

Financial Update

Period ended September 30, 2025

Purpose

This is the quarterly financial update for the Fiscal Year 2025/26, as of September 30, 2025. The purpose of this quarterly report is twofold. First, it ensures that the Town is consistently monitoring its revenues and expenditures, responding to unanticipated events, and preparing for emerging trends. Second, and equally important, these reports increase the transparency of the Town's finances. The Town is ultimately accountable to its residents to use the revenue it brings in efficiently and effectively to provide the highest quality services, and quarterly public reporting provides taxpayers with the information they need to Hold the Town to this standard.

Staff anticipate that this report will evolve over time depending on the present-day issues and to ensure that the public is given access to relevant revenue and spending data.

Content

This quarterly report presents an overview of the Town's operating revenues and expenditures from the General Fund as of September 30, 2025, as compared to previous years, and explains any notable aberrations or trends in these numbers.

This report focuses on General Fund operating revenues and expenditures, as these represent the funds used to provide the bulk of essential Town services and is the Town's biggest fund.

Timeframe and Limitations

The information in this report is the most accurate and up-to-date information available at the time of the publication. However, this report is not an audited financial statement, and the numbers provided herein are preliminary and subject to change as the year progresses. No data on revenues and expenditures is final until the Town has completed its annual comprehensive audit, which is released in winter each year for the prior fiscal year.

With respect to revenues: The Town regularly monitors and updates its year-end revenue projections based on actual revenue performance and other relevant developments to ensure a more accurate assessment of its anticipated financial position.

With respect to expenditures: The expenditure information in this report is drawn directly from the Town's financial management system. Adjustments may be made to reflect known payments, reimbursements, or interdepartmental and interfund transfers that have not yet been processed at the time of publication. *It represents a snapshot of Town expenditures at a certain point in time.*

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Executive Summary

The Town of Truckee remains in a stable financial position through the quarter ending September 30, 2025, supported by conservative budgeting, careful monitoring of economic trends, and disciplined expenditure management.

National and state economic indicators point to a slowing but still growing economy, with weakening momentum in manufacturing, softening in services, and early signs of cooling in the labor market. Although the Federal Reserve cut rates in September in response to softer conditions, financial markets remain calm, and economists, including Beacon Economics, do not foresee an imminent recession, but they do caution that slower national and state growth may temper local revenue performance.

General Fund revenues for the Town are largely on track with expectations: property tax projections for FY2025/26 are slightly above budget; sales tax for the last quarter of fiscal year 2024/25 reflected modest gains driven by construction and pooled allocations; and FY2024/25 transient occupancy tax exceeded budget (results for the quarter ending September 30, 2025, are still being reconciled). Franchise fee collections are higher due to timing differences, and charges for services are trending appropriately given budget changes including reduced activity in projected development activity and changes in animal services operations following the HSTT contract.

Expenditures are also on pace, with salaries and benefits at 19% of the annual budget and supplies and services at 24%, aligning with historical spending patterns. Updated revenue and expenditure adjustments, combined with prior-year actuals, increase the projected undesignated fund balance to approximately \$33.48 million, roughly \$852,000 above previous estimates.

Economy Watch

This report provides a snapshot of current national economic conditions to support the Town of Truckee's ongoing financial planning and policy decisions. It highlights broader trends in economic activity, market sentiment, and monetary policy. The information is intended to offer context as we assess both opportunities and potential risks as the Town looks at its planning horizon.

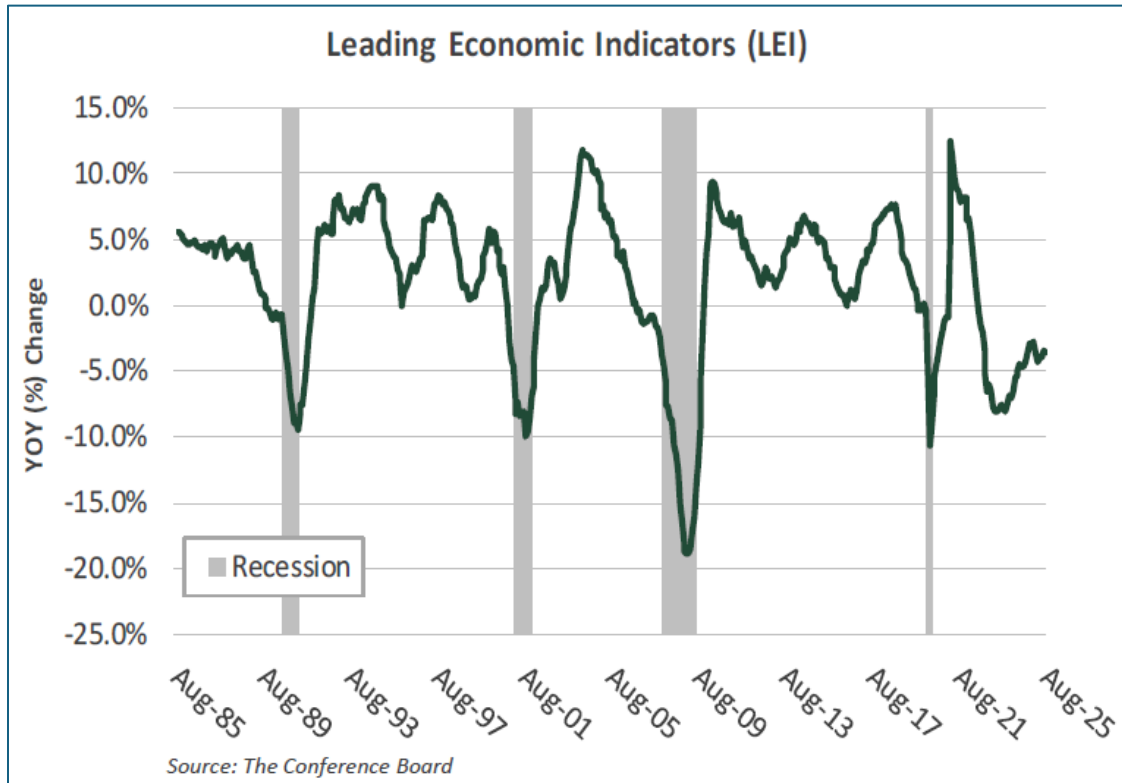
Summary: Recent national and state indicators point to an economy that is slowing but not signaling an imminent recession, with the LEI continuing to decline, ISM surveys showing softening in both manufacturing and services, and the Chicago Fed index remaining slightly below trend. Financial markets remain calm, but the Fed's recent rate cut underscores concern about weakening economic momentum, while Beacon Economics highlights deeper structural pressures—high federal deficits, elevated asset values, and slowing growth in California marked by rising unemployment and persistent housing and demographic constraints. For the Town of Truckee, this environment suggests preparing for softer revenue growth across sales tax, transient occupancy tax, and development activity, along with reduced likelihood of state or federal assistance if conditions worsen.

Below is an in-depth review of various economic indices.

The Conference Board's Leading Economic Index (LEI) is a widely respected economic indicator designed to signal future turning points in the business cycle, essentially forecasting economic expansion or contraction several months ahead. The LEI aggregates ten forward-looking indicators, such as

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manufacturing orders, consumer expectations, stock prices, jobless claims, and building permits, to flag possible future turning points in the economy, typically occurring before broader shifts.



Due to the federal government shutdown, data for the LEI for September 2025, which was scheduled for release in October 2025, is delayed.

