



## Town of Hillsborough 2020-21 Quarterly Financial Report (Unaudited) Second Quarter Ending December 31, 2020

### EXECUTIVE SUMMARY

This financial report summarizes the activities of the Town's General Fund and its Enterprise Funds for the fiscal quarter ended July 1, 2020 to December 31, 2020. The General Fund is the primary 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.

The Town continues to monitor budget impacts from COVID-19 using a dashboard page in this report. The COVID Dashboard provides quick indication of the status on items being monitored.

### GENERAL FUND

General Fund revenues for the first half of FY 2020-21 are 54% of budget and are 8% higher when compared to the same period last fiscal year. The increase is driven by property taxes revenue, permit revenue, business license revenue and investment income.

General Fund expenditures are at 46% of budget at the end of second quarter. Most departmental expenditures are in line with the adopted budget. City Attorney department is at 95% of budget primary driven by litigation costs.

The General Fund shows a net excess revenue (revenue exceeding expenditure) of \$2.15 million for the first half of FY 2020-21. The first allocation of property taxes is received in quarter two of each fiscal year. General Fund ending fund balance on December 31, 2020 is \$31 million of which \$15.0 million is reserved for contingencies by policy and \$5.0 million is restricted in the Section 115 pension trust. The remaining funds (\$11 million) are held for capital projects and future contingencies.

### WATER FUND

Water operating revenue in the second quarter is 1% higher when compared to the same period last fiscal year. Water unit sales increased by 5% and water purchases increased by 3% primarily driven by an increase in purchased units. There is no SFPUC wholesale water rate increase for FY 2020-21.

The Water Fund shows a net excess (revenue greater than expense) of \$2 million for the first half of FY 2020-21. The net excess is higher than the budgeted net excess primarily due to timing of capital project spending. The net excess adds to reserves that are restricted for use in the Water Fund.

### SEWER FUND

The sewer revenue is charged annually on the property tax bill for residential customers and on the water bill for non-residential customers. The first installment of the tax roll is received in the second quarter of each year. A 7% increase in sewer rates was adopted and effective on July 1, 2020. Total operating expense is 27% as compared to budget and 4% lower when compared to the same period last year.

The Sewer Fund has net excess of revenue of \$3.9 million for the first half of FY 2020-21 due to timing of capital project spending. Reserves are restricted for use in the Sewer Fund only.



## Town of Hillsborough 2020-21 Quarterly Financial Report (Unaudited) Second Quarter Ending December 31, 2020

### ECONOMIC AND BUDGET UPDATE

The first half FY 2020-21 results are in line with budget. The Town is tracking potential future budget impacts with the COVID-19 scorecard. Below are detailed explanations on some of the items.

- **Excess ERAF Revenue** - The County is holding the remaining reserve of FY 2019-20 Excess ERAF. The ERAF calculations used by the County are in dispute and under review with the Department of Finance (DOF).
- **Property Tax Revenue for FY 2020-21** - The Town received the County of San Mateo Certified Assessed Valuation for FY 2020-21 and the growth is 5.4%. The Town budget has 4.6%.
- **In-Lieu Motor Vehicle License Fees** - The County has indicated the FY 2020-21 VLF allocation will be adjusted for a final FY 2019-20 shortfall. The County requested that the shortfall be placed in the State budget for funding.
- **Supplemental Property Taxes** - Supplemental property tax collections countywide have been lower due to lower real estate activity and a slowdown in permitting. The County is also seeing fair value assessment reductions in multi-family properties. The Town's results will differ as the Town is solely residential.
- **Genentech property tax appeals** received an appellate decision. This was for assessments from 2000 to 2020 (20 years). These refunds are netted out of property tax distributions countywide based on the AB8 factors. The County has no numbers to share at this point. The Town's AB8 is in the .007 range.
- **Investment Income** - The LAIF rate has declined year over year from 2.043 in December 2019 to .540 in December 2020. In the General Fund, the Section 115 pension trust improved performance results in investment income higher than last year when combined with the LAIF performance. However, the Enterprise Funds are not allocated Section 115 pension trust monies and therefore the LAIF decline shows the decline in investment income in those funds.
- **CalPERS Asset Liability Management Review Cycle** – CalPERS will review the need for discount rate changes as part of the Asset Liability Management Review, which occurs on a four-year cycle. Any change would be effective for 6/30/2021 actuarial valuation, which first affects the Town's budget in FY 2023-24. The write up on the Asset Liability Management Review timing is located on the CalPERS website at <https://www.calpers.ca.gov/docs/forms-publications/calpers-asset-liability-management-cycle.pdf>



