fund many departments, rather than service related fees and charges.

	FISCAL YEAR 2018-2019 BUDGET			FISCAL YEAR 2018-2019 ACTUAL YTD		
	Revenue	Expenditure	Cost Recovery	Revenue	Expenditure	Cost Recovery
City Council	\$ -	\$46,890		\$ -	\$32,939	0%
City Manager	-	813,065		-	573,680	0%
Finance	897,850	460,363	195%	673,838	318,864	211%
General Government	-	1,819,799		-	1,226,300	0%
City Attorney	-	149,246		-	198,234	0%
Police	1,626,006	9,908,890	16%	966,875	7,057,825	14%
Fire	1,117,306	7,669,372	15%	575,564	5,760,977	10%
Building ¹	1,187,895	1,493,406	80%	1,070,929	1,033,668	104%
Planning ¹	164,800	529,016	31%	173,526	354,732	49%
Public Works Administration ³	315,330	189,878	166%	348,378	104,540	333%
Streets	250,000	2,403,499	10%	187,500	1,231,124	15%
Storm Drain/Sewer Funding	-	2,200,000	0%	-	-	0%
TOTAL²	\$5,559,186	\$27,683,424	20%	\$3,996,610	\$17,892,885	22%

¹The Building and Planning Director's time is allocated to Planning and Building Department on this schedule.

²Revenue total does not include general revenues.

³Public Works Administration is accounted for in the General Fund but is fully allocated to other accounts and funds (e.g. Enterprise Funds). The amount reflected on this schedule is the spending for reporting purposes only.



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ENTERPRISE FUNDS –BUDGETARY BASIS

The Enterprise Funds operate the sewer and water functions and are funded by customer rates and other special revenues.

WATER FUND

WATER FUND	FISCAL YEAR 2018-2019			FISCAL YEAR 2017-2018		YTD Var over PY
	Budget	YTD Actual to 03/31/19	YTD %	YTD Actual to 03/31/18	\$ Variance YTD vs. PY	
Operating Revenue	\$16,184,257	\$10,498,909	65%	\$11,394,811	(\$895,902)	-8%
Non-operating Revenue	50,000	267,556	535%	97,159	170,397	175%
Total Revenue	16,234,257	10,766,465	66%	11,491,970	(725,505)	-6%
Operating Expenses (includes overhead alloc.)	5,684,765	3,593,421	63%	3,415,360	178,061	5%
Water Purchases	6,351,059	4,012,414	63%	4,319,620	(307,206)	-7%
Debt Service	1,257,157	315,522	25%	345,664	(30,141)	-9%
Transfer to Reserves Fund	254,096	190,572	75%	256,770	(66,198)	-26%
Total Operating Expense	13,547,077	8,111,929	60%	8,337,413	(225,484)	-3%
Net Revenue before Capital	2,687,180	2,654,535	99%	3,154,556	(500,021)	-16%
Capital Projects	2,821,228	791,208	28%	1,337,700	(546,492)	-41%
EXCESS(DEFICIT) - Budgetary Basis	(\$134,048)	\$1,863,327	-1390%	\$1,816,856	\$46,471	3%

- Operating revenue is in line with budget and 8% below as compared to the same period last year. Water unit sales are lower by 14%, and water purchases are lower by 7%. There is no change to the SFPUC wholesale water rate for fiscal year 2018-19.
- Non-operating revenue increase as compared to the same period last year is due to higher investment portfolio performance.
- Operating expenses are in line with budget.
- The actual capital project expense is low compared to budget due to timing of spending.
- Principal is paid one time per year on bond debt service in June.



