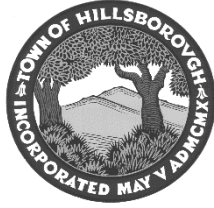


TOWN OF HILLSBOROUGH

San Mateo County

Charles Adams
Paul Regan



1600 Floribunda Avenue
Hillsborough, CA 94010
www.hillsborough.net
Phone 650-375-7400

A G E N D A

TUESDAY, OCTOBER 14, 2025

10:30 A.M.

FINANCIAL ADVISORY COMMITTEE SUBCOMMITTEE FOR THE LONG-TERM FINANCIAL FUNDING PLAN MEETING Little House Building Conference Room

Meetings of the Financial Advisory Committee Subcommittee are held in-person at the Little House Building - Conference Room. As a courtesy and technology permitting, the meeting will also be held virtually via Zoom Video Conference. However, the Town cannot guarantee that the public's access to the Zoom virtual platform will be uninterrupted, and technical difficulties may occur from time to time. In those instances, so long as the public may still attend the meeting in person, the meeting will continue.

In the event a Financial Advisory Committee Subcommittee member is participating remotely under the requirements of Government Code Section 54953 with regard to "just cause" or an "emergency" situation as those terms are defined in the Brown Act, the Town will stop the meeting if there is any technology disruption until such time that the public is reconnected to the live in person meeting and able to provide comment.

To attend the meeting in person: (Little House Building Conference Room)
1600 Floribunda Avenue, Hillsborough, CA 94010

To provide public comment in person: Members of the public wishing to speak are requested to complete a Request to Speak Form and deliver it to the Assistant Finance Director.

To participate in the meeting via Zoom Video Conference:

- Log in to the meeting <https://us06web.zoom.us/j/83919398709?pwd=9wFbUaUNVhzoQ19VqrldrYSsflaJ6.1>
- To dial in by phone: 1 916-857-8654 (538675541#)

Meeting ID: 212 659 735 532 4

Passcode: do2b8D92

To provide public comment via Zoom Video Conference:

*Live verbal public comments may be made by requesting to speak using the "raise hand" feature in Zoom or, if calling in by phone, by pressing *9 on the telephone keypad prior to the close of the public comment period for the item. In response, the Town will unmute the speaker and allow them to speak up to three minutes.*

I. CALL TO ORDER

II. ROLL CALL

III. PUBLIC COMMENT

This portion of the meeting is reserved for persons wishing to address the Financial Advisory Committee (FAC) Subcommittee on any matter not on the agenda. Members of the public participating in person are requested to complete a yellow speaker card and submit it to staff before addressing the FAC Subcommittee. If there appears to be a large number

of speakers, speaking time may be reduced to no less than 2 minutes, at the discretion of the Chair. Members of the public are limited to one comment at this time. State law prohibits the FAC Subcommittee from discussing or acting on non-agenda items, and generally limits the ability of the FAC Subcommittee to respond to any public comments made regarding non-agenda items.

IV. ANNOUNCEMENT OF CONFLICT OF INTEREST

This portion of the agenda is for subcommittee members to disclose any conflict of interest related to the item on the agenda. Any committee member who has confirmed a conflict of interest or has reason to believe they have a conflict of interest should disclose the conflict for the record and abide by the disqualification requirements contained in FPPC regulations.

V. DISCUSSION

1. UPDATE FROM URBAN FUTURES, INC. AND DKG CONSULTANTS, FOR THE TOWN OF HILLSBOROUGH LONG RANGE FINANCIAL FUNDING PLAN, PROVIDING RECOMMENDATION TO CITY COUNCIL ON LONG-RANGE FINANCIAL FUNDING PLAN

VI. ADJOURNMENT

SPECIAL ACCOMMODATIONS:

If you need a disability-related modification or accommodation, including auxiliary aids or services, to participate in the FAC Subcommittee meeting, or if you need an agenda in an alternate form, please contact the City Clerk's Office at 375-7412 at least 24 hours before the scheduled FAC Subcommittee meeting.

ADDRESSING THE FAC SUBCOMMITTEE:

Members of the public may provide written comments to the FAC Subcommittee regarding any item on the agenda by 5 p.m. on the day before the meeting to rsantiago@hillsborough.net or by mail/in person at 1600 Floribunda Avenue, Hillsborough, CA 94010. Any writings or documents provided to a majority of the FAC Subcommittee regarding any item on this agenda prior to the deadline, except as exempt from public disclosure under applicable law, will be available for public inspection on the Town website, and in the City Clerk's Office at 1600 Floribunda Avenue, Hillsborough, CA 94010, during regular business hours. All oral comments made at public meetings, including a speaker's name, are recorded, and included as part of the public record in the meeting minutes. Meeting minutes are publicly accessible via the Town website and via various internet search engines. Written comments, including a commenter's name, are a public record and subject to disclosure on the Town website and/or upon request pursuant to the California Public Records Act (with personal contact information including personal email addresses and personal phone numbers redacted).

AUDIO / VISUAL ADVISORY:

Those persons who wish to use PowerPoint or other mediums when presenting to the FAC Subcommittee will be required to submit media items to staff by 10:00 a.m. on the day before the meeting. Media items can be emailed to rsantiago@hillsborough.net.

AUDIO OR VIDEO RECORDINGS:

Please be advised that under the Brown Act, any person has the right to record the FAC Subcommittee meeting, including the audience in attendance, using an audio or video recording device subject to certain exceptions. Please be aware that by attending a FAC Subcommittee meeting, you may be audio or video recorded.



TOWN OF HILLSBOROUGH

Financial Advisory Committee Subcommittee Meeting
San Mateo County
1600 Floribunda Avenue
Hillsborough, CA 94010

1

NEW BUSINESS
OCTOBER 14, 2025

STAFF MEMORANDUM

ITEM SUBJECT: UPDATE FROM URBAN FUTURES, INC. AND DKG CONSULTANTS, FOR THE TOWN OF HILLSBOROUGH LONG RANGE FINANCIAL FUNDING PLAN, PROVIDING RECOMMENDATION TO CITY COUNCIL ON THE LONG-RANGE FINANCIAL FUNDING PLAN

SUMMARY: This agenda item is for the FAC to receive an update from staff and the financial consultants, and to provide recommendations for city council consideration in the Long-Range Financial Funding Plan.

BACKGROUND:

The City Council set as one of the FY 2025-26 goals to prepare a Long-Range Financial Funding Plan. The need is driven by financial projections indicating that annual budget gaps are widening, thereby depleting the General Fund reserves over the next ten years and signaling a need to seek additional revenues to maintain its operations. In addition, the need arises to analyze financial funding strategies for several new future capital investments that cannot be funded using the existing level of financial resources in the Town's net position. The funding needs, as outlined, include:

A. Address Operational Budget Gap

(1) Public Safety tax is no longer sufficient to cover substantial portion of public safety costs. Voters approved the tax in 1998 with a 2% annual increase, not to exceed 115% of initial maximum amount. The maximum was reached in FY 2005-06. Since that time, increases in public safety costs have come from the General Fund.

B. Safeguard Against Revenue Volatility

(1) Financial funding strategy to sustain sufficient resources where revenue volatility exists, specifically for the Property Tax In-Lieu of Vehicle License Fees (VLF) shortfall that the State pays for in its annual budget.

C. Address Public Safety Funding Needs for Fire Service

(1) Financial funding strategy to sustain increased required contributions to the Central County Fire Department JPA. Based on recommendations from the Standards of Cover Study, the JPA opened an additional fire station and hired firefighters to staff the station, initially funded by a three-year Federal SAFER grant. The Town's annual contribution requirement will increase after the grant is completed.

D. Fund Existing Capital Projects

(1) Storm Drain Master Plan: The Storm Drain master plan is paid for by the General Fund on a pay-go basis, which cannot sustain this level of capital funding over the plan's 30-year term.

- (2) Financial funding strategy for other capital infrastructures paid for by the General Fund, which has no dedicated funding source, including maintenance of fire stations, government buildings, and other infrastructure.

E. Fund New Capital Projects

- (1) Police Station: The police station requires modernization to meet compliance standards and ensure optimal functionality for police services.
- (2) Town Hall Complex: The project is in the conceptual phase, receiving community ideas and input to create a new complex on the existing Town Hall site. The complex will provide community and meeting space, governmental offices, housing, and a police station.
- (3) Housing Development: The Town's adopted Housing Element guides the housing targets, which include a site development in the Tobin Clark area.
- (4) Other Projects, as defined.

Approach

Selection of Consultants

The Town conducted a request for proposals process for qualified consultants to prepare this analysis, and the work was awarded to Urban Futures, Inc. (UFI) and DKG Consultants (DKG), the "consultants".

Preparation of General Fund Projection & Analysis

The consultants met with each department to understand more about operations, capital needs, and budgeting practices. Staff worked with the consultants to provide a ten-year lookback on the General Fund budget, and the consultants built a robust model to provide a reliable, accurate tool for forecasting. A ten-year baseline forecast was prepared using a ten-year look-back trend and current economic and trend data. The baseline projection assumes continuance of current operations (i.e., no new services, etc.), and results indicate that the General Fund expenditure exceeds revenues and the drawing on reserves will continue.

Conduct Analysis to Address the General Fund Budget Gaps and Opportunities to Fund the New Capital Needs

The scope of work assigned to the consultants is to:

- 1) Conduct an operational efficiency study to determine cost savings and existing revenue generation opportunities that city council can consider implementing to improve funding of existing operations.

Result:

Operational Efficiency Study – The Town is well-structured to meet the service delivery demands in terms of staffing, personnel costs, and budgeting. Compared to similar communities and considering the expectations for service delivery, there are not meaningful budget or staffing cuts that could be made that would have a tangible impact on the operational gap without making substantial impact to services. Without additional revenue, the Town would

have to make cuts to impact community-facing programs and services. The Town's infrastructure needs have outpaced funding, requiring the general fund to bridge the gap.

Existing Revenue Generation Opportunities – This analysis yielded some opportunities to address some of the gaps, including a fee study specific to the Building & Planning Department to achieve a higher cost recovery percentage, more in line with historical trends and that of neighboring cities, and apply a higher amount of Measure A monies collected toward covering the costs of the General Fund Street Department operations. Implementing both recommendations would yield approximately \$1 million of savings/revenue. While this is sufficient to cover the operational budget gap identified, tax revenue generation analysis to generate an additional \$2 million in annual revenue is needed to safeguard against the loss of the Property Tax-In Lieu of VLF revenues and increasing public safety costs for fire service.

- 2) Prepare tax revenue generation analysis to address the future gaps in the operating budget and fund new capital needs. This work involves identifying tax revenue options available for the Town to consider at rates that could generate \$2 million for operations and (as a starting point) \$2 million for capital projects. The analysis will inform decision makers on how each one might line up with the Town's unique characteristics and policies, such as adequacy and certainty (volatility), equity and competitiveness, transparency and voter approval, and simplicity. Each strategy will also have pros and cons outlined for consideration. The analysis discusses Lease Revenue Bonds as an opportunity to leverage the \$2 million additional annual revenues for capital projects to generate bond proceeds upfront (and accelerate priority projects rather than implementing them on a Pay Go basis). Finally, the analysis identifies General Obligation Bonds as an option for additional capital projects.

Result: Broad, preliminary analysis indicates a possible revenue generation of up to \$4 million annually. A portion would need to be applied to the operational deficit, the remaining could be used for debt service for new capital projects, and there are considerations and limitations in each of the revenue options. To give an indication of the size of capital project that could be funded, assuming \$2 million of the \$4 million is applied toward capital funding, approximately \$33 million in capital funding would be available. Should the capital project funding be greater than \$33 million, the Town could consider General Obligation (GO) Bonds, which could generate an estimated \$33 million to \$77 million depending on tax rate and assumptions.

- 3) After hearing input from staff and FAC, prepare a draft strategic funding roadmap for city council feedback.

Discussion: The additional revenue/capital funding outlined in 2 above have many considerations. After receiving the report from the consultants and staff, FAC to provide a recommendation to city council on Long Term Financial Funding plan. Ultimately, the recommendation will include what to survey voters on for the type of measure and rate best suited for the Town's funding needs/priorities.

| | Implement Efficiency Study Recommendations | Parcel Tax | RPTT | GO Bond |
|--|--|------------|------|---------|
| Addresses Operational Budget Gap | ✓ | | | |
| Safeguard Against Revenue Volatility | | ✓ | ✓ | |
| Address Public Safety Funding Needs for Fire Service | | ✓ | ✓ | |
| Fund Existing Capital Projects | | ✓ | ✓ | |
| Fund New Capital Projects | | | | ✓ |

Below is a draft set of recommendations for FAC subcommittee consideration to recommend to city council. Staff are seeking FAC sub-committee’s recommendations, with or without modifications, to this draft list.