# Town of Hillsborough

## 2020-21 Quarterly Financial Report (Unaudited)

### Second Quarter Ending December 31, 2020

#### COVID Fiscal Impact Dashboard - December 2020

<span style="color: green;">●</span> On Track
<span style="color: orange;">●</span> Watch
<span style="color: red;">●</span> Impact/Action Underway

Revenues		Overall Rating
	Metric	Status
Property Taxes	On Track To Budget	<span style="color: green;">●</span>
Excess ERAF and Property Taxes in Lieu of MVLF	On Track To Budget	<span style="color: orange;">●</span>
Permitting and Service Fees	On Track To Budget	<span style="color: orange;">●</span>
Investment Earnings	On Track To Budget	<span style="color: orange;">●</span>
No State or County Takeaways	No Takeaways	<span style="color: green;">●</span>

Reserve Levels		Overall Rating
	Metric	Status
General Fund	On Track To Budget	<span style="color: green;">●</span>
Water Fund	On Track To Budget	<span style="color: green;">●</span>
Sewer Fund	On Track To Budget	<span style="color: green;">●</span>

Debt & Longterm Liabilities		Overall Rating
	Metric	Status
Bond Liquidity Facility (SBPA)	Not Used	<span style="color: green;">●</span>
Water Fund Liquidity	> 6 Months	<span style="color: green;">●</span>
Water Fund Receivable Aging	Less than 20%	<span style="color: green;">●</span>
COPs Series 2006A LIBOR Impact	Monthly Monitoring	<span style="color: green;">●</span>
CalPERS Pension Liability	Decrease in Discount Rate	<span style="color: orange;">●</span>



Recovery		Overall Rating
	Metric	Status
FEMA/CARES ACT Filing and Reimbursement	File if Material	<span style="color: green;">●</span>
Shovel Ready Projects	Projects ID'd and Ready	<span style="color: green;">●</span>
Stimulus Money Available to Town	Availability	<span style="color: orange;">●</span>
Duration of Downturn	Economic Signs Positive	<span style="color: red;">●</span>
San Mateo County -State's COVID Risk Level Score	Improving Risk Level (Color)	<span style="color: orange;">●</span>



**Yellow and Red Commentary:**

- Excess ERAF and MVLF** - County and State are in disagreement about ERAF calculation and reserves have been withheld from cities. The County communicated a FY 2019-20 \$68k MVLF shortfall for the Town which will be adjusted in the FY 2020-21 distribution. The County has filed a claim with Department of Finance.
- Permitting revenue** is higher than Q2 last year and is at 72% of budget in Q2 2020-21.
- Investment income** is higher than Q2 last year and has already exceeded budget for 2020-21. The increase is primarily due to earnings on the Section 115 pension trust. The LAIF average monthly yield in December 2020 is .540 as compared to 2.043 in December 2019.
- CalPERS' June 30, 2020 investment return** fell short of expectation (4.7% v. 7.0%). The Town's contributions will be impacted by this loss amortization starting in FY 2022-23. CalPERS will hold its standard four-year review cycle of the discount rate in 2021.
- Federal Reimbursements** - Town has received all installments on the total \$141k allocation of Coronavirus Relief Fund (CARES Act) funding. The Town is working with a consultant on FEMA filing.
- County COVID Risk Level Score** - San Mateo County is on a Regional Stay At Home Order has been lifted effective January 25, 2021.

**Other Notables:**

\*FY 2020-21 Property Taxes - Final Assessed Valuation Roll certified by County is 5.4% growth. The Town's budget projected 4.6%.

\* Highway User Tax Allocation (Gas Tax) is projected to be \$47k below FY 2020-21 Proposed Budget



## Town of Hillsborough 2020-21 Quarterly Financial Report (Unaudited) Second Quarter Ending December 31, 2020

### GENERAL FUND - FUND BALANCE

The General Fund accounts for direct services provided to the citizens of Town of Hillsborough. The first allocation of property taxes is received in quarter two of each year.