The report shows that the U.S. Leading Economic Index (LEI) fell 0.5% in August 2025 to 98.4 and has dropped 2.8% over the past six months — a sharper decline than the prior period¹. Only stock prices and credit conditions provided modest lift; other components such as manufacturing new orders, consumer expectations, and labor-market measures weakened. The downturn in the LEI signals a cooling economy ahead, with the board projecting U.S. GDP growth to slow to around 1.6% in 2025.

The semi-okay financial news? A declining LEI does not predict nor guarantee a recession and analysts, including the Conference Board itself, do not think the LEI indicates a recession. It does indicate that the economy is still growing, but at a much slower pace suggesting that parts of the economy remain resilient as of September 2025. The downward turn is a clear warning sign and at the local level, we should prepare for slowing revenue growth.

The Chicago Fed National Activity Index (CFNAI) is a monthly index designed to gauge overall U.S. economic activity and related inflationary pressure. It's made up of 85 economic indicators, covering areas like:

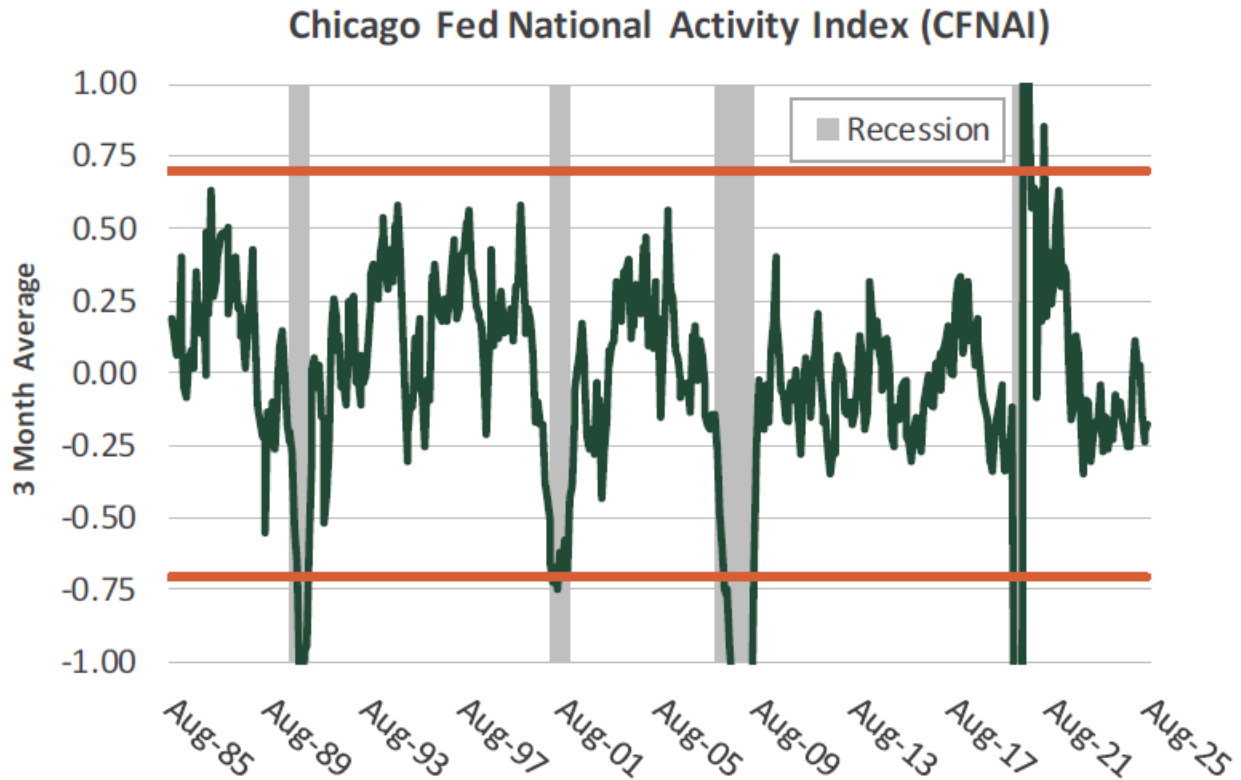
- Production and income
- Employment, unemployment, and hours worked

¹ The Conference Board. (2025, September 18). *US Leading Indicators*. The Conference Board. <https://www.conference-board.org/topics/us-leading-indicators/index.cfm>

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- Personal consumption and housing
- Sales, orders, and inventories

Data for the CFNAI is based on data from various government agencies and the data from these agencies was delayed due to the federal government shutdown. No data for the September information is available at this time.

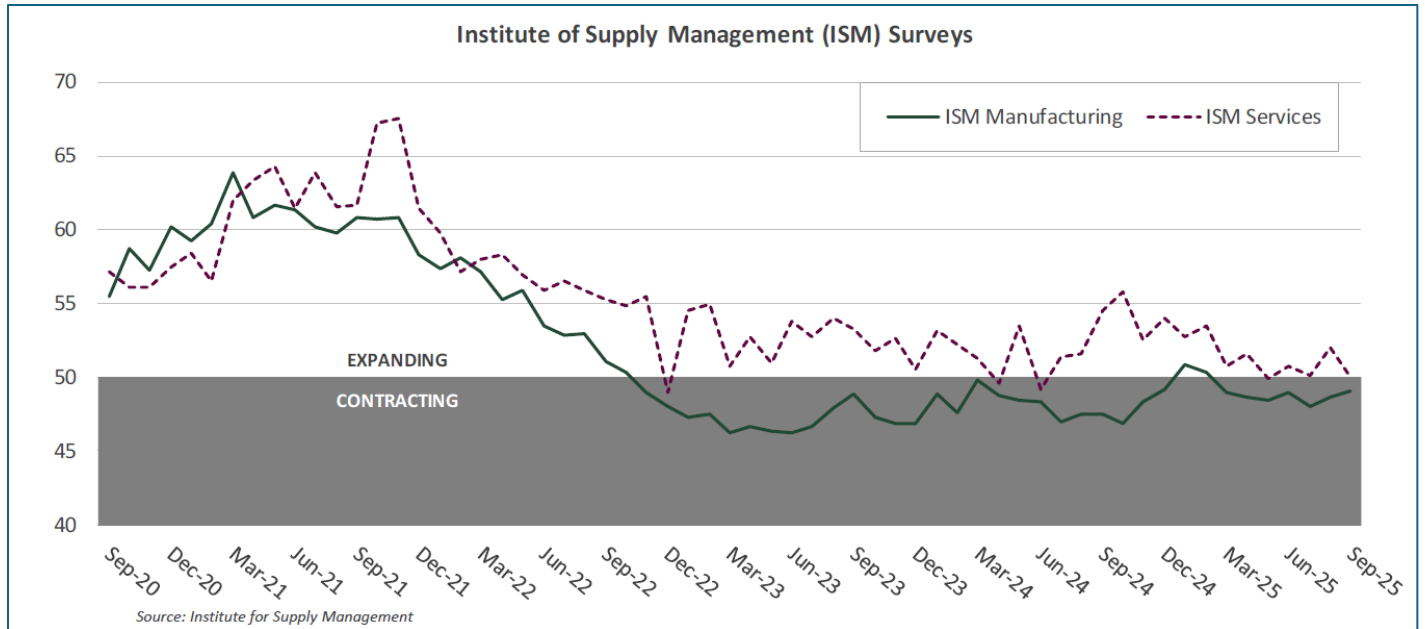


The latest Chicago Fed National Activity Index (CFNAI)² shows that U.S. economic activity improved slightly in August, rising to -0.12 from -0.28 in July. Although the index remains below zero, which indicates growth is still running a bit weaker than normal, the month's improvement points to a modest easing of earlier softness across production, employment, and other key sectors.