1. Accept the financial model and baseline forecast projection and assumptions.
2. Accept the results of the Efficiency Study and instruct staff to implement the recommendations, incorporating both the results and recommendations into the long-range financial funding plan:
 - a) Efficiency Study Results
 - 1) Budget variance analysis demonstrates the Town’s budget practices are efficient and effective.
 - 2) Staffing levels and past increases are reasonable due to significant increases for mandated, transparency and other factors, and are consistent with other cities’ experience.
 - 3) The current model for core services is a hybrid of in-house and contracted services and allows for the most cost-effective delivery of services. The service model allows for efficient control over operations that meet community expectations.
 - b) Efficiency Study Recommendations to Implement
 - 1) Conduct a cost-of-service rate study for the Building Planning Department and set cost recovery targets/policy
 - 2) Analyze utilizing a higher portion of the Measure A monies toward the General Fund Street operations department costs
 - 3) Analyze Central County Fire Department (CCFD) contribution for Finance services to align with Town staff time spent supporting CCFD
 - 4) Consider changing conditions with CCFD that also warrant considering a change in cost share between the cities of Hillsborough, Burlingame, and Millbrae
3. Conduct polling of the community to evaluate revenue generation for best fit with the community goals. FAC provide feedback on the possible list below, by priority, or provide alternative scenario. Priority is needed in case the polling needs to be pared down in scope to be efficient with recipient’s time.

- a) Parcel tax
- b) Real Property tax and Charter City limited to local control only for local taxes and revenue measures.

FISCAL IMPACT: There is no cost for acceptance of the analysis. Should the city council instruct staff on some or all the FAC sub-committee recommendations, there will be costs for consultants to conduct additional studies, analysis, and polling. Those costs will depend on the course of action taken by the city council.

ENVIRONMENTAL ISSUES: The consideration of this item is exempt from environmental review pursuant to the California Environmental Quality Act (CEQA) Guideline 15378(b) as a government fiscal activity which does not involve any commitment to any specific project which may result in a potentially significant physical impact, or as an administrative activity that will not result in direct or indirect physical changes in the environment. Any items or projects funded through the budget are not a commitment to any project, but instead, any such projects will undergo their own analysis and potential approval in the future.

ATTACHMENTS: UFI and DKG Consultants PowerPoint Presentation

PREPARED BY: Jan Cooke, Finance Director

RECOMMENDED ACTION: FAC sub-committee provides a recommendation to the city council on the Long Range Financial Funding Plan.



This page intentionally left blank

TOWN OF HILLSBOROUGH

LONG-RANGE FINANCIAL PLAN FOR GENERAL FUND

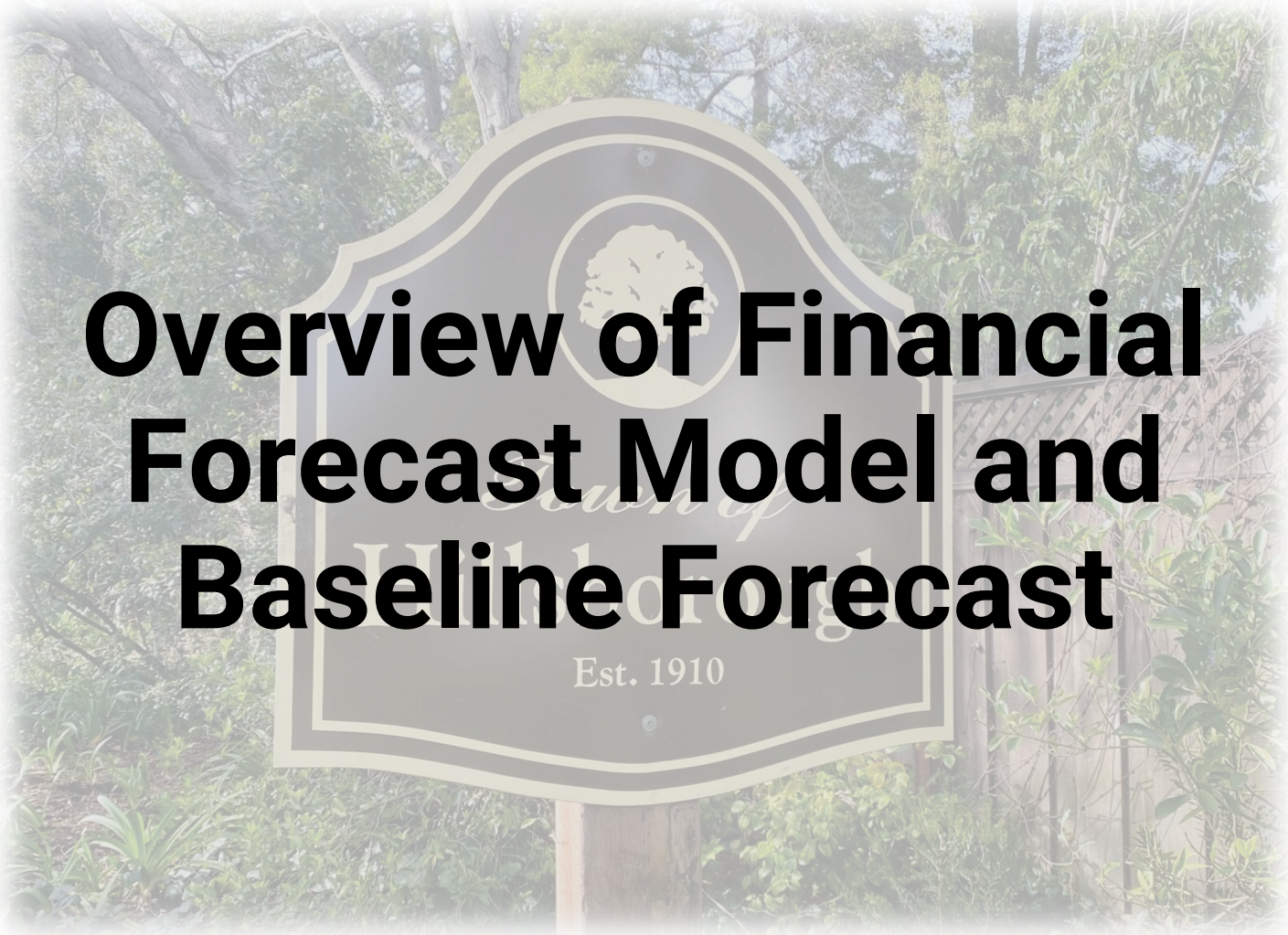
October 6, 2025



Presentation Outline



| | |
|---|-----------|
| Overview of Financial Forecast Model & Baseline Forecast | 3 |
| Efficiency Study | 11 |
| Variance Analysis | 12 |
| Current Model for Core Services | 14 |
| Operational Revenue Opportunities | 17 |
| Scenario Forecast with Efficiency Study | 18 |
| Tax Revenue Options & Analysis | 25 |
| Parcel Tax | 27 |
| Real Property Transfer Tax (RPTT) | 31 |
| Utility User Tax (UUT) | 34 |
| Capital Financing Options | 38 |
| Lease Revenue Bonds (LRB) | 40 |
| General Obligation Bonds (GO) | 41 |
| Options for Next Steps | 43 |



Overview of Financial Forecast Model and Baseline Forecast



Developing a Forecast Model

- ✓ **Standardized Revenue & Expense Categories.** Model uses standardized revenue and expense categories that correlate with available economic data, projections, and variables appropriate for driving municipal forecasts.
- ✓ **Integration of Town's Historical Financial Data.** Model integrates 10 years of annual financial data from the City's general ledger.
- ✓ **Baseline Forecast with Fund Balance Allocation.** Model produces a 10-year baseline forecast of revenues, expenses, cash flows and fund balance for purposes of analysis and comparison with "what-if" scenario forecasts.
- ✓ **"What-if" Scenario Forecasts, Including Built-in Modules.** Model enables the Town to create "what-if" scenario forecasts to compare against the baseline, allowing the Town to make more informed and fiscally sustainable financial decisions.

Tailored Forecasting Algorithms

UFI uses econometric data from Moody's Analytics, U.S. Précis® Metro forecast service, combined with a variety of city, regional and state financial projections and indicators to create forecasting algorithms that drive each revenue and expense category in the Town's baseline forecast.

The econometric data is statistically correlated with outputs from the Town's historical financial data to create four custom forecast trendlines (aggressive, average, conservative and pessimistic).



Hillsborough Financial Forecast – Key Baseline Assumptions

- **Base Year FY 2026.** City’s baseline forecast currently built around FY 2026 General Fund budget adopted by the Council.
- **Salaries & Wages.** Long-term assumption for average annual growth of salaries and wages (2.96%) aligns with CalPERS annual growth assumption (2.85%). Increase of 4.0% in FY 2027 for public works bargaining groups included. No further MOU assumptions.
- **Vacancy Factor.** Current annual vacancy factor of 2.6% of total salaries and wages continued through forecast period.
- **Pension & OPEB.** Annual liability payments from actuaries.
- **Revenue & Expenses Growth.** All revenues and expenses use average growth trendline; no local adjustments.
- **VLF Revenue.** Assumes continuation of VLF revenues based on historical amounts and growth.
- **Storm Drain Funding.** Assumes continuation of funding for storm drain plan at \$1 million (annually adjusted for revenue growth).

What is a “Baseline” Forecast?

Neutral, fiscal assessment and decision-making tool that establishes a common understanding of the Town’s status quo fiscal outlook:

“If the Town makes no changes to its organization, operations or service levels, and there are no significant external economic impacts to the Town (other than what’s known today), what is the predicted condition of the Town’s finances over the next ten years?”



Hillsborough Financial Forecast – Major Drivers

| Major Drivers and % of Total | Historical AAGR | Forecast Trendline | Forecast AAGR |
|----------------------------------|-----------------|--------------------|---------------|
| Revenues | 5.1% | | 3.7% |
| Property Tax incl. VLF (69%) | 5.9% | average | 4.4% |
| Other Taxes (11%) | 1.6% | average | 2.0% |
| Permits, Fees & Charges (7%) | 2.4% | average | 1.3% |
| Interest, Rents & Earnings (6%) | 30.7% | CPI | 2.5% |
| Business License Tax (3%) | 3.1% | average | 2.5% |
| Expenses | 7.0% | | 3.8% |
| Salaries & Wages (34%) | 6.0% | average | 3.0% |
| Fire Contract (28%) | 6.0% | average | 4.1% |
| Pension & OPEB (16%) | 8.6% | -- | 2.5% |
| Contractual Services (12%) | 9.7% | average | 3.9% |
| Benefits (excl. retirement) (9%) | 5.4% | average | 4.6% |



Baseline Forecast – 10-Year Projections (2026-2036)

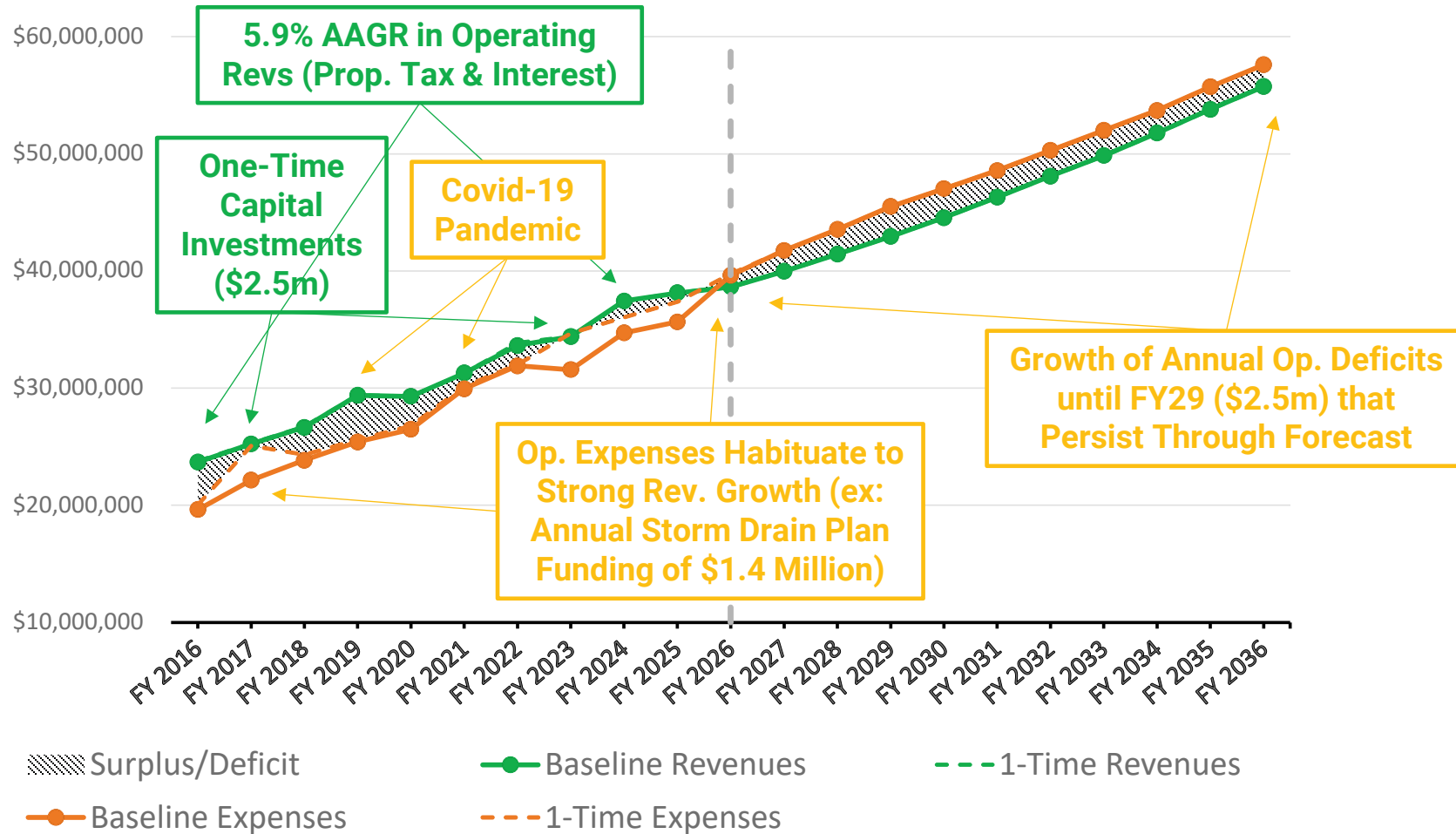
TOWN OF HILLSBOROUGH - FINANCIAL FORECAST MODEL - BASELINE FORECAST & PRIOR FYs GENERAL FUND (100)