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SEWER FUND

SEWER FUND	FISCAL YEAR 2018-2019			FISCAL YEAR 2017-2018		\$ Variance YTD vs. PY	YTD Var over PY
	Budget	YTD Actual to 03/31/19	YTD %	YTD Actual to 03/31/18			
Operating Revenue	\$12,355,140	\$7,858,878	64%	\$7,001,200	\$857,678	12%	
Investment Income	20,000	195,085	975%	45,301	149,784	331%	
State Revolving Loan Proceeds	-	1,169,744		-	1,169,744		
Transfers (Storm Drains)	2,200,000	-	0%	-	-		
Total Revenue	14,575,140	9,223,707	63%	7,046,501	2,177,206	31%	
Operating Expenses (includes overhead alloc.)	6,889,007	3,412,726	50%	3,815,461	(402,735)	-11%	
Debt Service	1,775,746	408,836	23%	731,965	(323,129)	-44%	
Transfer to Reserves Fund	179,792	134,844	75%	313,322	(178,478)	-57%	
Total Operating Expense	8,844,545	3,956,407	45%	4,860,749	(904,342)	-19%	
Net Revenue before capital and contrib.	5,730,595	5,267,300	92%	2,185,752	3,081,548	141%	
Capital Projects/Contributions	5,095,595	2,976,783	58%	1,082,387	1,894,396	175%	
EXCESS(DEFICIT) - Budgetary Basis	\$635,000	\$2,290,517	361%	\$1,103,366	\$1,187,152	108%	

- Operating revenue is in line with budget and is 12% higher than prior year due to the increase in sewer rates of 10% effective July 1, 2018.
- Loan proceeds on the State Revolving Fund loan totaling \$1.2 million were received in the first quarter.
- The decrease in operating expense as compared to the prior year is due to timing of contractual services.
- The actual capital project expense is lighter than budget due to timing of project spending.
- Principal is paid one time per year on bond debt service in June.



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The following table summarizes the General Fund revenue by department.

GENERAL FUND REVENUE	FISCAL YEAR 2018-2019			FISCAL YEAR 2017-2018			YTD Var over PY	
	Budget	YTD Actual 3/31/2019	YTD %	Budget	YTD Actual 3/31/2018	YTD %		
Finance								
BL Fines/Other Penalties	44,451,000	\$1,000	\$405	41%	\$1,000	\$0	0%	
Bus Lic Application	47,509,000	186,000	133,745	72%	186,000	103,935	56%	29%
Bus. Lic. Tax-R/E Current	41,412,001	-	125,740		-	122,910		2%
Business License Tax	41,412,002	650,000	368,249	57%	650,000	349,088	54%	5%
Home Business Permits	43,430,000	8,250	6,250	76%	2,040	4,500	221%	39%
Finance Service Fees	47,518,010	52,600	39,450	75%	52,600	39,450	75%	0%
Total	\$897,850	\$673,838	75%		\$891,640	\$619,882	70%	9%
Police								
Alarm Fines	44,455,002	15,700	19,200	122%	15,700	6,400	41%	200%
Alarm Monitoring Fees	47,517,001	200,000	135,216	68%	200,000	128,112	64%	6%
Alarm Permits	43,456,000	140,000	140,040	100%	140,000	139,008	99%	1%
Booking Fee Reimb	47,521,000							
Domestic Violence Restr Reimb	45,468,000	-	23		-	5		
DUI Recovery	47,522,000	-	-		-	5,740		
Other Fines & Forfeitures	44,453,000	3,000	4,312	144%	3,000	2,360	79%	83%
Peace Officers Training	45,463,000	7,800	4,742	61%	7,800	4,708	60%	
Police Grants	49,005,000							
Police Services	47,517,000	13,200	5,568	42%	13,200	2,268	17%	146%
Public Safety Sales Tax - 100%	41,411,000	129,000	96,805	75%	115,000	92,329	80%	5%
Fire & Police Safety Special Tax - 50%	49,002,000	1,117,306	560,969	50%	1,117,306	702,711	63%	
Total	1,626,006	966,875	59%		1,612,006	1,083,641	67%	-11%
Fire								
Fire Fees	47,513,000	-	14,595		-	7,907		85%
Fire & Police Safety Special Tax - 50%	49,002,000	1,117,306	560,969	50%	1,117,306	702,711	63%	
Total	1,117,306	575,564	52%		1,117,306	710,617	64%	-19%
Building								
Building Permit Penalty	44,455,003	5,000	143,442	2869%	5,000	450,000	9000%	-68%
Building Permits	43,431,000	590,000	442,480	75%	612,000	418,763	68%	6%
Building Plan Checking	47,503,000	350,000	273,665	78%	408,000	246,147	60%	11%
Electrical Permits	43,433,000	86,515	70,172	81%	84,660	59,696	71%	18%
Community Serv Fees	47,523,000	561	626	111%	561	848	151%	
Mechanical Permits	43,437,000	47,300	36,653	77%	41,820	32,216	77%	14%
Landscape Permits	43,439,000	169	-	0%	169	-	0%	
Penalties	44,455,000	-	4,006		-	2,432		65%
Plumbing Permits	43,435,000	108,350	99,886	92%	96,900	74,267	77%	34%
Total	1,187,895	1,070,929	90%		1,249,110	1,284,370	103%	-17%
Planning								
Planning Applications	47,501,000	164,800	173,526	105%	204,000	120,901	59%	44%
Planning Service Fees	47,524,000	-	-		-	-		
Total	164,800	173,526	105%		204,000	120,901	59%	44%