The Chicago Fed uses a key threshold in this index to flag recession risk: If the three-month average drops below -0.70 , it often signals that a recession may be starting. The three-month average of the Chicago Fed National Activity Index (CFNAI-MA3) was -0.18 in August 2025, slightly weaker than the -0.15 reading in May, indicating that economic growth has slipped modestly further below its long-term trend over the summer. Although the index remains negative, it is far from the -0.70 threshold that has historically signaled elevated recession risk, suggesting that current conditions point to slower but still stable economic activity rather than an impending downturn.

² Federal Reserve Bank of Chicago. (2025). *Chicago Fed National Activity Index: Current Data Preview*. Chicago Fed. <https://www.chicagofed.org/research/data/cfnai/current-data-preview>

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The Institute for Supply Management (ISM) produces two widely followed indicators that track national economic conditions: the Manufacturing Index and the Services Index. Both are released monthly and based on surveys of business leaders across the country.

- The ISM Manufacturing Index measures economic activity in the manufacturing sector, including areas like new orders, production, employment, and inventories.
- The ISM Services Index captures similar activity in the services sector, which includes industries such as retail, health care, finance, and professional services.

Both indexes use a simple benchmark:

- A reading above 50 indicates the sector is growing.
- A reading below 50 signals contraction.

Because these sectors cover nearly all of the U.S. economy, the ISM indexes are considered early indicators of overall economic strength or weakness. They are frequently used by economists, investors, and policymakers to anticipate trends such as slowdowns, recoveries, or potential recessions.

Recent data from the Institute for Supply Management (ISM) indicate signs of slowing momentum in the U.S. economy, with softening activity in both the manufacturing and services sectors.

- In September 2025, the ISM reported its Manufacturing PMI at 49.1%, a modest rise from August's 48.7%, but still below the 50-percent threshold — meaning the manufacturing sector remained in contraction for the seventh straight month. The uptick was driven mainly by a rebound in production and a small improvement in employment, but there was a slight decline in new orders and shrinking in the import/export indices. Prices also remained elevated at 61.9%, indicating continued upward pressure on input costs.
- The ISM Services index fell to 50.0 in September from 52.0 in August, which is the breakeven point between expansion and contraction. The 2.0-point decline generally indicates moderate to weak

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growth, with only isolated reports of supplier delivery delays. Employment remained in contraction territory.

What This Means for the Economy - Taken together, the September 2025 ISM indexes point to an economy that is losing momentum but not yet in clear recession territory. Weak hiring in both components in both surveys underscore a cooling labor market, while elevated prices, especially on the services side, show that cost pressures persist even as activity slows. Overall, this suggests an economy moving into a slower-growth, disinflationary but still cost-sensitive phase, where caution continues to rise among businesses, but broad economic activity has not decisively turned downward.

At its September meeting³, the Federal Reserve lowered its benchmark interest rate by a quarter point to a range of 4.00% to 4.25% in response to the mounting signs of labor market weakness. Chair Jerome Powell said the move was aimed at cushioning the slowdown while keeping policy restrictive enough to fight lingering inflation. Stephen Miran was the only opposing vote in the 11-1 decision, with Governor Miran calling for a larger 50 basis point rate cut. Policymakers have updated their economic forecasts with possible two additional quarter-point cuts through year-end. Other analysts believe this rate cut will lead to increases in inflation.



The CBOE Volatility Index⁴, commonly referred to as the VIX, is a key financial indicator often described as the “fear gauge” of the U.S. stock market. Managed by the Chicago Board Options Exchange (CBOE), the VIX provides a real-time measure of expected market volatility over the next 30 days.

Specifically, the VIX is based on prices of options contracts tied to the S&P 500 Index—a broad benchmark of U.S. stock performance. When option prices rise, it typically signals that investors expect larger market to swing ahead, often due to economic uncertainty, geopolitical events, or shifts in monetary policy.

- Higher VIX readings (e.g., above 30) suggest increased market fear or uncertainty.
- Lower VIX readings (e.g., below 15) indicate greater investor confidence and market stability.

As of late September 2025, VIX was hovering in the mid-teens (around 15-16), well below the levels associated with high market stress. That relatively low reading, implies a period of calm or subdued

³ Board of Governors of the Federal Reserve System. (2025, September 17). *Federal Reserve issues FOMC statement*. <https://www.federalreserve.gov/newsevents/pressreleases/monetary20250917a.htm>

⁴ Chicago Board Options Exchange, CBOE Volatility Index: VIX [VIXCLS], retrieved from FRED, Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/series/VIXCLS>, December 3, 2025.

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investor anxiety, suggesting that, as of September, market participants expected moderate near-term volatility rather than heightened turbulence.⁵

The Town also reviews economic information from Beacon Economics, a California-based independent economic research and consulting firm, founded in 2006. The firm provides data-driven analysis and forecasting to help public agencies, businesses, and policymakers make informed decisions. Their work supports planning and policy efforts across California and beyond.

Beacon Fall 2025 Outlook for the U.S.⁶ suggests that despite a still-solid national consumer spending, the country is relying heavily on unsustainable federal deficits and elevated household asset values, conditions that could heighten recession risks if borrowing becomes more expensive or foreign investment slows. This means that the Town should prepare for greater fiscal volatility: slower national growth could reduce state revenues and eventually depress local revenues such as sales tax, transient occupancy tax, and construction activity. Rising federal debts could also make future federal or state aid less certain, which limits the likelihood of fiscal backstops if local revenues weaken.

The Beacon Fall 2025 Outlook for California⁷ outlines a state economy showing clear signs of strain. Real GDP growth slowed to 1.8% year-over-year in the first quarter of 2025. This is less than half the rate seen in early 2024 and below California's long-term average. Unemployment has risen to 5.0% as of August, which is among the highest rates seen in three years and significantly higher than the national average. Meanwhile, inflation has normalized but price levels remain elevated, leaving households facing a cost-of-living burden. Structural pressures, including falling birthrates, slowed immigration due to federal level policy, constrained housing supply, and energy-sector shifts compound economic problems. Despite entering fall slower, a downturn is not indicated.

General Fund – Key Revenue Analysis

The following discussion outlines the status of significant General Fund revenue sources based on information available at the time of this report's publication. Staff closely monitor each revenue stream and may recommend adjustments based on actual collections, state budget actions, or other relevant factors.

A note on the Town's current budgeting approach: The Town budgets conservatively. This means expenditures are set to ensure sufficient funding for all likely and necessary obligations throughout the year. For example, the Snow Removal budget includes staffing levels adequate for a year with above-average snowfall. Similarly, revenue projections are based on realistic, probable collection levels rather than overly optimistic estimates.

⁵ Investopedia. (n.d.). *VIX — The CBOE Volatility Index*. Retrieved from <https://www.investopedia.com/terms/v/vix.asp>

⁶ **Beacon Economics. *United States Outlook — October 2025***. Beacon Economics. https://beaconecon.com/wp-content/uploads/2025/10/US_Beacon-Outlook_Oct8.pdf

⁷ Beacon Economics. *The Beacon Outlook: California — Fall 2025*. Beacon Economics. https://beaconecon.com/wp-content/uploads/2025/10/CA_Outlooks_Fall25.pdf

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When revenues exceed projected levels or expenditures come in below budgeted amounts, a budget surplus is created. This surplus is added to the fund balance, which may be used to support Council priorities on a one-time basis.