| BASELINE FORECAST | | | CURRENT FISCAL YEAR | | | | | | | | | | | | |
|---|--|------------------|--------------------------|----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Category/Type | Trendline (expand columns to include prior fiscal years) | Forecast AAGR | FORECAST FISCAL YEARS | | | | | | | | | | | | |
| | | | -1 FY 2025 | 0 FY 2026 | 1 FY 2027 | 2 FY 2028 | 3 FY 2029 | 4 FY 2030 | 5 FY 2031 | 6 FY 2032 | 7 FY 2033 | 8 FY 2034 | 9 FY 2035 | 10 FY 2036 | |
| REVENUES | | | | | | | | | | | | | | | |
| 1 | Property Taxes (incl. VLF In-Lieu) | 4.40% | \$ 25,775,923 | \$ 26,818,722 | \$ 27,826,481 | \$ 29,019,925 | \$ 30,296,375 | \$ 31,647,068 | \$ 33,143,524 | \$ 34,651,763 | \$ 36,159,715 | \$ 37,824,394 | \$ 39,602,987 | \$ 41,260,231 | |
| 2 | Sales & Use Taxes | 3.43% | 320,151 | 312,151 | 322,780 | 333,572 | 344,921 | 357,028 | 369,711 | 382,386 | 394,812 | 407,964 | 421,780 | 437,267 | |
| 3 | Utility User Tax (UUT) | | - | - | - | - | - | - | - | - | - | - | - | - | |
| 4 | Transient Occupancy Tax (TOT) | | - | - | - | - | - | - | - | - | - | - | - | - | |
| 5 | Business License/Operations Tax | 2.51% | 797,859 | 964,140 | 1,012,614 | 1,030,821 | 1,063,322 | 1,088,911 | 1,113,889 | 1,140,075 | 1,164,763 | 1,188,568 | 1,212,210 | 1,235,444 | |
| 6 | Other Taxes or Assessments | 1.97% | 4,309,940 | 4,366,991 | 4,467,894 | 4,558,547 | 4,647,322 | 4,738,286 | 4,830,173 | 4,923,184 | 5,014,472 | 5,109,843 | 5,207,147 | 5,306,711 | |
| 7 | Franchise Fees | 1.96% | 909,629 | 948,177 | 964,165 | 979,952 | 995,609 | 1,011,747 | 1,033,246 | 1,057,809 | 1,081,587 | 1,104,734 | 1,128,236 | 1,151,155 | |
| 8 | Permits, Fees & Chrgs. for Service | 1.34% | 3,069,341 | 2,870,852 | 2,944,197 | 2,988,176 | 3,021,038 | 3,065,125 | 3,095,286 | 3,161,752 | 3,190,159 | 3,214,280 | 3,226,103 | 3,278,941 | |
| 9 | Interest, Rents & Earnings | 2.50% | 2,547,683 | 2,119,339 | 2,183,408 | 2,245,877 | 2,298,739 | 2,352,979 | 2,407,285 | 2,465,243 | 2,519,988 | 2,579,367 | 2,642,768 | 2,713,143 | |
| 10 | Variable Revenues & Annual Transfers In | 3.71% | 396,226 | 255,000 | 268,336 | 279,482 | 291,660 | 301,143 | 310,799 | 321,486 | 332,129 | 342,677 | 355,254 | 366,846 | |
| 11 | One-Time Revenues & Adjustments (Less One-Time Revenues & Adjustments) | | 21,480 (21,480) | - | - | - | - | - | - | - | - | - | - | - | |
| TOTAL BASELINE REVENUES | | | 3.73% | \$ 38,126,751 | \$ 38,655,372 | \$ 39,989,874 | \$ 41,436,352 | \$ 42,958,984 | \$ 44,562,287 | \$ 46,303,913 | \$ 48,103,699 | \$ 49,857,624 | \$ 51,771,826 | \$ 53,796,486 | \$ 55,749,736 |
| EXPENSES | | | | | | | | | | | | | | | |
| 20 | Salaries & Wages | 2.96% | \$ 13,062,852 | \$ 13,414,689 | \$ 13,933,299 | \$ 14,418,103 | \$ 14,851,520 | \$ 15,257,358 | \$ 15,662,738 | \$ 16,069,019 | \$ 16,455,379 | \$ 16,869,181 | \$ 17,470,048 | \$ 17,958,490 | |
| 21 | Benefits | 4.58% | 3,060,568 | 3,480,091 | 3,657,612 | 3,831,467 | 4,007,420 | 4,187,602 | 4,372,846 | 4,567,893 | 4,762,467 | 4,970,762 | 5,205,769 | 5,447,225 | |
| 22 | Pension & OPEB | 2.46% | 6,213,080 | 6,333,079 | 6,917,469 | 7,141,752 | 7,561,647 | 7,677,471 | 7,782,321 | 7,943,357 | 7,993,356 | 8,045,279 | 8,083,784 | 8,044,952 | |
| 23 | Contractual Services (labor) | 3.99% | 14,386,895 | 15,822,880 | 16,495,769 | 17,199,248 | 17,946,003 | 18,576,335 | 19,232,970 | 19,961,105 | 20,805,922 | 21,585,412 | 22,496,969 | 23,408,661 | |
| 24 | Operating Supp. & Equip. (non-labor) | 3.79% | 1,731,772 | 1,974,167 | 2,058,158 | 2,143,521 | 2,226,492 | 2,303,594 | 2,381,689 | 2,467,622 | 2,562,484 | 2,653,474 | 2,757,301 | 2,862,496 | |
| 25 | Insurance & Liability | 2.50% | 1,199,255 | 1,490,756 | 1,535,772 | 1,579,658 | 1,616,792 | 1,654,891 | 1,693,032 | 1,733,735 | 1,772,179 | 1,813,872 | 1,858,385 | 1,907,795 | |
| 26 | Debt Service | | - | - | - | - | - | - | - | - | - | - | - | - | |
| 27 | Capital Asset Investments (non-CIP) | | - | - | - | - | - | - | - | - | - | - | - | - | |
| 28 | Cost Allocation/Internal Charges | -0.43% | (5,039,220) | (5,506,845) | (5,503,819) | (5,491,686) | (5,492,597) | (5,478,437) | (5,457,672) | (5,421,023) | (5,383,452) | (5,338,102) | (5,314,714) | (5,273,095) | |
| 29 | Variable Expenses & Annual Transfers Out | 2.17% | 1,041,365 | 2,617,827 | 2,658,829 | 2,726,737 | 2,791,081 | 2,849,551 | 2,908,493 | 2,972,351 | 3,034,040 | 3,098,452 | 3,170,520 | 3,244,577 | |
| 30 | One-Time Expenses, Transfers & Adjustments (Less One-Time Expenses & Adjustments) | | 1,722,634 (1,722,634) | 133,597 (133,597) | - | - | - | - | - | - | - | - | - | - | |
| TOTAL BASELINE EXPENSES | | | 3.81% | \$ 35,656,567 | \$ 39,626,643 | \$ 41,753,089 | \$ 43,548,800 | \$ 45,508,360 | \$ 47,028,365 | \$ 48,576,417 | \$ 50,294,061 | \$ 52,002,375 | \$ 53,698,329 | \$ 55,728,062 | \$ 57,601,101 |
| Net One-Time Revenues and Expenses | | | | (1,701,153) | (133,597) | - | - | - | - | - | - | - | - | - | |
| ANNUAL OPERATING SURPLUS/(DEFICIT) | | | | \$ 769,031 | \$ (1,104,868) | \$ (1,763,214) | \$ (2,112,448) | \$ (2,549,376) | \$ (2,466,078) | \$ (2,272,504) | \$ (2,190,361) | \$ (2,144,751) | \$ (1,926,503) | \$ (1,931,576) | \$ (1,851,365) |
| <i>(Less Budgeted Encumbrances from Prior FY)</i> | | | | - | - | - | - | - | - | - | - | - | - | - | |
| FUND(S) BALANCE - END OF FY | | | | \$ 33,688,172 | \$ 32,583,304 | \$ 30,820,090 | \$ 28,707,641 | \$ 26,158,266 | \$ 23,692,188 | \$ 21,419,685 | \$ 19,229,323 | \$ 17,084,572 | \$ 15,158,069 | \$ 13,226,493 | \$ 11,375,128 |
| Non-spendable | | | | 51,531 | 51,531 | 51,531 | 51,531 | 51,531 | 51,531 | 51,531 | 51,531 | 51,531 | 51,531 | 51,531 | |
| Restricted | | | | 5,156,520 | 5,156,520 | 5,156,520 | 5,156,520 | 5,156,520 | 5,156,520 | 5,156,520 | 5,156,520 | 5,156,520 | 5,156,520 | 5,156,520 | |
| Committed | | | | - | - | - | - | - | - | - | - | - | - | - | |
| Assigned | | | | 5,863,000 | 5,863,000 | 5,863,000 | 5,863,000 | 5,863,000 | 5,863,000 | 5,863,000 | 5,863,000 | 5,863,000 | 5,863,000 | 5,863,000 | |
| Additional Reserves or Fiscal Policies | | | | 10,696,970 | 11,887,993 | 12,525,927 | 13,064,640 | 13,652,508 | 12,621,137 | 10,348,634 | 8,158,272 | 6,013,521 | 4,087,018 | 2,155,442 | |
| Other | | | | - | - | - | - | - | - | - | - | - | - | - | |
| UNDESIGNATED FUND BALANCE | | | | \$ 11,920,151 | \$ 9,624,260 | \$ 7,223,112 | \$ 4,571,950 | \$ 1,434,707 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |



Baseline Forecast – Revenues & Expenses Trends

Total Revenues & Expenses 10-Year Prior and Baseline Forecast

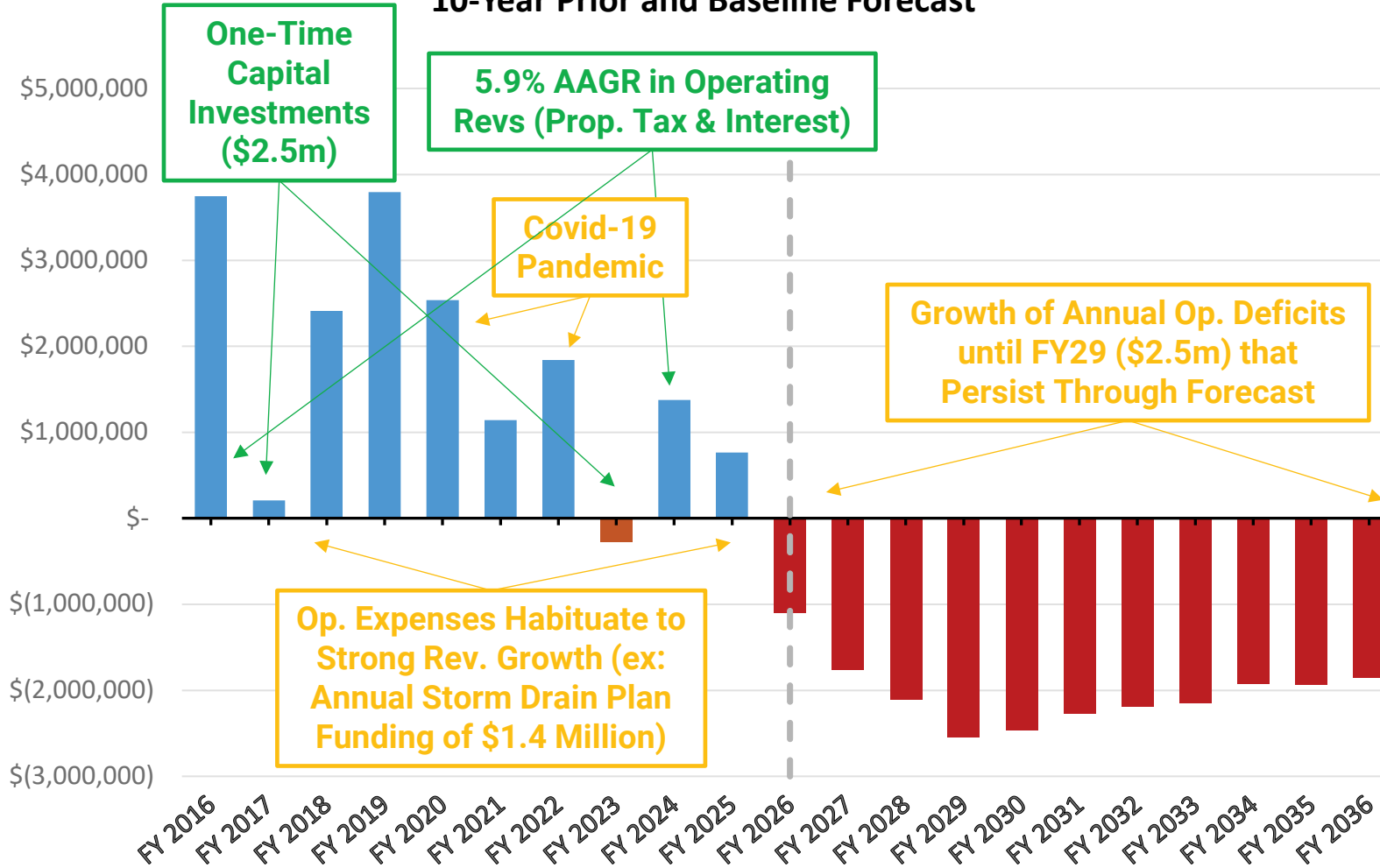




Baseline Forecast – Annual Surplus/(Deficit)