GENERAL FUND	FISCAL YEAR 2020-2021	
	Budget	YTD Actual to 12/31/20
Revenue	\$29,678,460	\$15,891,127
Expenditures	29,711,056	13,553,938
Internal Service Dept. Charges	378,200	189,100
EXCESS(DEFICIT)	(410,796)	2,148,089
Beginning Fund Balance	28,835,543	28,835,543
Ending Fund Balance	\$28,424,747	\$30,983,632

### GENERAL FUND REVENUES

Total General Fund revenue is up 8% from the same period last year, primarily driven by property tax growth, permit revenue, business License revenue and Investment Income.

GENERAL FUND REVENUE	FISCAL YEAR 2020-2021			FISCAL YEAR 2019-2020		\$ Variance YTD vs. PY	YTD Var over PY
	Budget	YTD Actual to 12/31/20	YTD %	YTD Actual to 12/31/19	YTD %		
Property Taxes	\$18,795,925	\$9,637,822	51%	\$9,156,518	51%	\$481,304	5%
Excess ERAF	2,200,000	1,069,962	49%	1,085,766	52%	(15,803)	-1%
Public Safety Special Tax	2,234,611	1,120,027	50%	1,119,020	50%	1,007	0%
Permits	1,299,189	938,561	72%	650,696	50%	287,866	44%
Service Charges	1,070,183	664,120	62%	678,397	62%	(14,277)	-2%
Motor Vehicle License Fees	1,125,592	502,694	45%	555,346	41%	(52,652)	-9%
Business License	675,000	526,844	78%	335,680	52%	191,164	57%
Franchise Tax	761,129	190,236	25%	199,093	26%	(8,856)	-4%
Investment Income	500,000	733,858	147%	445,504	89%	288,354	65%
All Others	1,016,831	507,002	50%	462,126	47%	44,877	10%
TOTAL	\$29,678,460	\$15,891,127	54%	\$14,688,145	51%	\$1,202,982	8%

- Property Tax revenue is in line with budget.
- Permits revenue and business license revenue are higher than prior year. Permitting and construction has continued to grow.
- Investment Income is above budget due to the improved rate of return on the Section 115 pension trust somewhat offset by lower performance in the Local Agency Investment Fund (LAIF). The Section 115 pension trust is allocated to General Fund only.



## Town of Hillsborough 2020-21 Quarterly Financial Report (Unaudited) Second Quarter Ending December 31, 2020

### GENERAL FUND EXPENDITURES

Total General Fund budget expenditures are in line with budget.

Expenditures by Department	FISCAL YEAR 2020-2021			FISCAL YEAR 2019-2020		\$ Variance YTD vs. PY	YTD Var over PY
	Budget	YTD Actual to 12/31/20	YTD %	YTD Actual to 12/31/19	YTD %		
City Council	\$51,816	\$19,595	38%	\$13,650	43%	\$5,944	44%
City Manager	988,770	462,924	47%	407,512	51%	55,412	14%
Finance	531,993	254,788	48%	236,852	47%	17,936	8%
General Government	2,251,465	1,096,374	49%	873,674	45%	222,700	25%
City Attorney	149,061	142,037	95%	115,602	78%	26,435	23%
Police	10,441,763	5,400,023	52%	5,106,764	49%	293,260	6%
Fire	8,341,433	4,108,140	49%	3,971,454	50%	136,686	3%
Building	1,698,351	869,790	51%	734,732	47%	135,058	18%
Planning	787,094	397,742	51%	383,491	62%	14,251	4%
Streets	2,647,510	991,626	37%	908,976	35%	82,650	9%
Storm Drain Funding	1,200,000	-	0%	-	0%	-	-
Loan to Sewer Fund	1,000,000	-	0%	-	-	-	-
<b>TOTAL</b>	<b>\$30,089,256</b>	<b>\$13,743,038</b>	<b>46%</b>	<b>\$12,752,706</b>	<b>44%</b>	<b>\$990,332</b>	<b>8%</b>

- The City Manager Department expenditures increase as compared to the prior year are due to CalPERS annual required contribution increase and retirement leave payout.
- The General Government expenditures increase as compared to prior year are due to the timing of payment to Hillsborough Recreation as well as COVID-19 related expenditures.
- The City Attorney Department is at 95% of budget primary driven by ligation costs.
- The Police Department expenditures increase as compared to the prior year are attributable to CalPERS annual required contribution increase, overtime and filling of open position.
- The Fire Department expenditures increase as compared to the prior year are due to an increase in contributions for shared services.
- The Building Department expenditures increase as compared to the prior year are due to CalPERS annual required contribution and other benefits increase as well as an increase in contractual services.