Taxes

Property Tax

Property tax is the Town's largest General Fund revenue source, accounting for approximately 40% of total General Fund revenues for fiscal year 2025/26. Property taxes are levied by the Nevada County Assessor's Office at 1% of a property's assessed value. Of each dollar collected from properties within the incorporated limits of the Town of Truckee, the Town receives between 14 and 20 cents, depending on the property's Tax Rate Area (TRA). As a reference point, for every \$30 million in assessed property value, the Town receives approximately \$45,000 in property tax revenue per year.

In accordance with Proposition 13, the assessed value of a property may increase by the lesser of 2% or the California Consumer Price Index (CPI) annually, unless the property is sold or transferred, in which case the assessed value is reset to the sale or transfer price as of the date of sale or transfer. Proposition 8 further requires that if a property's market value falls below its assessed value, the assessed value must be temporarily reduced to reflect the lower market value.

Nevada County provides the assessed property taxes to the Town under the Teeter Plan. This is a distribution method used in California which allows counties to pay local jurisdictions 100% of their share of property tax revenues upfront, even if some property owners have not yet paid. In return, the county retains all penalties and interest collected from delinquent taxpayers, which could be substantial. This provides the Town with more predictable cash flows and reduces revenue volatility. The Teeter Plan applies to the Town's secured property taxes.

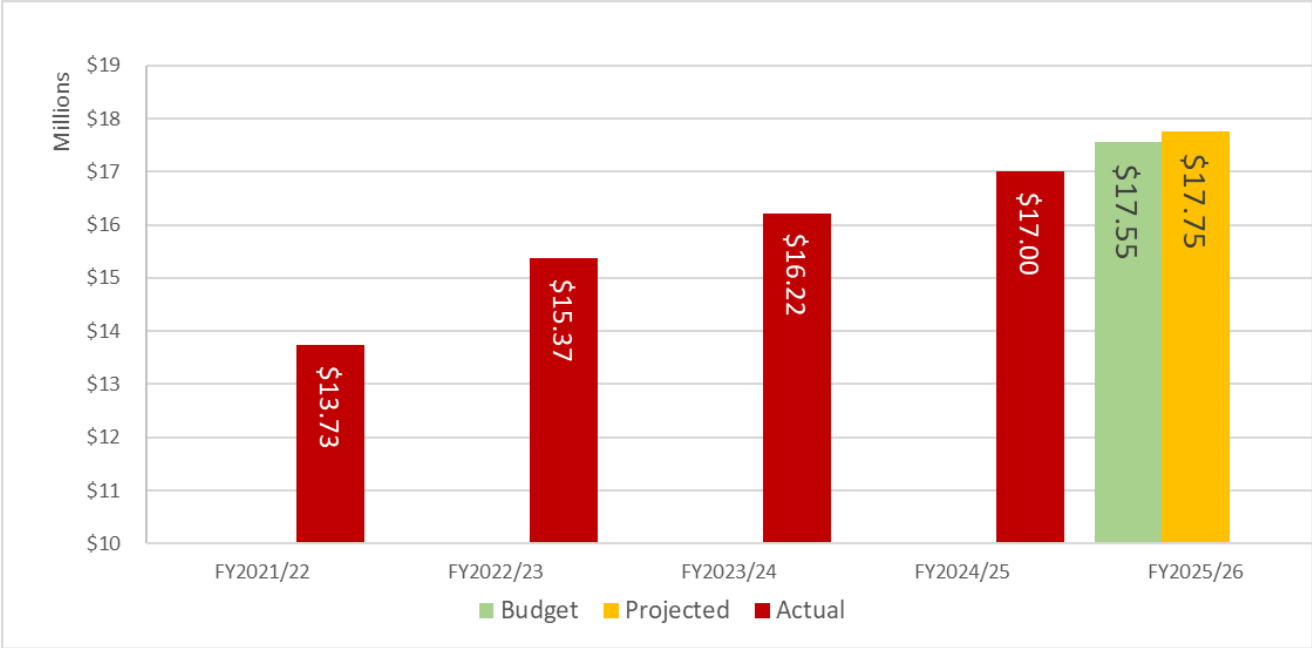
Under the Town's participation in the County's Teeter Plan, the Town receives 55% of its annual secured property tax allocation each January. In May each fiscal year, the Town has received 95% of its annual secured property tax allocation. This knowledge enables the Town to make informed projections for property tax collections over the remainder of the fiscal year.

Analysis –

In November, the Town received the 2025/26 newsletter from HdL Coren & Cone (HdL), the Town's property tax consultants. Based on their analysis of the assessed value provided by the Nevada County Assessor's office, they predict that the Town will receive \$17.75 million in property tax for fiscal year 2025/26. The Town budgeted to receive \$17.55 million.

The Town included a 6.23% budget-to-budget increase for secured property tax for fiscal year 2025/26, or \$17.065 million. The Town received the fiscal year 2025/26 Estimated Property Tax Allocation letter from the Nevada County Auditor-Controller in early September. This letter indicated that Nevada County expects to send the Town \$17,176,925 in secured property tax for the year. This is \$111,000 more than the Town budget for secured property tax. The first installment will not be received until January. Staff will not make any adjustments to property tax collections in the five-year projection until that time.

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HdL included several reports and graphs in their analysis to help the Town with its analysis of property tax. Some highlights are included below, with the full report attached as Attachment 2.

- The Town’s top property taxpayer is Hidden Lake Properties with 14 parcels. Despite such a large portfolio, Hidden Lake Properties only accounts for 0.36% of the Town’s overall assessed value. This means that the Town has low risk of one property owner failing since they do not represent a large share of the Town’s assessed value.
- The Town’s assessed value for nonresidential new construction increased 0.56% from fiscal year 2024/25 to fiscal year 2025/26. This is down from the prior period’s increase at 1.63%.
- The Town receives approximately \$0.2283 of every property tax dollar collected within the incorporated city limits.
- The median sales price increased from \$1.018 million to \$1.050 million between 2024 and 2025. The median price in Nevada County as a whole is \$609,000.
- Only 55.3% of the Town’s single-family homes have had a re-assessable event since 2010 and 24.3% have had a re-assessable event since 2020. A re-assessable event includes, but is not limited to, a sale, an off-market transfer, or gifting of a property to a family member.

Sales Tax

Sales tax generates approximately 14.7% of revenues for fiscal year 2025/26, the second largest revenue source for the Town’s General Fund. The Town’s General Fund receives approximately \$12 for \$100 of sales tax collected in the Town. The allocation of sales tax is shown below. The budget for sales tax for fiscal year 2025/26 is \$6.76 million. This means that approximately \$662.6 million worth of taxable goods will need to be sold within the Town or delivered to properties within Truckee.