Annual Operating Surplus/(Deficit)

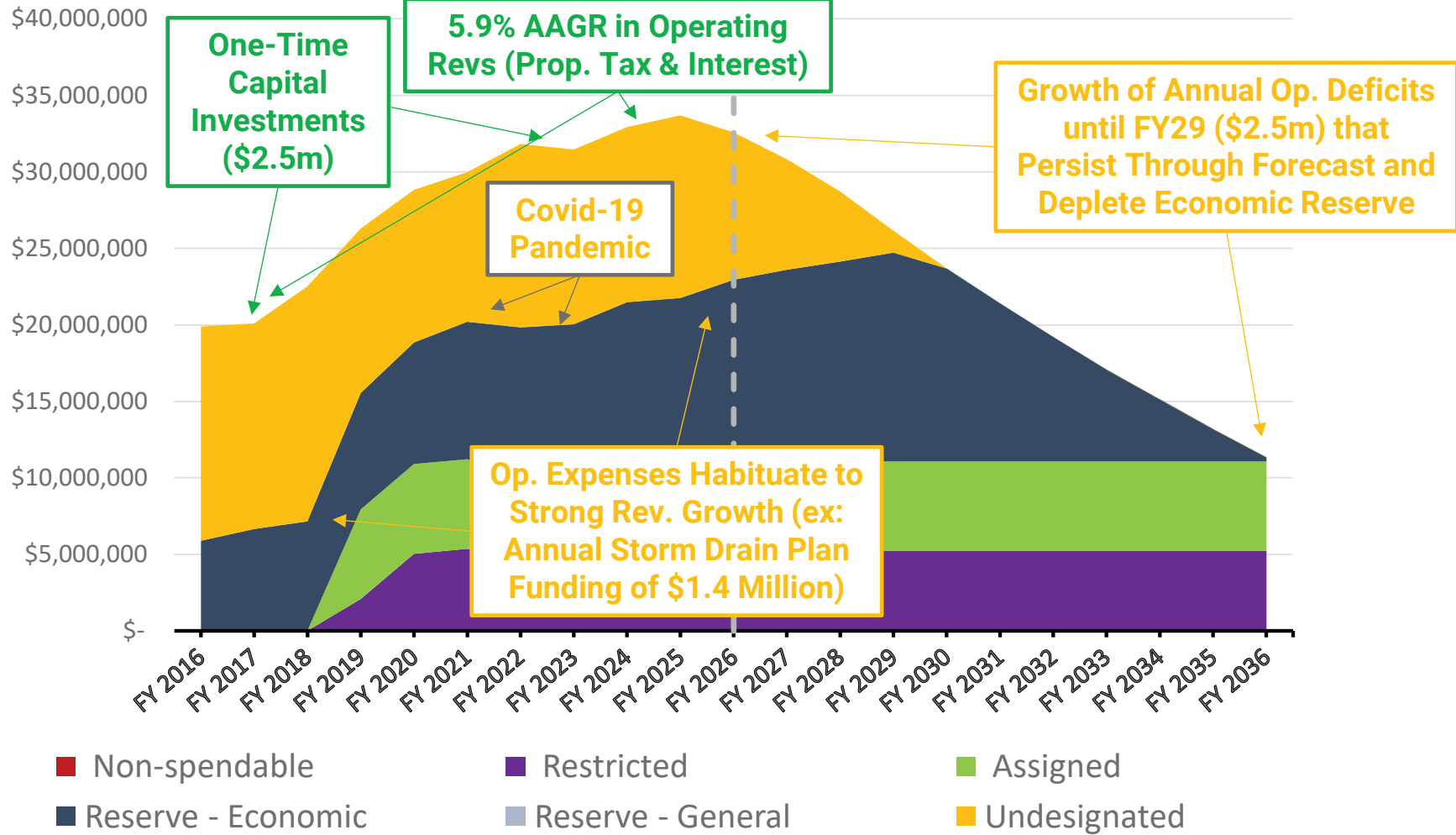
10-Year Prior and Baseline Forecast

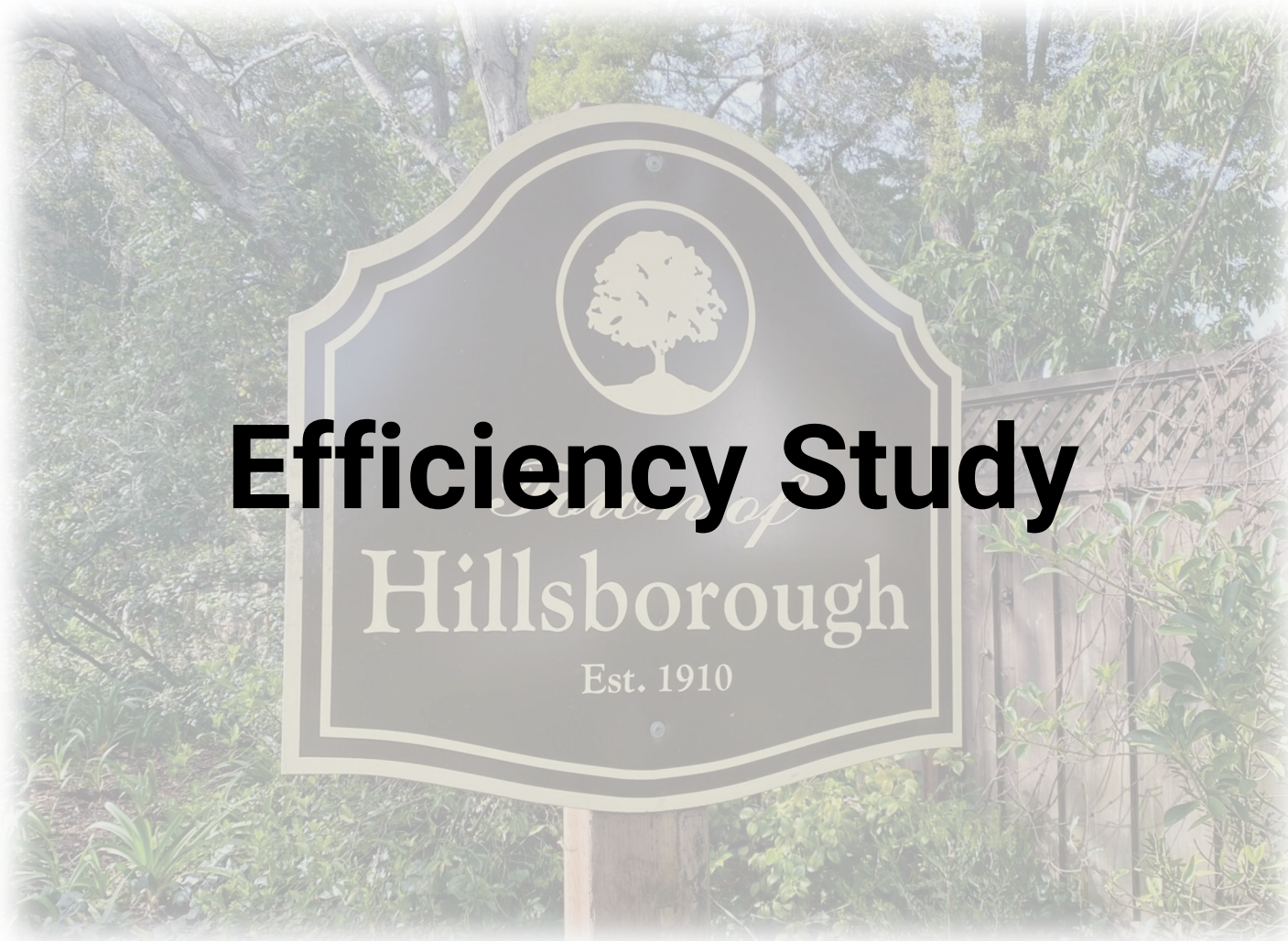




Baseline Forecast – Fund Balance Impact

Year End Fund Balance & Allocation 10-Year Prior and Baseline Forecast







Variance Analysis

- Municipal budgets often contain significant “padding”, creating
 - Material year-over-year surpluses, adding to fund balance
 - Missed opportunities to provide additional services or fund capital
- Variance analysis demonstrates Town’s budget practices are efficient and effective
 - From FY 2018-19 to FY 2023-24
 - Actual revenues exceeded budgeted revenues by 7%
 - Actual expenditures were lower than budgeted expenditures by 1%
 - Average operating surplus was \$2.3 million (median \$1.8 million)
- Larger variances attributable to volatile or difficult to project revenues – requires greater degree of conservatism
 - Intergovernmental funds (grants, ARPA, etc.)
 - Investment earnings due to mark-to-market adjustment
 - State-related issues (Excess ERAF and VLF in-lieu)



Staffing Levels

| Department | 2004-05 Budgeted FTE | 2014-15 Budgeted FTE | 2024-25 Budgeted FTE | Percent Change – 2004-05 to 2024-25 |
|-----------------------|----------------------|----------------------|----------------------|-------------------------------------|
| City Manager’s Office | 4 | 4 | 7 | 75% |
| Finance | 5 | 5 | 7 | 40% |
| Building and Planning | 7 | 8 | 12 | 71% |
| Public Works | 30 | 31 | 34 | 13% |
| Police | 36 | 32 | 38 | 6% |
| Total | 82 | 80 | 98 | 20% |

Staffing levels have increased due to a number of factors

- Mandated requirements like PRAs, SB1383, and other legislation
- Better transparency and communication with the community
- Enhanced customer service expectations

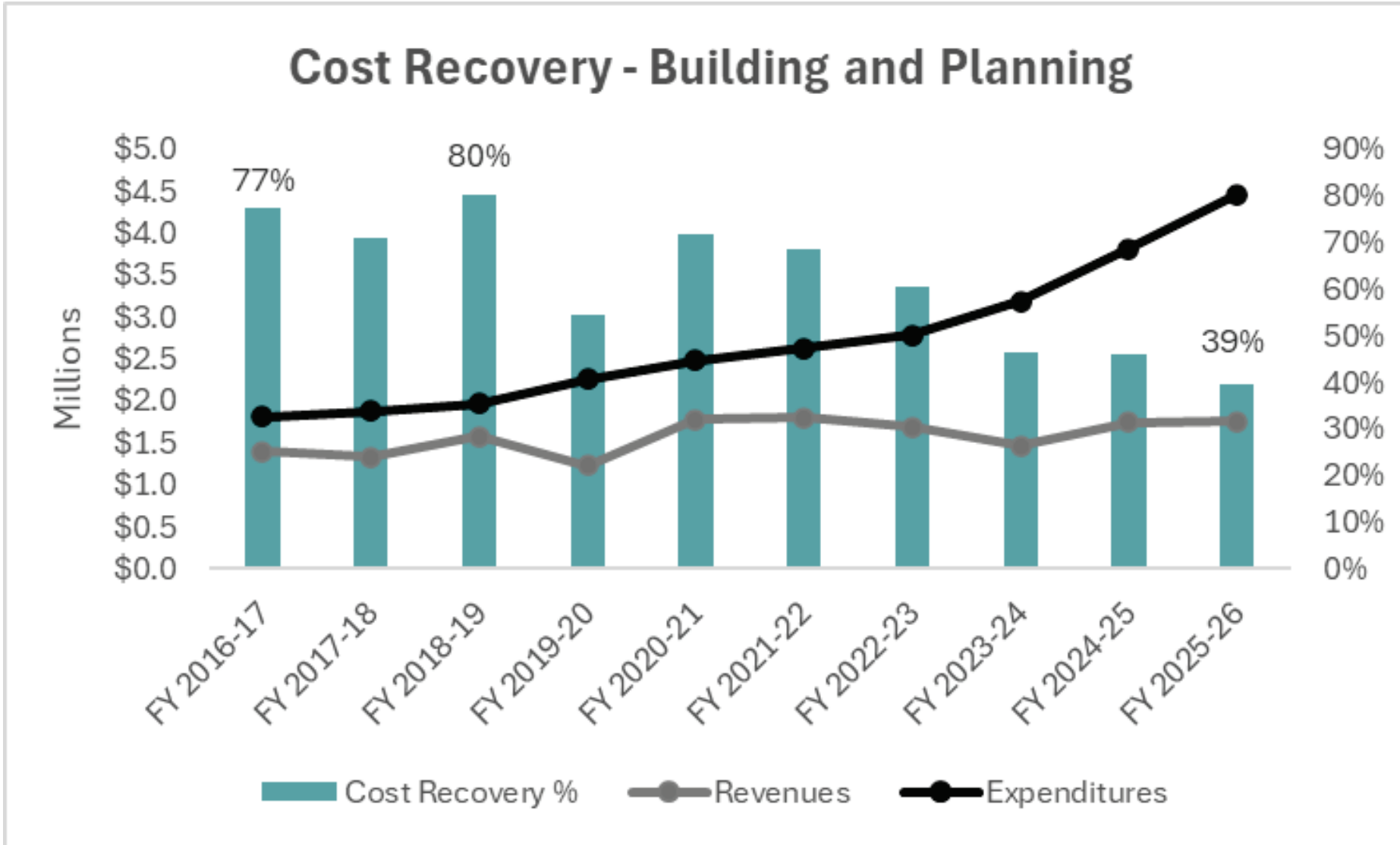


Current Model for Core Services

- Current service delivery model is a hybrid of in-house and contracted services
- Current in-house services supplemented with various resources
 - Mutual aid and other interagency collaborations/task forces
 - Contract services to manage workload demand
 - Contract services to provide specialty services
 - Software and other technology
- Allows for most cost-effective delivery of in-house service
- Control of operations to provide service levels that meet community expectations
- Ongoing evaluation of optimal balance