## Town of Hillsborough 2020-21 Quarterly Financial Report (Unaudited) Second Quarter Ending December 31, 2020

### ENTERPRISE FUNDS –BUDGETARY BASIS

The Enterprise Funds operate the sewer and water functions, and customer rates and other special revenues fund the operations and capital costs.

### WATER FUND

WATER FUND	FISCAL YEAR 2020-2021			FISCAL YEAR 2019-2020		
	Budget	YTD Actual to 12/31/20	YTD %	YTD Actual to 12/31/19	\$ Variance YTD vs. PY	YTD Var over PY
Operating Revenue	\$14,714,021	\$9,176,286	62%	\$8,899,082	\$277,204	3%
Investment Income	275,000	7,543	3%	168,052	(160,509)	-96%
Total Revenue	14,989,021	9,183,830	61%	9,067,134	116,695	1%
Operating Expenses (includes overhead alloc.)	5,479,976	2,397,928	44%	2,521,981	(124,053)	-5%
Water Purchases	5,326,489	3,692,518	69%	3,588,479	104,039	3%
Debt Service	1,191,993	231,579	19%	210,012	21,567	10%
Transfer to Reserves Fund	60,000	30,000	50%	63,158	(33,158)	-52%
Total Operating Expense	12,058,458	6,352,026	53%	6,383,631	(31,605)	0%
Net Revenue before Capital	2,930,563	2,831,804	97%	2,683,504	148,300	6%
Capital Project	3,945,000	835,113	21%	3,253,461	(2,418,348)	-74%
EXCESS (DEFICIT) - Budgetary Basis	(\$1,014,437)	\$1,996,691	-197%	(\$569,957)	\$2,566,648	-450%

- Operating revenue is 3% higher than the same period last year due to 5% increase in water unit sales.
- Investment Income is below same period prior year due to lower LAIF performance as compared to the prior year.
- Water purchases are 3% higher as compared to the prior year due to increased water units purchased. The summer months are peak water usage. There is no SFPUC wholesale water rate increase in FY2020-21.
- Principal debt service is paid in the fourth quarter.
- The actual capital project expenditure is lower compared to budget due to the timing of spending.



## Town of Hillsborough 2020-21 Quarterly Financial Report (Unaudited) Second Quarter Ending December 31, 2020

### SEWER FUND

SEWER FUND	FISCAL YEAR 2020-2021			FISCAL YEAR 2019-2020		
	Budget	YTD Actual to 12/31/20	YTD %	YTD Actual to 12/31/19	\$ Variance YTD vs. PY	YTD Var over PY
Operating Revenue	\$14,123,051	\$7,067,316	50%	\$6,587,116	\$480,201	7%
Investment Income	185,000	7,384	4%	137,396	(130,013)	-95%
Loan from General Fund (Sewer)	1,000,000	-		-	-	
Transfers (Storm Drains)	1,200,000	-	0%	-	-	
<b>Total Revenue</b>	<b>16,508,051</b>	<b>7,074,700</b>	<b>43%</b>	<b>6,724,512</b>	<b>350,188</b>	<b>5%</b>
Operating Expenses (includes overhead alloc.)	7,961,010	2,067,252	26%	2,231,553	(164,301)	-7%
Debt Service	1,763,919	552,635	31%	499,040	53,594	11%
Transfer to Reserves Fund	60,000	30,000	50%	25,559	4,442	17%
<b>Total Operating Expense</b>	<b>9,784,929</b>	<b>2,649,887</b>	<b>27%</b>	<b>2,756,152</b>	<b>(106,265)</b>	<b>-4%</b>
Net Revenue before capital and contrib.	6,723,122	4,424,813	66%	3,968,360	456,453	12%
Capital Projects/Contributions	5,185,000	533,682	10%	1,424,892	(891,210)	-63%
<b>EXCESS (DEFICIT) - Budgetary Basis</b>	<b>\$1,538,122</b>	<b>\$3,891,131</b>	<b>253%</b>	<b>\$2,543,468</b>	<b>\$1,347,663</b>	<b>53%</b>