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Figure 1 shows the allocation of \$100 of sales tax in California

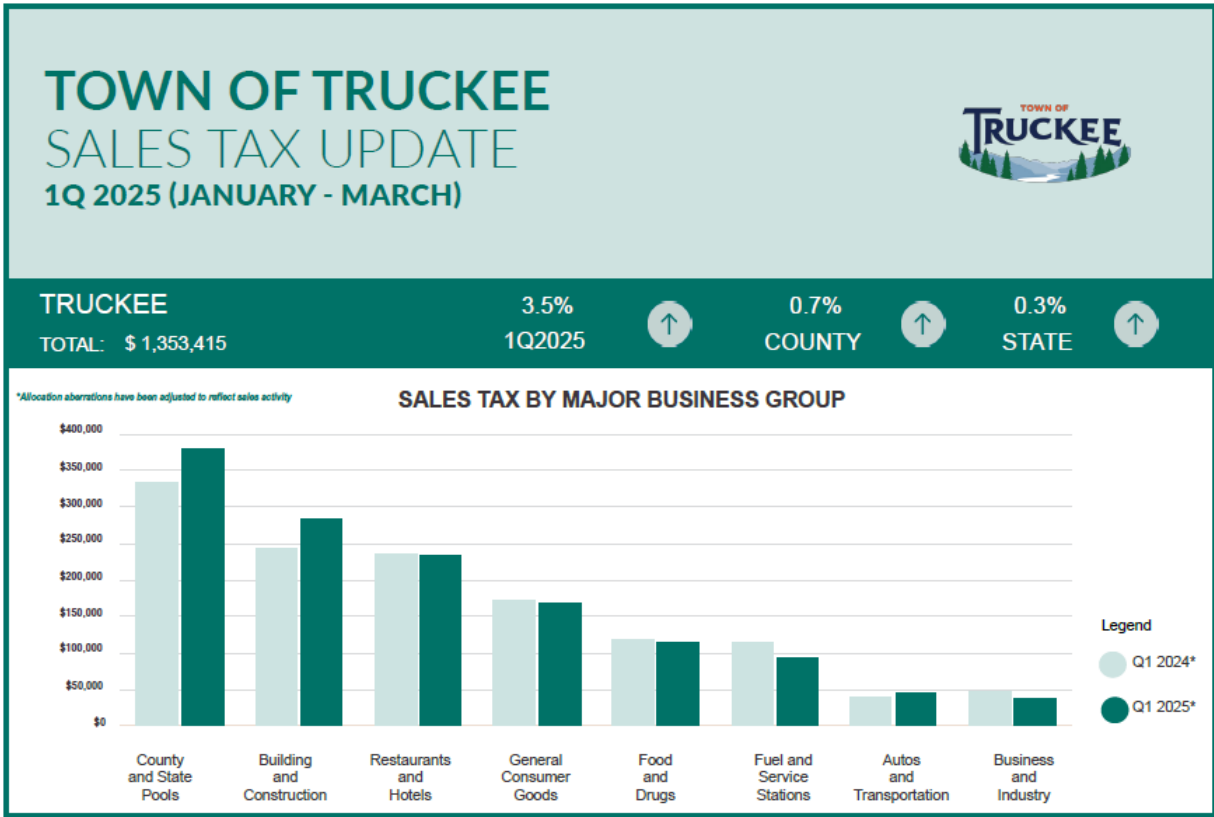
Analysis –

Quarter ended June 30, 2025 - HDL (the Town’s sales tax auditors) analyzed the actual collections for the quarter ending June 30, 2025. HDL reported that the Town was allocated approximately \$1,583,612 for the quarter ending June 30, 2025, as compared to \$1,568,368 for the same quarter in fiscal year 2023/24, a 1.0% increase.

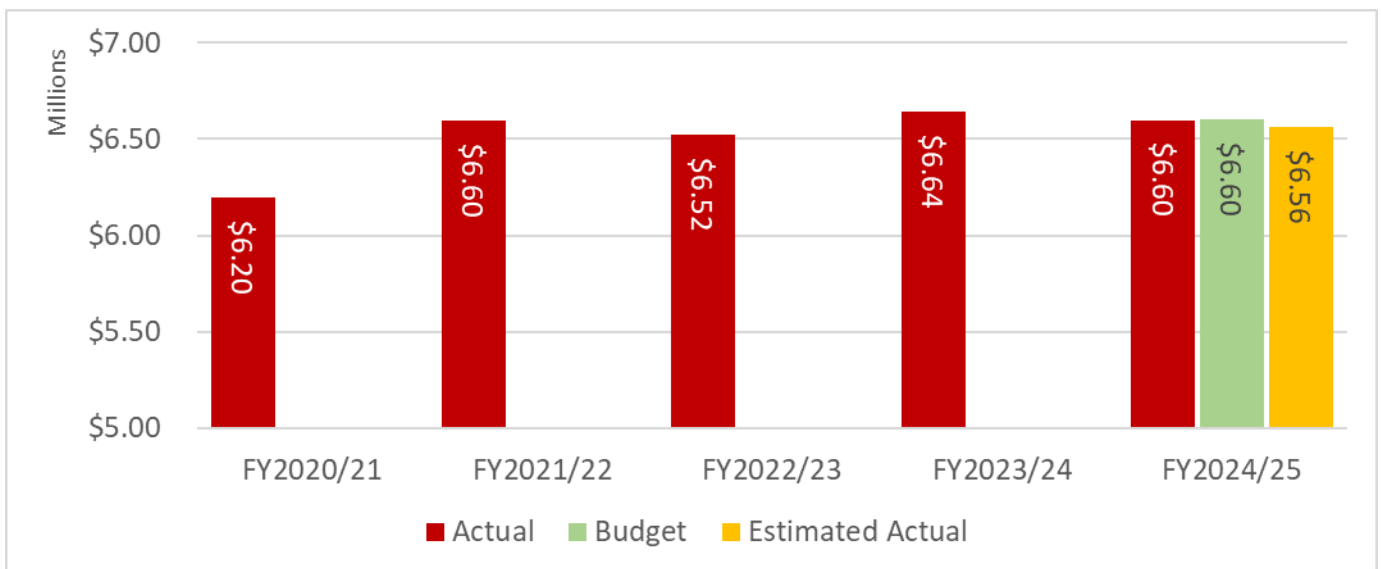
The County and State Pool allocation category held the biggest gains with a 14.4% or \$47,897 increase for the quarter, despite a 0.2% in the Town’s overall allocation of the pool. Point of sales receipts determines the Town’s allocation of Countywide Pool. The Town was down less than any other areas in the County and the Town received 32.5% of the overall county pool.

Building and Construction materials had a notable 17.0% increase over the same quarter in FY2023/24 which added \$41,251 in collections. Fuel and Service Stations experienced an 18% decrease, \$20,342 lower than FY2023/24 and Business and Industry had a 24% decrease, \$11,387 lower than FY2023/24. All other categories had minor losses. Decreases in the Fuel and Service Stations category were driven by lower fuel prices.

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The Town’s General Fund received \$6,598,647 in sales tax for fiscal year 2024/25. This is 1% lower than collections in fiscal year 2023/24, \$6,644,694. As part of the fiscal year 2025/26 annual operating budget, the Town estimated that it would collect \$6,563,912 for the year. The original budget for the year was \$6,599,451, \$804 more than actuals. Actual collections were \$34,735 more than estimated. The five-year projection has been updated below for the collections above the estimated actuals.