Historical Cost Recovery Trend





Cost Recovery Considerations

- FY 2025-26 budget incorporates code enforcement activities and updated fees
 - Original revenue projections may be slightly understated
- Not all activities are intended to be cost recoverable
 - Code enforcement, general planning inquiries
- Additional study required to identify cost of service and set cost recovery targets
 - Policy decision on level of tax subsidy to planning and building activities
 - Potential opportunity for increase revenues



Operational Revenue Opportunities

- Measure A contributions to street maintenance at \$250,000 since FY 2005-06
 - \$350,000 annually in FY 2002-03, FY 2003-04, FY 2004-05

| | FY 2016-17 Actual | FY 2025-26 Budget |
|--------------------------------|-------------------|-------------------|
| Measure A contribution | \$250,000 | \$250,000 |
| Streets/Stormwater Maintenance | \$2,001,340 | \$3,947,945 |
| Percent of Total | 12.5% | 6.3% |
| Pavement Condition Index | 74 | 83 |

- CCFD contribution for Finance services not aligned with time spent supporting CCFD
 - Service demand greater than anticipated when service agreement established
 - Additional resources required to meet increased service demand
- Changing conditions with CCFD also warrant consideration of cost share



Scenario Forecast – Changed Assumptions

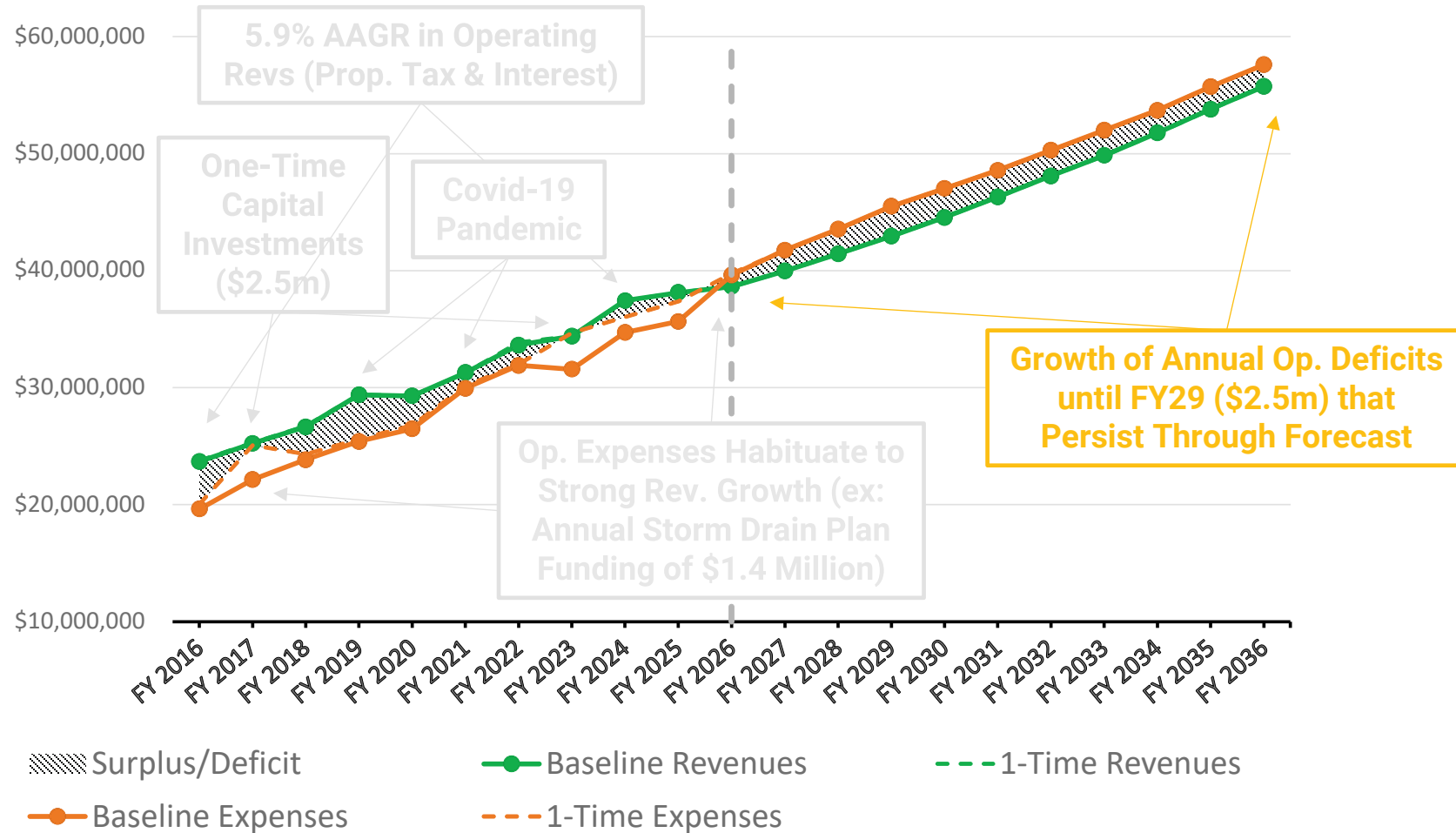
1. **Implementation of Efficiency Recommendations.** Assume implementation of efficiency recommendations results in estimate of \$1 million in annual savings to the General Fund beginning FY 2027.
 - \$750,000 from implementation of cost recovery @ 80%
 - \$250,000 from additional Measure A contributions

2. **Approval of New Tax Revenue.** Assume voters approve revenue measure estimated to generate \$4 million annually in November 2026 (additional revenue begins FY 2028).
 - \$2 million to General Fund for projected operating expenses (hedge against risk in future VLF revenues)
 - \$2 million available for capital projects



Baseline Forecast – Revenues & Expenses Trends

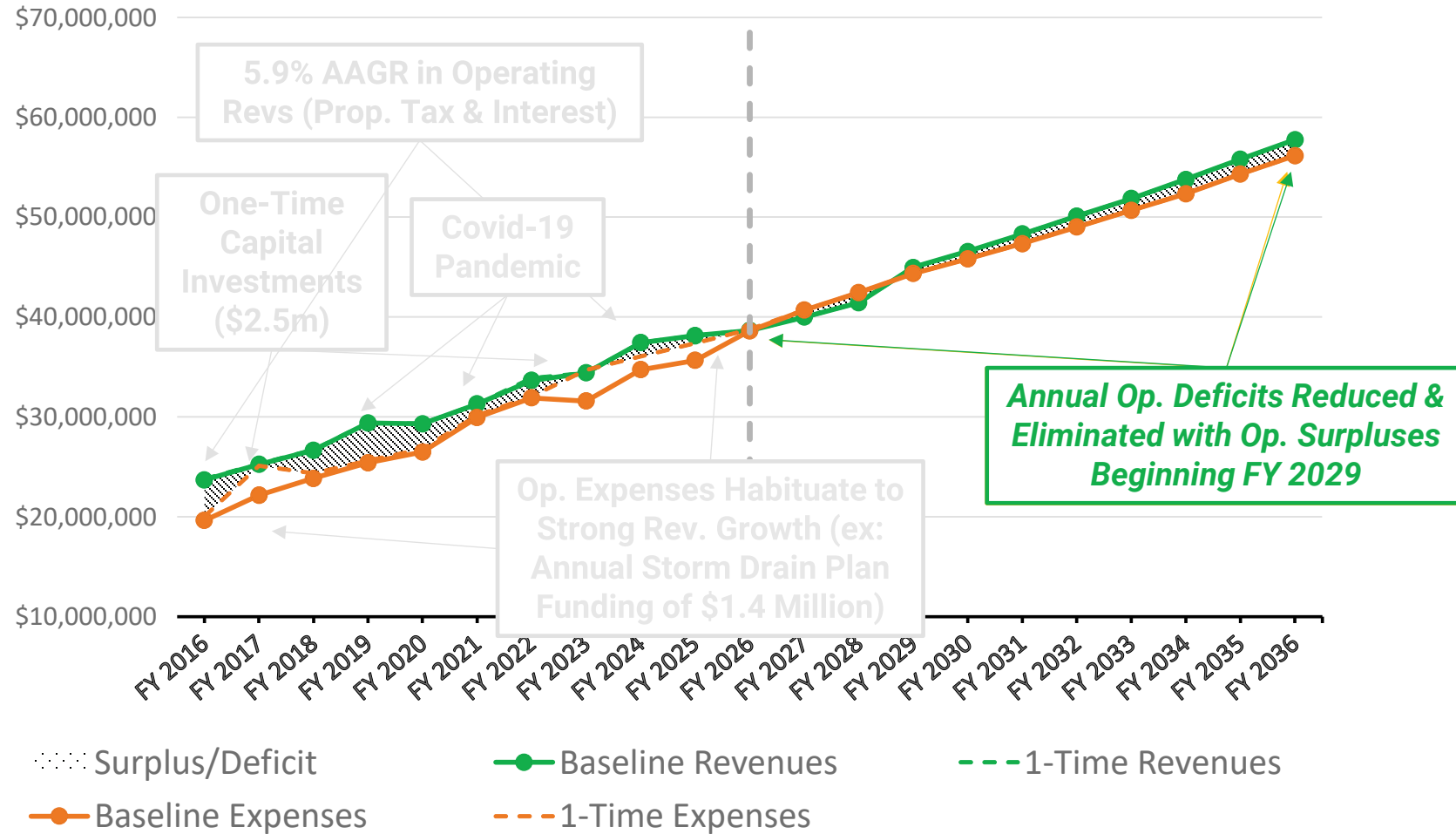
Total Revenues & Expenses 10-Year Prior and Baseline Forecast





Scenario Forecast – Revenues & Expenses Trends

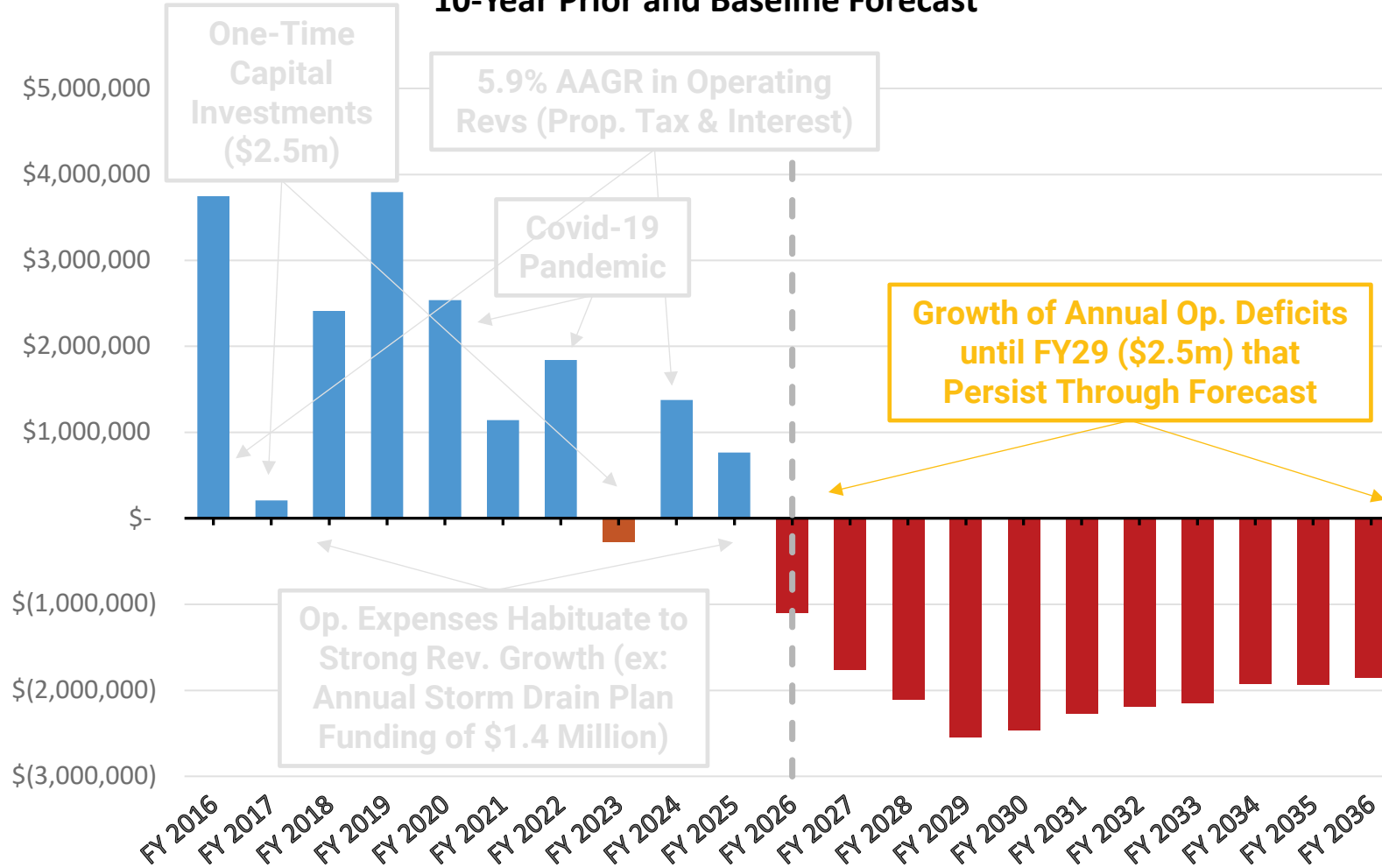
Total Revenues & Expenses 10-Year Prior and Scenario Forecast