- Sewer revenue is billed on the property tax bill for residential customers and the first installment is received in the second quarter.
- The increase in operating revenue as compared prior year is due to the adopted 7% rate increase in service charges effective July 1, 2020.
- Investment Income is below same period prior year due to lower LAIF performance as compared to the prior year.
- Operating expense is low compared to budget due to the timing of contractual and project spending.
- Principal debt service is paid in the fourth quarter for certificates of participation and in the first quarter for the State Revolving Fund loan.
- The actual capital project expenditure is lower than budget due to timing of project spending.



## Town of Hillsborough 2020-21 Quarterly Financial Report (Unaudited) Second Quarter Ending December 31, 2020

The following table summarizes the General Fund revenue by department.

GENERAL FUND REVENUE	FISCAL YEAR 2020-2021			FISCAL YEAR 2019-2020			YTD Var over PY	
	Budget	YTD Actual 12/31/2020	YTD %	Budget	YTD Actual 12/31/2019	YTD %		
<b>Finance</b>								
BL Fines/Other Penalties	44,451.000	\$1,000	\$0	0%	\$1,000	\$0	0%	
Bus Lic Application	47,509.000	186,000	160,710	86%	186,000	95,520	51%	68%
Bus. Lic. Tax-R/E Current	41,412.001	-	121,626		-	80,281		51%
Business License Tax	41,412.002	675,000	405,219	60%	650,000	255,399	39%	59%
Home Business Permits	43,430.000	8,250	7,375	89%	8,250	5,125	62%	44%
Finance Service Fees	47,518.010	56,000	28,000	50%	57,200	28,600	50%	-2%
<b>Total</b>		<b>\$926,250</b>	<b>\$722,929</b>	<b>78%</b>	<b>\$902,450</b>	<b>\$464,925</b>	<b>52%</b>	<b>55%</b>
<b>Police</b>								
Alarm Fines	44,455.002	-	800		15,700	1,600	10%	-50%
Alarm Monitoring Fees	47,517.001	150,000	84,912	57%	200,000	87,384	44%	-3%
Alarm Permits	43,456.000	140,000	3,300	2%	140,000	3,420	2%	-4%
Domestic Violence Restr Reimb	45,468.000	-	21		-	-		
Other Fines & Forfeitures	44,453.000	3,000	1,657	55%	3,000	2,560	85%	-35%
Peace Officers Training	45,463.000	6,400	-	0%	6,400	5,593	87%	-100%
Police Services	47,517.000	13,200	800	6%	13,200	4,329	33%	-82%
Public Safety Sales Tax - 100%	41,411.000	131,592	61,648	47%	130,290	62,119	48%	-1%
Fire & Police Safety Spec Tax - 50%	49,002.000	1,117,306	560,013	50%	1,117,306	559,510	50%	
<b>Total</b>		<b>1,561,498</b>	<b>713,150</b>	<b>46%</b>	<b>1,625,896</b>	<b>726,515</b>	<b>45%</b>	<b>-2%</b>
<b>Fire</b>								
Fire Fees	47,513.000	10,000	4,112	41%	5,000	9,933		-59%
Fire & Police Safety Spec Tax - 50%	49,002.000	1,117,306	560,013	50%	1,117,306	559,510	50%	
<b>Total</b>		<b>1,127,306</b>	<b>564,126</b>	<b>50%</b>	<b>1,122,306</b>	<b>569,443</b>	<b>51%</b>	
<b>Building</b>								
Building Permit Penalty	44,455.003	-	-		-	-		
Building Permits	43,431.000	590,000	378,214	64%	590,000	293,669	50%	29%
Building Plan Checking	47,503.000	350,000	194,047	55%	350,000	194,079	55%	0%
Electrical Permits	43,433.000	86,515	73,926	85%	86,515	47,862	55%	54%
Community Serv Fees	47,523.000	625	188	30%	625	211	34%	
Mechanical Permits	43,437.000	47,469	35,320	74%	47,300	28,330	60%	25%
Landscape Permits	43,439.000	-	-		169	-	0%	
Penalties	44,455.000	-	(4,804)		-	(3,469)		38%
Plumbing Permits	43,435.000	120,000	98,177	82%	120,000	78,887	66%	24%
<b>Total</b>		<b>1,194,609</b>	<b>775,069</b>	<b>65%</b>	<b>1,194,609</b>	<b>639,568</b>	<b>54%</b>	<b>21%</b>
<b>Planning</b>								
Planning Applications	47,501.000	184,983	128,431	69%	184,983	139,891	76%	-8%
ADU Fee	47,510.000	1,500	9,250		-	1,500		
Planning Service Fees	47,524.000	-	-		-	-		
<b>Total</b>		<b>186,483</b>	<b>137,681</b>	<b>74%</b>	<b>184,983</b>	<b>141,391</b>	<b>76%</b>	<b>-3%</b>