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Transient Occupancy Tax

Transient Occupancy Tax (TOT) accounts for approximately 13% of the Town’s General Fund revenues for fiscal year 2025/26 and is the third largest source of revenue for the General Fund. TOT is one of the Town’s most volatile revenues sources with collections impacted by weather, economic conditions, health pandemics, and many other impacts. The Town has witnessed that TOT collections in the Town of Truckee do not always follow a logical path. During the Great Recession, TOT collections in Truckee went up as San Francisco Bay Area tourist opted for road trips rather than plane flights to overseas destinations. These conditions make TOT revenue in Truckee difficult to predict with great accuracy year-over-year.

The Town levies a 12% TOT on all hotel, motel, vacation rentals, campgrounds, and RV parks within the incorporated city limits of the Town of Truckee. Of the 12%, 10% goes into the General Fund and 2% is assigned by Council to a special fund for use on housing and wildfire preparedness. In addition to TOT, the Town collects 1.25% on behalf of the Truckee Tourism Business Improvement District, which is used to promote sustainable visitation management and a balanced tourism economy in Truckee. The TTBD amounts are remitted to Visit Truckee Tahoe for administration.



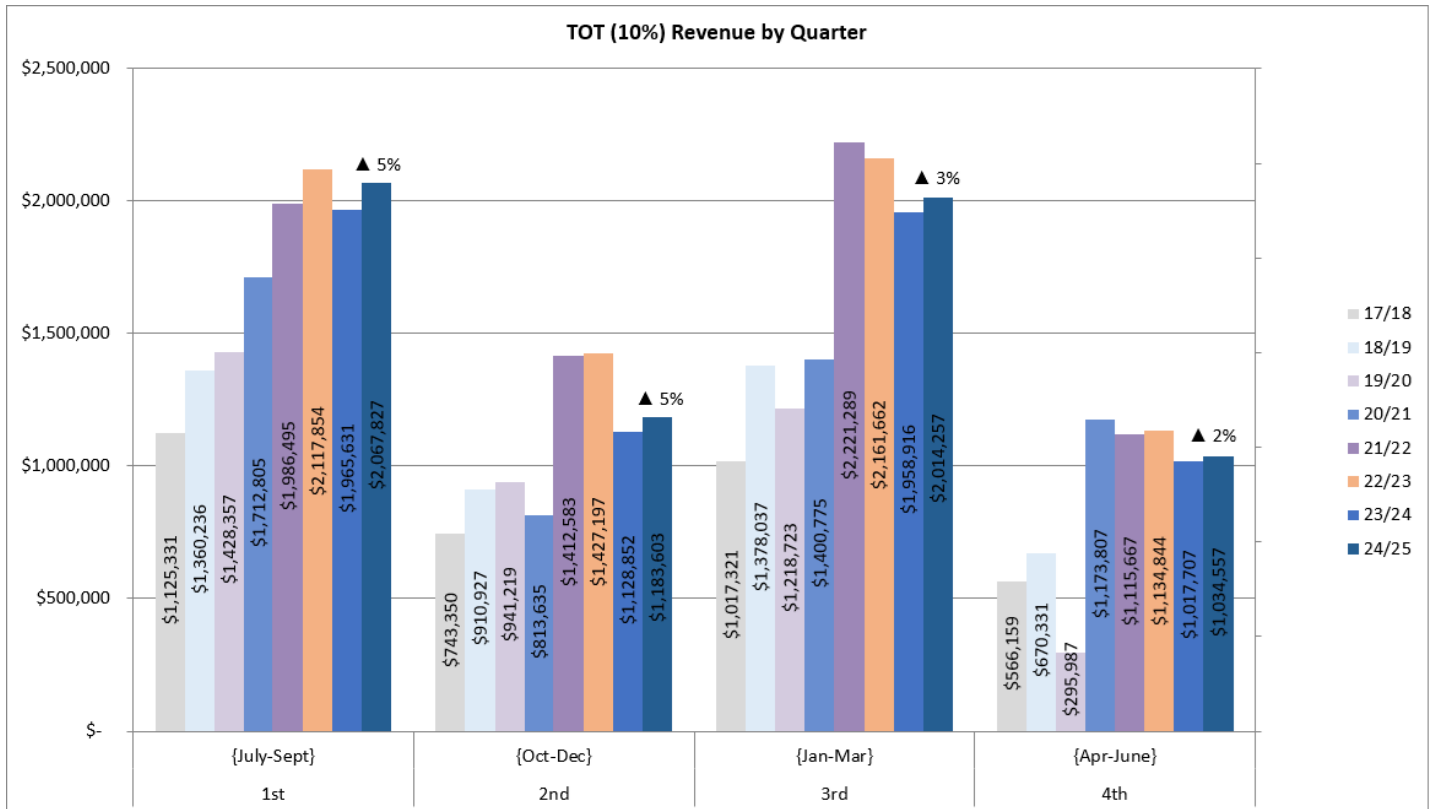
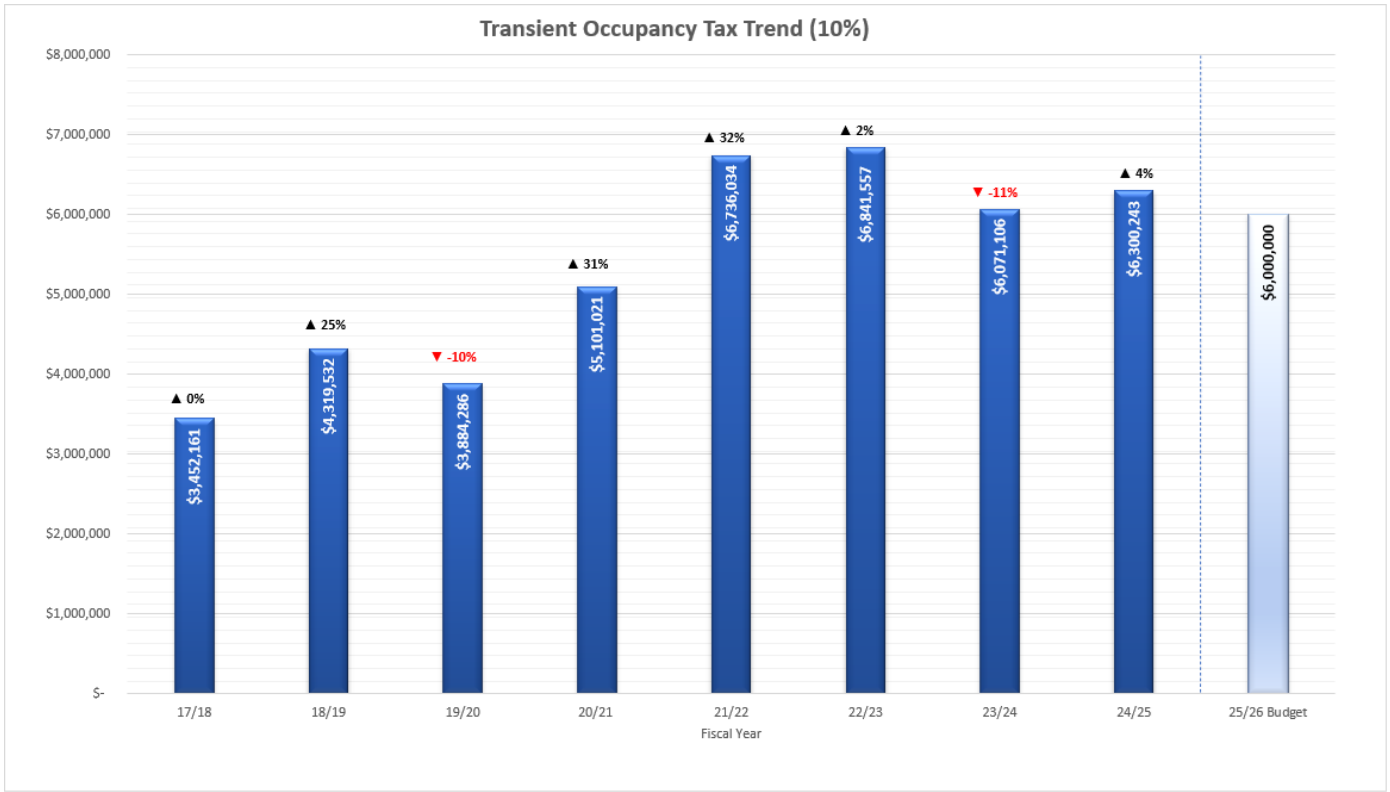
Analysis –