Baseline Forecast – Annual Surplus/(Deficit)

Annual Operating Surplus/(Deficit) 10-Year Prior and Baseline Forecast

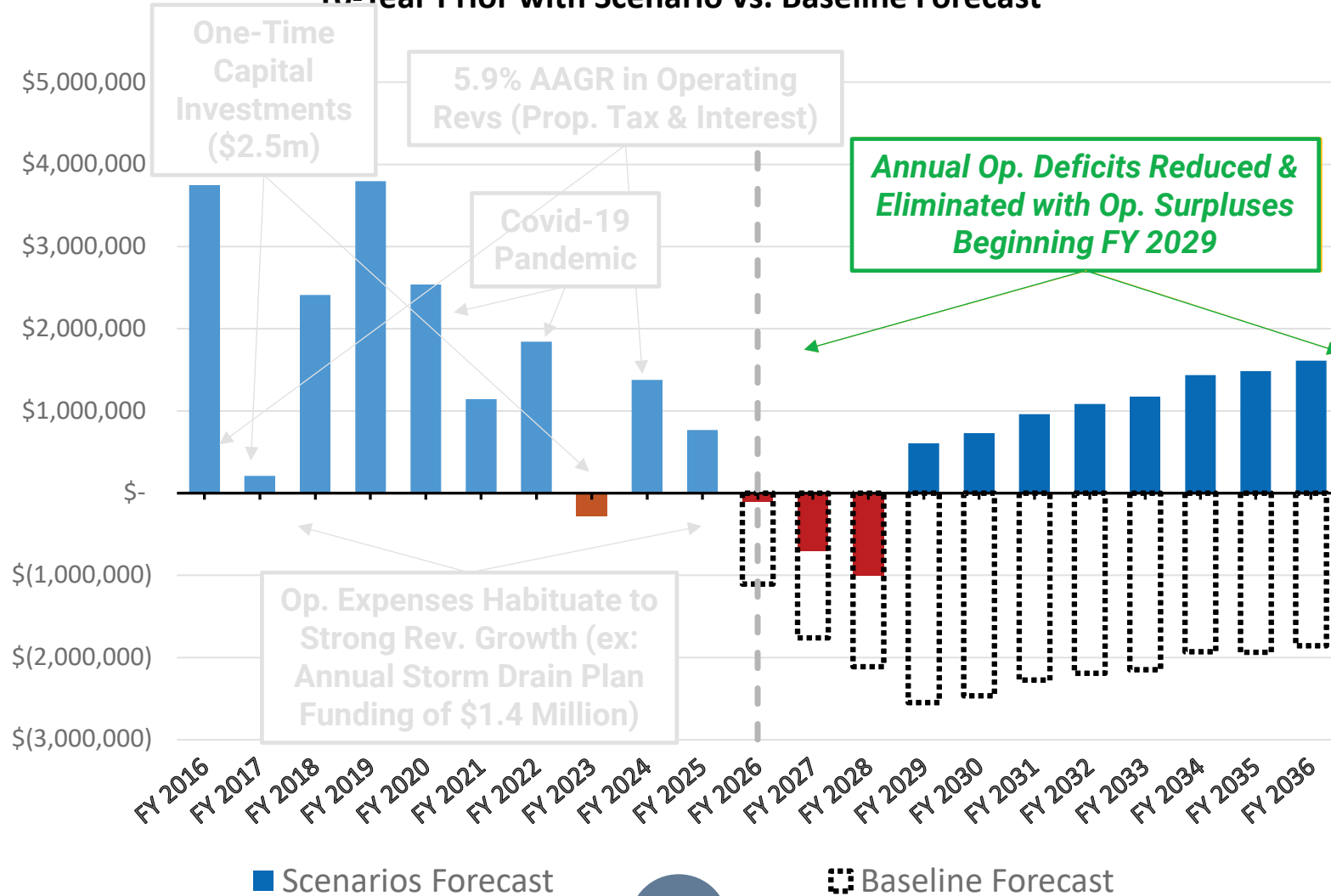




Scenario Forecast – Annual Surplus/(Deficit)

Annual Operating Surplus/(Deficit)

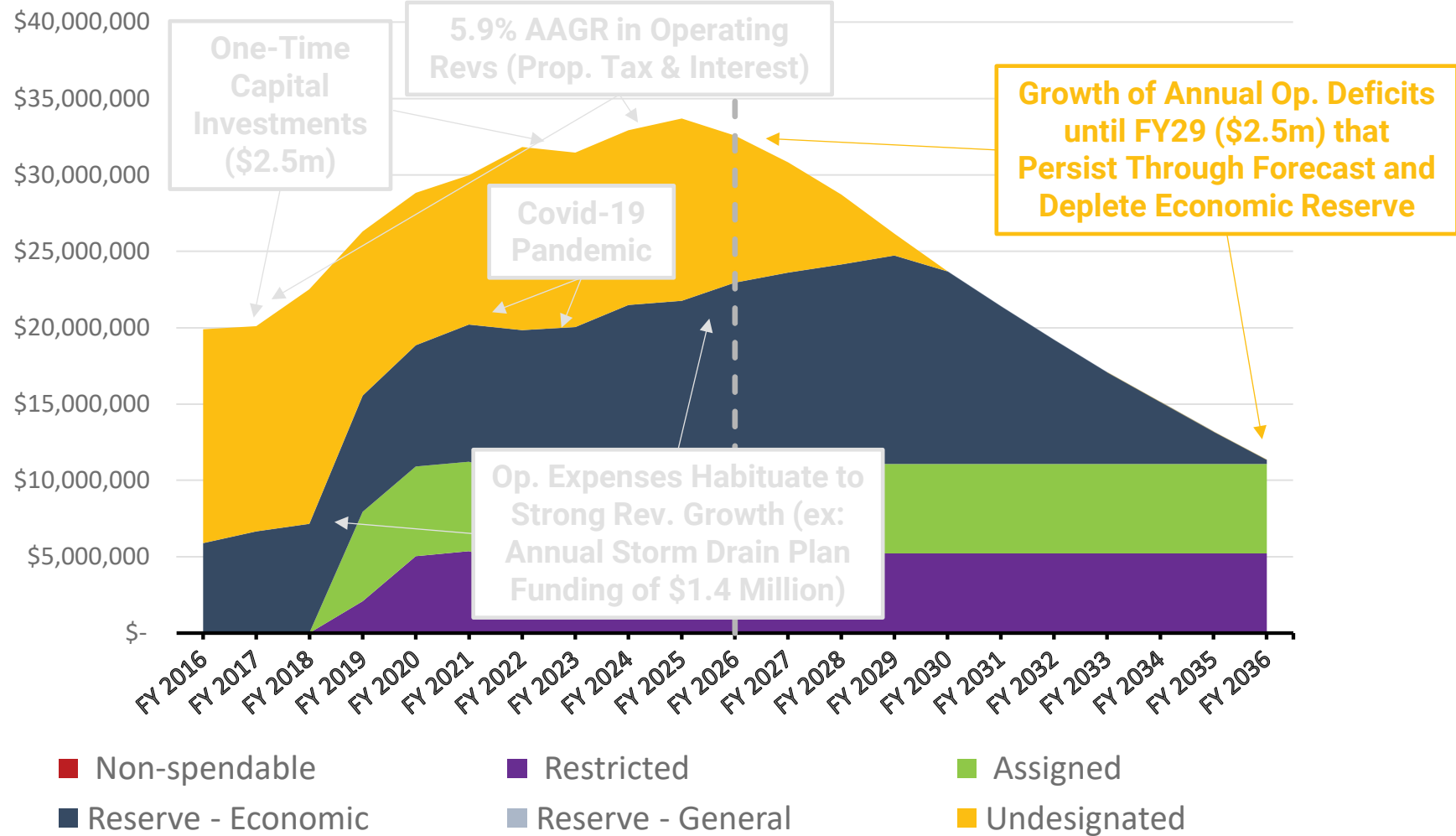
10-Year Prior with Scenario vs. Baseline Forecast





Baseline Forecast – Fund Balance Impact

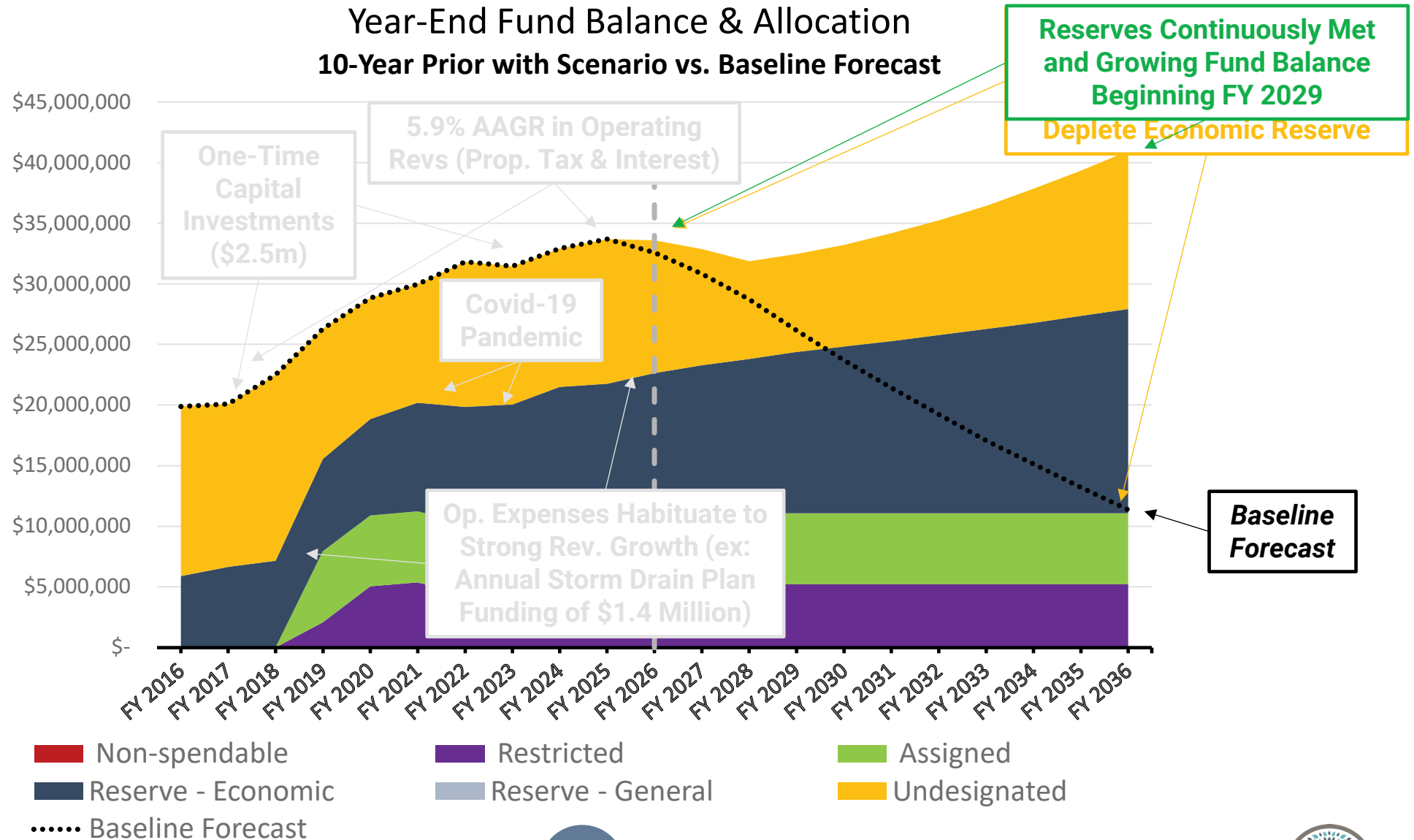
Year End Fund Balance & Allocation
10-Year Prior and Baseline Forecast