## Town of Hillsborough 2020-21 Quarterly Financial Report (Unaudited) Second Quarter Ending December 31, 2020

GENERAL FUND REVENUE	FISCAL YEAR 2020-2021				FISCAL YEAR 2019-2020			YTD Var over PY
	Budget	YTD Actual 12/31/2020	YTD %	Budget	YTD Actual 12/31/2019	YTD %		
<b>Public Works Administration</b>								
Code Enforcement Fees	44,550.010	\$0	\$1,994		\$0	\$670		198%
Encroachment Application Fee	43,507.002	-	15,916		-	9,947		60%
Encroachment Inspection	43,507.006	-	35,317		-	15,037		135%
Encroachment Permits	43,507.000	136,055	122,911	90%	136,055	62,289	46%	97%
Subdiv. Fees&Lot Adj.	47,505.000	-	-		-	-		
Engineering Misc.	43,441.007	-	956		-	(437)		
Erosion Control Fees	43,441.005	-	87,028		-	59,232		47%
Grading Application Fee	43,441.002	-	1,700		-	1,700		0%
Grading Permits	43,441.000	167,000	76,315	46%	167,000	40,295	24%	89%
Grading Plan Check	43,441.001	-	2,007		-	5,140		-61%
Inspections	43,441.003	-	100		-	100		0%
PW - Outside Charges	47,519.000	2,275	-	0%	2,275	-		0%
Recycling penalty	44,455.005	-	-		-	250		
Stop work penalty	44,455.004	-	38,432		-	9,397		309%
<b>Total</b>	<b>305,330</b>	<b>382,675</b>	<b>125%</b>		<b>305,330</b>	<b>203,621</b>	<b>70%</b>	<b>88%</b>
<b>Street</b>								
Measure "A"	49,001.000	250,000	125,000	50%	250,000	125,000	50%	0%
<b>Total</b>	<b>250,000</b>	<b>125,000</b>	<b>50%</b>		<b>250,000</b>	<b>125,000</b>	<b>50%</b>	<b>0%</b>
<b>General Revenues (supports all City operations)</b>								
Excess ERAF	40,409.000	2,200,000	1,069,962	49%	2,100,000	1,085,766	52%	-1%
Property Taxes		18,795,925	9,637,822	51%	17,863,038	9,156,518	51%	5%
Franchise Tax		761,129	190,236	25%	755,839	199,093	26%	-4%
Motor Vehicle License Fee	45,465.000	1,125,592	502,673	45%	1,357,665	555,346	41%	
Miscellaneous Service Charges		115,600	53,670	46%	101,600	117,295	115%	-54%
Interest	46,475.000	500,000	733,858	147%	500,000	445,504	89%	65%
All Others		628,739	282,276	45%	587,731	258,162	44%	9%
<b>Total</b>	<b>24,126,985</b>	<b>12,470,498</b>	<b>52%</b>		<b>23,265,873</b>	<b>11,817,683</b>	<b>51%</b>	<b>6%</b>
<b>Total General Fund Revenue</b>	<b>\$29,678,460</b>	<b>\$15,891,127</b>	<b>54%</b>		<b>\$28,851,446</b>	<b>\$ 14,688,145</b>	<b>51%</b>	<b>8%</b>