The Town’s filing deadline for the quarter ending September 30, 2025, is November 3, 2025 (the next business day since November 1 falls on a Saturday). As such, staff are still working on receipting and reconciling the payments. The final results will be reported in a future financial update.

For FY2024/25, the Town received \$6,337,487 in General Fund transient occupancy tax receipts. This is above the budgeted amount of \$5.25 million and slightly above the estimated actual projected in the

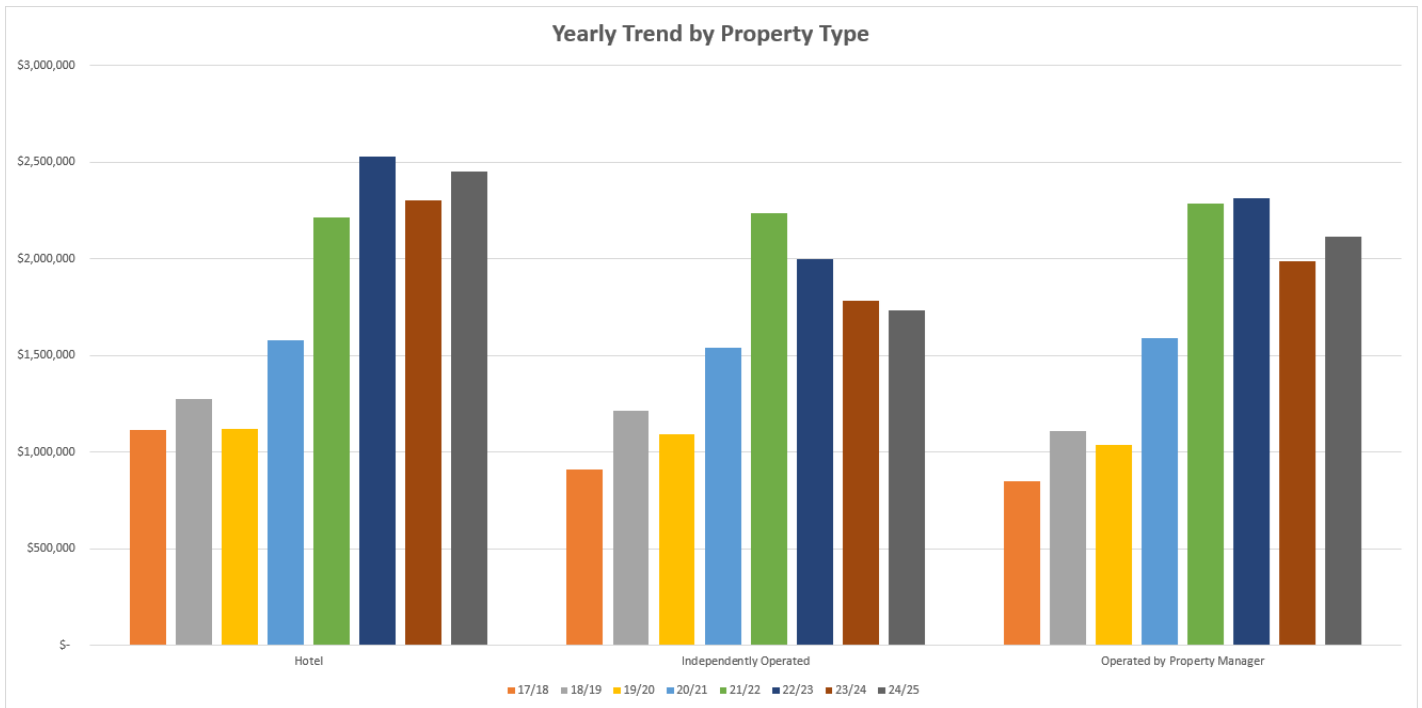
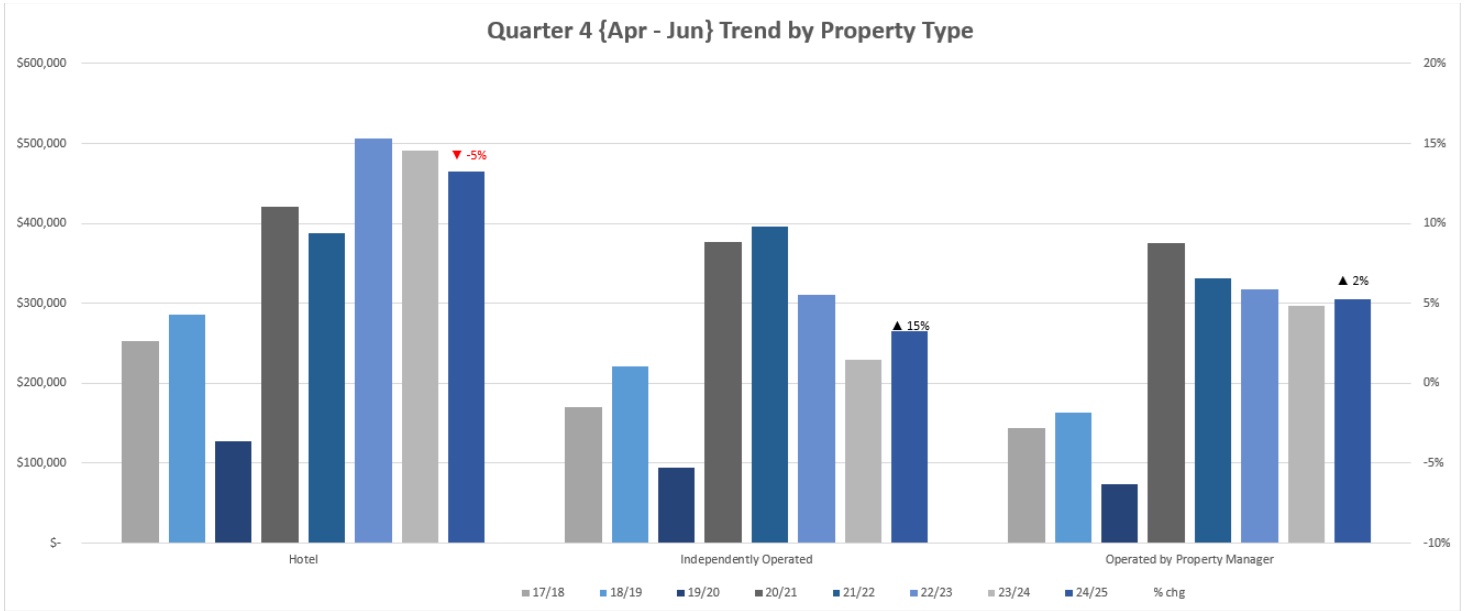
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budget at \$6.22 million. The Town received \$1,034,557 for the quarter ending June 30, 2025, which is 1.7% more than the same quarter in fiscal year 2023/24.



