



Understanding How Hillsborough Funds Operations

Because Hillsborough runs its operations through two separate types of funds, revenue from water and sewer bills pays only the costs of providing reliable water and sewer service.

BACKGROUND

A fiscal year is the 12-month period that an organization uses for budgeting, forecasting and reporting. Fiscal years are identified according to the year in which they end. The Town of Hillsborough's fiscal year runs from July 1 of one year to June 30 of the next year.

The town is operating under its Fiscal Year 2025 budget, also called Fiscal Year 2024-25. This fiscal year started July 1, 2024, and will end June 30, 2025.

By law, governments must pass a balanced budget each year in which planned expenses do not fall below expected revenue. This helps avoid potential deficits.

To further identify and prevent possible deficits:

- The town separates its operations into two types of funds. It sets budgets for each of these funds.
- The town plans for two additional fiscal years when creating its annual budget. This also allows the town to spread needed rate increases into smaller amounts over a number of years. Only the first year is binding. It is authorized by passage of a yearly budget ordinance.



The town's general fund pays for services like residential collection of leaves and police protection primarily with revenue from property and other taxes. Water and sewer charges and fees fund the water and sewer enterprise fund, which pays for providing water and sewer service.

GENERAL FUND

The general fund is the chief operating fund for a government. The revenue comes primarily from property and other taxes. The General Fund pays for services such as police protection, residential garbage collection, and the building and maintenance of recreation facilities like the Riverwalk greenway.

For Fiscal Year 2024-25, about \$20.2 million is budgeted for General Fund operations. Of that, an estimated \$10.2 million is expected to come from property taxes of landowners and personal property owners within the town limits.

ENTERPRISE FUNDS

Enterprise funds are government-owned funds that provide goods and services to the public. The revenue for these funds comes from fees and charges.

The town has two enterprise funds, and each fund pays for the costs of its individual operations:

Water and Sewer Fund —

The revenue for this fund comes primarily from water and sewer charges. The Water and Sewer Fund pays for providing water and sewer service, which includes operating, maintaining and improving the utility system.

For Fiscal Year 2024-25, about \$13.5 million is budgeted for Water and Sewer Fund operations. Of that, an estimated \$12.2 million is expected to come from water and sewer fees and charges.

Stormwater Fund —

The revenue for this fund comes primarily from stormwater charges. The Stormwater Fund pays for stormwater services, including maintaining stormwater drainage infrastructure and preventing pollutants and debris from reaching waterways.

For Fiscal Year 2024-25, about \$1.1 million is budgeted for Stormwater Fund operations. Of that, \$835,000 is expected to come from stormwater charges and fees. The remainder is expected to be funded with savings from previous years and interest earned.

EFFECT ON RATES

Because the town uses separate funds to pay for its operations, it does not use the water and sewer payments it receives from customers for purposes other than providing a dependable utility service. Hillsborough's water and sewer rates are set to cover the costs of operating, maintaining and improving the water and sewer system and of providing clean and reliable water. Providing dependable utility service requires fixed costs whether the town produces 1 gallon or 500 million gallons of drinking water.

At times, rates must be raised to ensure the town's expenditures on water and sewer service do not exceed its revenue. Best management practices also call for maintaining prudent operating reserves to offset fluctuations in the amount of water used and to pay for emergency repairs and capital replacements.