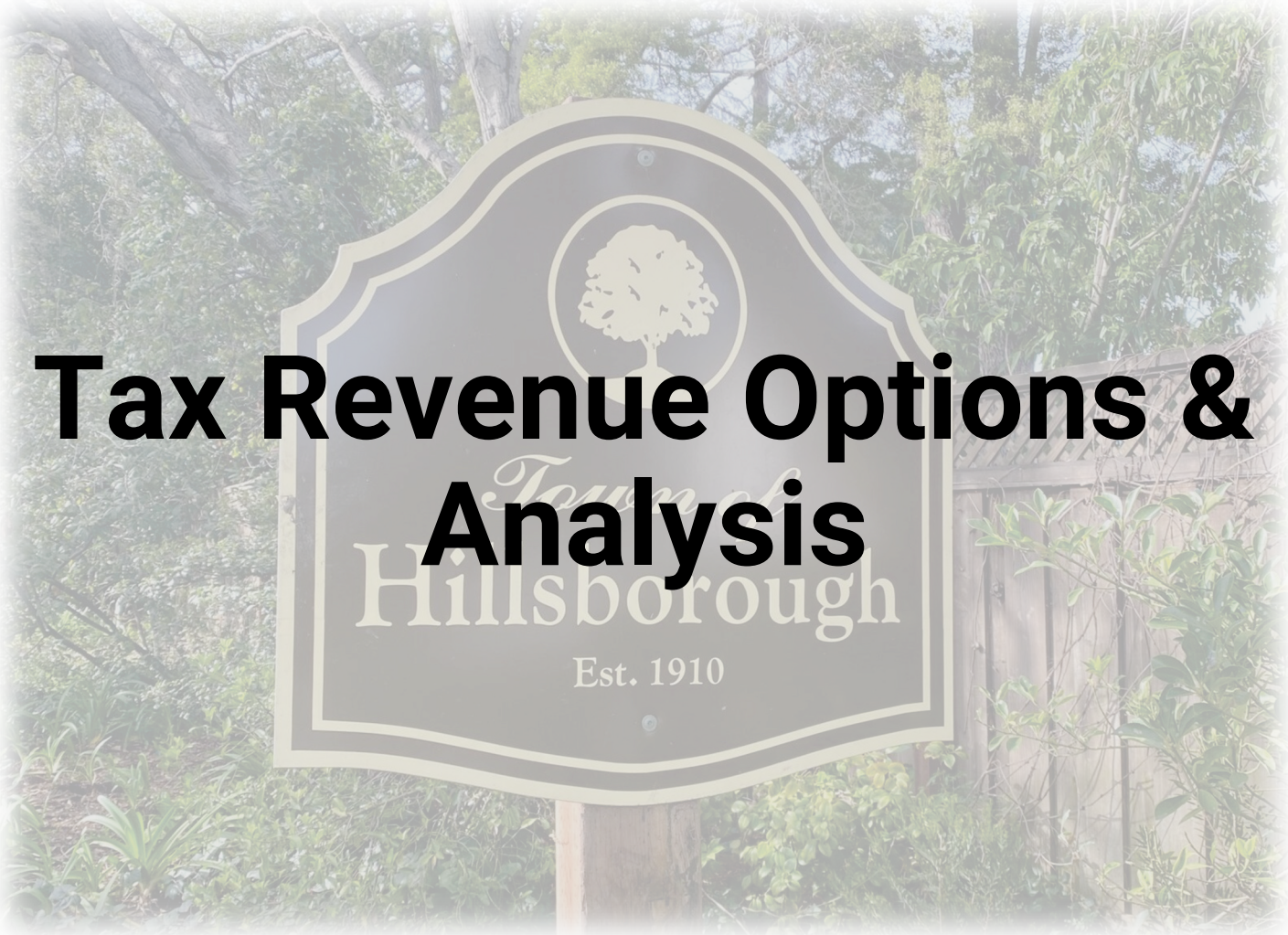




Scenario Forecast – Fund Balance Impact

Year-End Fund Balance & Allocation
10-Year Prior with Scenario vs. Baseline Forecast



A photograph of a town sign for Hillsborough, New Hampshire. The sign is dark with a light-colored border and features a tree logo at the top. The text on the sign reads "Town of Hillsborough" and "Est. 1910". The sign is set against a background of green trees and a wooden fence.

Tax Revenue Options & Analysis



General Fund Revenue Taxes – 4 Basic Considerations

1. Adequacy & Certainty (volatility)

- Sustainably generates annual needed revenue.
- Not subject to significant variation (low volatility).

2. Equity (who bears tax burden) & Competitiveness (fairness)

- Fiscal burden appropriately spread.
- Proportionate to surrounding communities.
- Does not highly skew economic incentives.

3. Transparency & Voter Approval

- Easy to find information on the revenue/tax structure and understand how it operates.
- Likelihood of voter approval.

4. Simplicity

- Does not require multiple ballot measures (voter confusion and fatigue).
- Not highly burdensome, costly or complicated to administer (by Town or payors).



Basics of Parcel Tax

- Non-ad valorem (non-value based) tax levied on parcels of property.
- Methodology: Either a fixed/flat amount per-parcel or a fixed rate depending on the size, use, or number of units on the parcel.
 - Can establish different amount/rate based on property use but must be applied uniformly and roughly proportional to demand for service.
- Can include inflationary index.
- Parcel taxes are considered special taxes requiring 2/3 voter approval (Govt. Code s. 50077). Majority approval required if proposed by citizen initiative and 55% approval if for school bonds (Prop. 39).

Statewide Facts - Parcel Tax

- Since 2010, largest percentage of all approved parcel taxes (42%) are for schools (251 of 600 measures).
- Since 2010, 67% of proposed city parcel taxes were approved (118 of 176 measures).
- Because 2/3 vote required to approve city parcel tax, almost all restrict tax revenues to specified purpose; less than 4% are for general municipal funding.
- Most common methodology: flat rate per parcel.



The Town currently has a Public Safety Parcel Tax

- Voter approved in June 1998 with 2% annual increase not to exceed 115% of initial maximum amount (maximum reached in FY2005-06)
- \$570 per improved parcel/\$218 per unimproved parcel

Parcel tax measures in Santa Clara & San Mateo counties (2/3 vote)

- Since 2008, 20 non-school parcel taxes on ballot with 80% approved (16 of 20).
 - All for special purposes: libraries, roads, police/fire, water, and open space.
- Since 2018, 40 school parcel taxes on ballot with 73% approved (29 of 40).

| City/Area | Rate/yr.* |
|-------------------------------|--------------------|
| San Mateo County | |
| Hillsborough – Public Safety | \$570/\$218 parcel |
| E. Palo Alto – Office Space | \$2.50 per sf |
| Portola Valley – Roads | \$950 parcel |
| Highlands CSA – Police & Fire | \$65 parcel |
| Atherton – Police | \$750 parcel** |
| Santa Clara County | |
| Santa Clara - Libraries | \$34 parcel |
| Santa Clara – Open Space | \$24 parcel |
| San Jose – Libraries | \$30 parcel |
| North County - Libraries | \$76 parcel |
| County Library JPA | \$17 or \$34 unit |
| Santa Clara Water Dist. | \$0.006 per sf |
| El Matador - Roads | \$350-\$750 parcel |

*Rates as of April 2025.

**Not renewed in 2017.



Parcel Tax



Estimated Annual Revenue – Alternative Structures

| Flat Amount per Parcel | | | |
|---------------------------------------|---------------|----------------|------------------------|
| Parcel Type | # of Parcels* | Per Parcel Tax | Annual Revenues (est.) |
| Single-Family Residential (SFR) | 3,894 | \$1,010 | \$3,934,327 |
| Other Residential | 6 | 1,010 | 6,062 |
| Vacant Residential (1/2 acre or more) | 52 | 1,010 | 52,539 |
| Other | 7 | 1,010 | 7,072 |
| Total | | | \$4,000,000 |

| Fixed Rate per Square Foot (sf) of Parcel Size (\$0.0291 per sf) | | | | |
|--|------------------|----------------|------------------------|------------------------|
| Parcel Type | Avg. Parcel Size | Total Acreage* | Annual Tax Avg. Parcel | Annual Revenues (est.) |
| Single-Family Residential (SFR) | 32,321 sf | 2,889.31 | \$939 | \$3,657,111 |
| Other Residential | 33,977 sf | 4.68 | 987 | 5,924 |
| Vacant Residential (1/2 acre or more) | 91,660 sf | 109.42 | 2,663 | 138,497 |
| Other | 975,744 sf | 156.80 | 28,353 | 198,468 |
| Total | | | | \$4,000,000 |

*Excludes parcels owned by public entities and public utilities, and vacant residential parcels under 1/2 acre.



➤ **Pros:**

- ✓ **Certainty.** Parcel tax revenue not impacted by overall economic trends (non-ad valorem) and inflationary index (if included) can help revenues keep pace with rising expenses.
- ✓ **Equity.** Parcel tax provides some flexibility in designing tax structure (such as square foot rate) to help mitigate inequity/regressive nature of a flat amount. But given the Town's almost uniform SFR use and relative low variance in parcel size, the parcel tax amount for average SFR is very similar whether imposed as flat amount or per square foot rate.
- ✓ **Voter Approval.** Voter approval for non-school parcel taxes has been strong (80%). Almost all have been designated for special purposes (public safety, roads, libraries, etc.).

➤ **Cons:**

- **Voter Approval.** State law requires 2/3 approval by electorate.
- **Competitiveness.** Parcel tax (\$1,010/parcel or \$0.0291 per sf), in addition to current public safety parcel tax, would be at the upper end of parcel tax amounts in surrounding communities.



Real Property Transfer Tax (RPTT)



Basics of RPTT

- Tax imposed on the transfer of title of real property from one person or entity to another.
 - Additional to Documentary Transfer Tax imposed under state law (\$1.10 per \$1,000 of sale price), of which half allocated to city and half to county, but if city adopts RPTT, full amount goes to county.
- Methodology: Based on property sale price and can be paid by either buyer or seller. Collected by county and remitted to city.
 - Typically imposed as flat rate per \$1,000 of sale price. Some cities have used % of sale price rate and/or used tiered rates based on property value.
- Can only be imposed by charter city.
- Majority approval by voters if for general purposes.

Statewide Facts - RPTT

- Since 2010, 70% of RPTT measures have been approved (21 of 30). All were for general purposes (majority vote).
- 27 cities have a RPTT, of which 15 are in the Bay Area.*
- For flat tax rates, amount ranges from \$2.20 per \$1,000 to \$26.10 per \$1,000 (top tier).
- For % of sale tax rates, amount ranges from 0.50% to 6.0%.

**Does not include charter cities that have imposed a RPTT at rate equivalent to the Documentary Transfer Tax.*



Real Property Transfer Tax (RPTT)



Real Property Transfer Tax @ \$4.10 per \$1,000 sale price = Estimated \$4 million on average per year.

- Significant year-to-year variation in estimated annual revenue. Historical Town revenue from Documentary Transfer Tax has dropped -40% YOY and risen +83% YOY.
- Based on \$4.10 rate, annual revenues could be as low as \$2.4 million or as high as \$7.3 million.
- Based on \$6.30 rate, annual revenues could be as low as \$4.0 million or as high as \$9.1 million.
- Flat rate does not index to rising expenses, but revenues increase as property sales values rise, subject to the significant variation noted above.
- Requires Hillsborough voters to adopt city charter. Two cities have adopted a charter for the purpose of imposing RPTT (Emeryville 2014, El Cerrito 2018). Both measures were on the same ballot.

| City/Area | Rate* |
|----------------------------|---------------------------------------|
| San Mateo County | |
| San Mateo | 0.5% except 1.5% > \$10m. |
| Santa Clara County | |
| Mountain View | \$3.30/\$1,000 except \$15 > \$6m. |
| Palo Alto | \$3.30 per \$1,000 |
| San Jose | \$3.30/\$1,000 + 0% to 1.5% (4 tiers) |
| San Francisco | |
| 0.5% to 6.0% (6 tiers) | |
| Alameda County | |
| Alameda | \$12 per \$1,000 |
| Albany | \$15 per \$1,000 |
| Berkeley | 1.5% to 3.0% (three tiers) |
| Emeryville | \$12 to \$25 (three tiers) |
| Hayward | \$8.50 per \$1,000 |
| Oakland | 1% to 2.5% (four tiers) |
| Piedmont | \$13 per \$1,000 |
| San Leandro | \$11 per \$1,000 |
| Contra Costa County | |
| El Cerrito | \$12 per \$1,000 |
| Richmond | 0.7% to 3% (four tiers) |

* Rates as of April 2025.