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GENERAL FUND REVENUE	FISCAL YEAR 2018-2019			FISCAL YEAR 2017-2018			YTD Var over PY	
	Budget	YTD Actual 3/31/2019	YTD %	Budget	YTD Actual 3/31/2018	YTD %		
Public Works Administration								
Code Enforcement Fees	44.455.010	\$5,000	\$600	12%	\$5,000	\$0		
Encroachment Application Fee	43.507.002	-	28,074		-	14,611		92%
Encroachment Inspection	43.507.006	-	48,677		-	22,381		117%
Encroachment Permits	43.507.000	136,055	103,343	76%	136,055	82,886	61%	25%
Encroachment Plan Check	47.507.001	-	-		-	-		
Encroachment App Fee	47.507.002	-	-		-	-		
Engineering Fees	47.506.000	-	-		-	-		
Engineering Misc.	43.441.007	-	-		-	63,289		
Erosion Control Fees	43.441.005	-	78,904		-	60,756		30%
Grading Application Fee	43.441.002	-	2,600		-	2,200		18%
Grading Permits	43.441.000	167,000	65,329	39%	167,000	62,742	38%	4%
Grading Plan Check	43.441.001	-	2,108		-	2,778		-24%
Inspections	43.441.003	-	304		-	175		74%
PW- Outside Charges	47.519.000	2,275	-	0%	2,275	-	0%	
Recycling penalty	44.455.005	-	-		-	-		
Stop work penalty	44.455.004	5,000	18,438	369%	5,000	19,130		-4%
Subdivision	47.505.000	-	-		-	-		
Total		315,330	348,378	110%	315,330	330,948	98%	5%
Street								
Measure "A"	49.001.000	250,000	187,500	75%	250,000	187,500	75%	0%
Sale of Maps/Ordinances	48.542.000	-	-		-	-		
Encroachment	47.507.000	-	-		-	-		
Total		250,000	187,500	75%	250,000	187,500	75%	0%
General Revenues (supports all City operations)								
Property Taxes		16,881,303	10,771,817	64%	15,950,096	9,670,341	61%	11%
Excess ERAF	40.409.000	1,600,000	2,209,536	138%	1,450,000	1,693,630	117%	30%
Franchise Tax		751,440	330,940	44%	705,151	346,838	49%	-5%
Motor Vehicle License Fee	45.465.000	1,317,653	667,817	51%	1,099,000	633,641	58%	5%
Miscellaneous Service Charges		91,200	78,822	86%	91,200	102,154	112%	-23%
All Others ¹		704,726	1,122,750	159%	650,964	514,203	79%	118%
Total		21,346,322	15,181,682	71%	19,946,411	12,960,807	65%	17%

¹All Other include interest earned, rents, sales & use tax, workers' compensation reimbursement, Federal or State grants/loans, and other miscellaneous revenue.