Real Property Transfer Tax (RPTT)

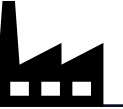


➤ **Pros:**

- ✓ **Voter Approval.** Requires majority vote approval for general purpose tax and generally strong historical approval rates by voters (70% of ballot measures).
- ✓ **Equity.** Tiered rates can help mitigate inequity/regressive nature of a flat rate. Also, tax imposed as incidence of property sale allowing buyer and seller to negotiate who pays what portion at close.

➤ **Cons:**

- **Certainty (Volatility).** Significantly more volatile than all other tax revenue options being evaluated. Difficult to fund municipal services with consistent annual operating expenses using a highly volatile revenue source.
- **Competitiveness.** Only 5 cities on peninsula side of the Bay Area have an RPTT.
- **Charter Approval.** Requires voters to approve changing Hillsborough to a charter form of government and to approve the tax measure. Both measures can be on same ballot.



Basics of UUT

- Percentage tax based on the consumption of utility services: electricity, gas, water, sewer, refuse, telecommunications, and cable television.
- Most cities apply UUT to electricity, gas, and telecommunications; only half include water.
- Can establish different rate for residential and commercial. Tax is collected by utility and transmitted to city.
- Most of the cities with UUTs adopted the taxes prior to 1986 by vote of the city council.
- Since 2002, only 32% approval (28 of 87) for new or increased UUT rates (statewide). Including advisory measure may increase voter approval rate by 20% (limited data).

Statewide Facts on UUTs*

- 157 cities in CA have a UUT
- Rates range from 1% to 11%
- Statewide mean rate = 5.5%
- Statewide median = 5% (+- 2.07%)
- Total UUT revenue statewide is approximately \$1.8 billion*
- On average, UUT provides 15% of General Fund revenue**
- All UUTs in California (except two) are currently levied for general purposes (majority vote)

*Data as of April 2025 – CaliforniaCityFinance.com.

**Data as of April 2021 – CaliforniaCityFinance.com.



Utility User Tax (UUT)



Estimated UUT Annual Revenue = \$328,000 to \$370,000 per 1.0% on gas, electric, & telecommunications

- @ 5.0% = \$1.6 to \$1.8 million
- @ 8.0% = \$2.6 to \$3.0 million
- @ 11.0% = \$3.6 to \$4.1 million

City forecast projects 2.0% AAGR in Franchise Fee revenues. Good “proxy” for UUT revenue growth.

Statewide trend for UUT revenues is a bit higher (2.5% to 3%), with electric revenue growth offsetting flat/negative growth in gas and telecommunications.

UUT measures on the peninsula side of the Bay Area since 2002:

- New UUT: approved Menlo Park (2006), rejected Morgan Hill (2008), and Saratoga(2004).
- Modernize Telecomm UUT: 3 approved with rate reduction, 7 approved, & 1 rejected.

| City/Area | Rate* |
|--------------------------------|---------------------|
| San Mateo County | |
| Daly City | 5.0% |
| East Palo Alto | 5.0% |
| Menlo Park | 0.0%** |
| Pacifica | 6.5% |
| Portola Valley | 4.5% |
| Redwood City | 4.0 to 5.0% |
| Santa Clara County | |
| Cupertino | 2.4% |
| Gilroy | 4.5 to 5.0% |
| Los Altos | 3.2 to 3.5% |
| Mountain View | 3.0% |
| Palo Alto | 4.75 to 5.0% |
| San Jose | 4.5 to 5.0% |
| Sunnyvale | 2.0% |
| San Francisco | 7.5% |
| Alameda – 10 Cities | 3.25 to 9.5% |
| Contra Costa – 6 Cities | 1.0 to 9.5% |

*Rates as of April 2025.

**2.5% to 3.5% but reduced to 0% beginning 2024.



Utility User Tax (UUT)



➤ **Pros:**

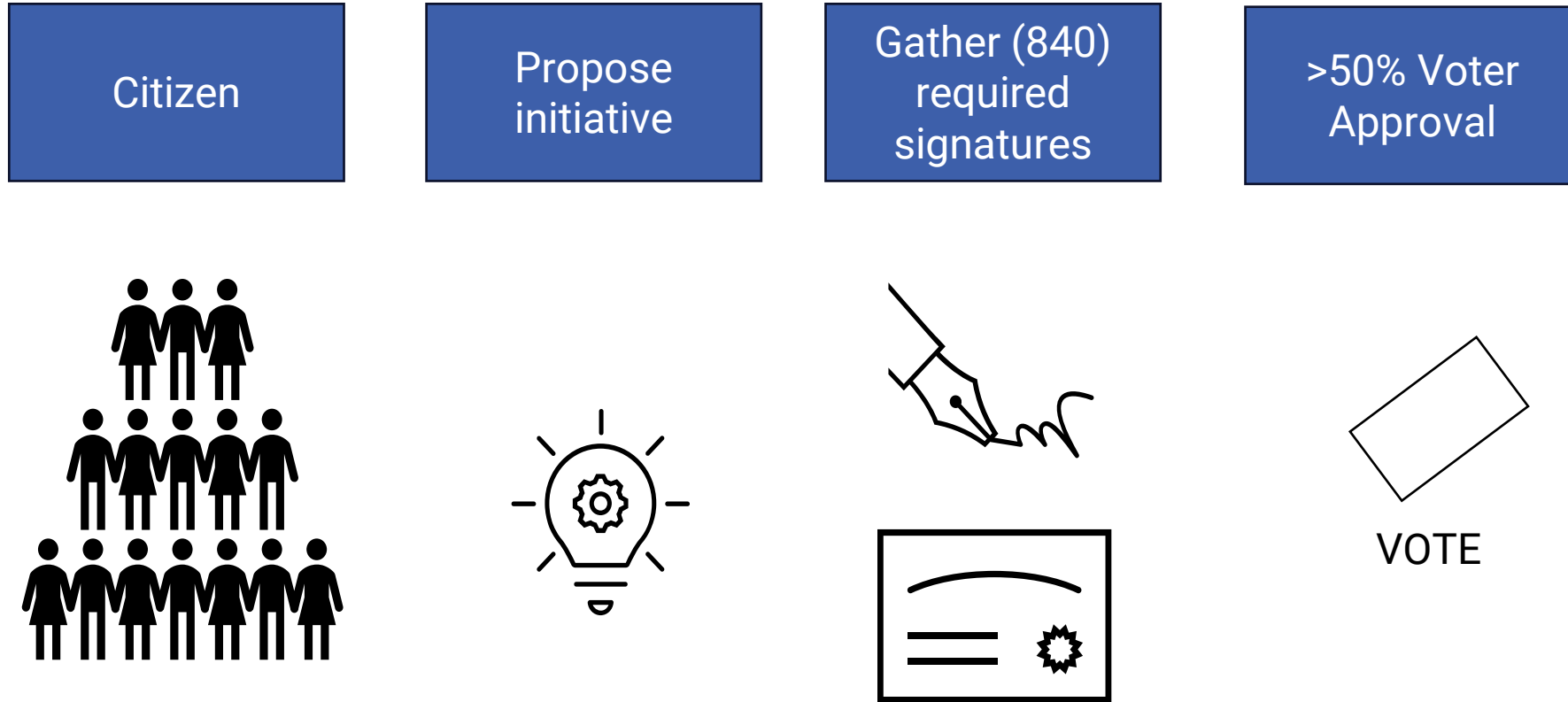
- ✓ **Certainty.** UUT revenues have been less volatile than other economic-sensitive revenues like TUT, but are less certain than a Parcel Tax, particularly over the long-term (see “Adequacy” concern below).
- ✓ **Equity.** Can establish different rates for residential vs. commercial.

➤ **Cons:**

- **Voter Approval.** Historic voter approval rates for new UUT are low (32%) but advisory measure might help (+20%). Voter data in region for UUT ballot measures is dated and small, necessitating more extensive community outreach.
- **Adequacy.** A regionally competitive rate of 5.0% falls significantly short of a \$4 million revenue target. To meet revenue target, the estimated rate would likely need to be 11% or higher. Additionally, for the long-term adequacy, important to note projected 1.4% annual growth is half the forecasted 3.8% annual growth rate for City expenses.



Citizen Initiative



Transform Supermajority (>2/3) to Majority (>50%) Voter Approval.





Overview of General Infrastructure Funding Alternatives

| | Leverage through General Fund | | | Stand-Alone Bond Authority |
|---------------------|-------------------------------|--|------------------------------|------------------------------|
| | Parcel Tax | Real Property Transfer Tax (RPTT) | Utility Users Tax (UUT) | Property Tax (GO Election) |
| Who Votes | Registered voters (citywide) | Registered voters (citywide) | Registered voters (citywide) | Registered voters (citywide) |
| Voting For | Fixed charge | Charter City and flat rate per \$1,000 of sale price | Tax rate percent | Bonding authorization |
| General/Special Tax | Special | Either | Either | Special |
| Collection Method | County property tax bill | Collected by County and remitted to Town | Utility bill | County property tax bill |
| Types of Bonds | Lease Revenue Bonds | Lease Revenue Bonds | Lease Revenue Bonds | GO Bonds |



General Fund Revenues → Lease Revenue Bonds

- **Overview**

- Issuer covenants to appropriate annual lease payments from the general fund
- If lease payments are not made, trustee has right/obligation to enter and re-let designated asset

- **Advantages**

- Not subject to the constitutional debt limits per lease exception
- No voter approval required for the issuance of bonds; City Council majority vote
- Can be completed quickly in as little as 60 days

- **Disadvantages**

- Requires unencumbered leasable asset(s) valued as least as much as the bond issue
- Lease payments (debt service) competes with other general fund expenditures –i.e., police, fire, services, etc.

- **Leverage**

- All general fund revenues are pledged, although sizing is often based on amount available from a particular revenue source

- **When Used?**

- Typically for general infrastructure projects benefitting the City

Based on today's market, assuming an AA rating and 30-year Lease Revenue Bonds, and assuming the Town earmarks \$2 million annually for debt service payments, the Town could generate approximately \$33* million in project proceeds

**Preliminary, subject to change based on rating, market conditions, and other factors*



Property Tax Override → General Obligation Bonds

- **Overview**

- Annual tax levied on property tax roll in proportion to property's assessed valuation
- Requires approval by 2/3rd of City voters voting in an election
- Voters approve bond authorization and use of proceeds, not tax rate or annual payment

- **Advantages**

- Broad-based tax support for public improvements
- Lowest bond interest cost due to ad valorem security and unlimited tax pledge
- Shifts burden to higher valued properties, including non-residential

- **Disadvantages**

- *Revenues can only be used to repay debt; cannot be used to operate/maintain facilities*
- No ability to differentiate among types of property or target different parts of the City
- Must establish max bond authorization; no flexibility to increase if project costs rise

- **Leverage**

- GO Bonds

- **When Used?**

- Typically for projects with broad political support – varies by community



General Obligation Bond Proceeds

- The Town can generate between \$33 million and \$67 million

| Town of Hillsborough Bond Proceeds at Varying Tax Rates ⁽¹⁾ | |
|--|--------------|
| Tax Rate per \$100,000 of A.V. | Series 2027 |
| \$10.00 | \$33,000,000 |
| \$15.00 | \$50,000,000 |
| \$20.00 | \$67,000,000 |

⁽¹⁾ Assumes AV growth of 3.00% and 30 year bond terms; Preliminary – Subject to change

- At more aggressive growth rates or a longer bond program, the Town could generate up to \$77 million
- Depending on tax rate selected and assessed value assumptions, the Town can generate significant proceeds
- Median FY25-26 AV for single-family residence in Hillsborough: \$3,166,824
 - \$10 tax rate: FY25-26 Tax Levy is \$317
 - \$15 tax rate: FY25-26 Tax Levy is \$475
 - \$20 tax rate: FY25-26 Tax Levy is \$633



Options for Next Steps



Tax Revenue Considerations

| Revenue Option | Stable Revenue Source | Can Fund Operations | Can Fund Capital | Mitigates Tax Burden on Residents | Voter Approval |
|-----------------------------------|-----------------------|---------------------|------------------|-----------------------------------|----------------|
| Parcel Tax | Yes | Yes | Yes | No | 2/3rds |
| Real Property Transfer Tax (RPTT) | No | Yes | Yes | Yes | 50% + 1 |
| General Obligation (GO) Bonds | Yes | No | Yes | No | 2/3rds |



Options for Next Steps

1. **Efficiencies (\$1 million).** Conduct Studies & Implement Recommendations
2. **Tax Revenue (Survey for Nov. 2026 ballot)**
 - Option #1 - Parcel Tax
 - A. \$939 for average SFR parcel
 - Operations - \$2 million annually
 - Capital - Lease Revenue Bonds (\$33 million)
 - B. \$470 for average SFR parcel
 - Operations - \$2 million annually
 - Capital – No funding
 - Option #2 – Real Property Transfer Tax (including Charter adoption)
 - A. \$6.30 per \$1,000 sale price
 - Operations – \$2 million annually (estimated)
 - Capital – Highly volatile and uncertain Pay Go (\$2 million to \$7 million annually)
 - B. \$4.10 per \$1,000 sale price
 - Operations - \$2 million annually (estimated)
 - Capital – Highly volatile and uncertain Pay Go (\$400,000 to \$5 million annually)
3. **Additional Capital Projects.** GO Bonds (Nov. 2028 ballot or later)