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Staff have included the additional \$117,487 received, over and above the estimated actual amount, in the updated five year projected included at the end of this analysis. The Town budgeted \$6.0 million for transient occupancy tax in FY2025/26. Staff are not including any changes for the FY2025/26 amount in the five-year projection below.



TOT results for the quarter ending June 30, 2025, showed mixed trends across property types. Hotels overall were down 5% compared to last year and experienced a 5.0% decline in total nights rented. Individually operated properties increased TOT collections by 15.0% from the same quarter of the prior year, although the number of filers remitting more than \$0 decreased by 6%. Property managers saw a

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modest 2.0% increase in collections, with a 4.0% increase in active filers. Between individually operated and property-managed categories, only 58% of filers remitted more than \$0, the lowest rate since COVID, though consistent with the seasonal dip typical of the quarter ending June 30.

In the spring of 2025, the Town contracted with Avenu (now Neumo) for a more robust audit program of the Town’s hotels. Neumo completed its third hotel TOT audit with consultant with minimal findings reported.

97% of filers used the online submission portal, rather than mailing in paper returns with a check. This helps reduce the administrative overhead associated with manual input and check processing.

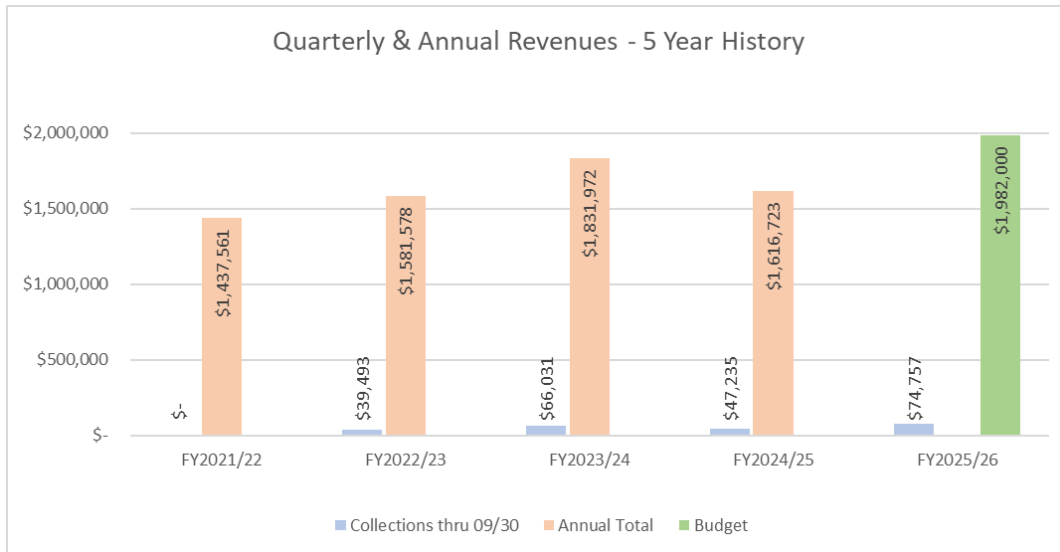
Franchise Fees

Franchise fees are collected by the Town for the privilege of operating a private entity (verse public entity) utility service within the Town of Truckee. Franchise fees are currently received for electric transmission for the Town’s private electric provider, garbage, cable TV and natural gas. Franchise fees are expected to represent 4.3% of General Fund revenues for fiscal year 2025/26.

Cable and Video Franchises -The Digital Infrastructure and Video Competition Act of 2006 effectively replaced locally issued franchise agreements for cable television and video service with a system of state-issued franchises subject to certain limited conditions.⁸ Under the state franchise, holders of state franchises must pay franchise fees in the amount of 5% of gross revenues.

Other Franchise Fees – Franchise fees from state-issued gas, electric, telephone, and oil pipeline franchises are limited to 2% of the franchisee’s gross annual receipts.

Analysis – As of September 30, 2025, the Town has collected \$74,756 in franchise fees, representing a 58% increase compared to the same period in fiscal year 2024/25. This variance is primarily driven by the timing of the collection from one of the Town’s monthly franchise payers. In fiscal year 2024/25, only two payments had been recorded, verse three in fiscal year 2025/26. The timing of the initial payments fluctuates year-over-year and is not a cause for concern.



⁸ League of California Cities – “The California Municipal Revenue Sources Handbook, Fifth Addition”

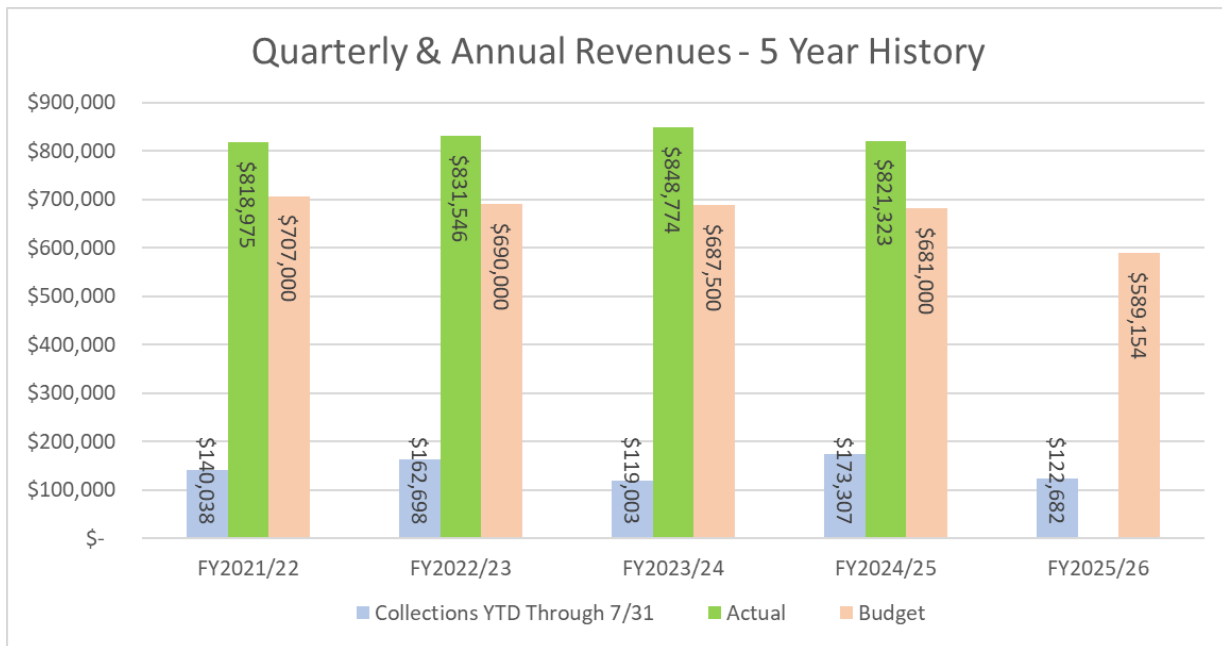
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Charges for Services

The biggest categories of charges for services for the Town include Engineering Plan check fees, Planning’s plan processing fees, and Public Works snow removal charges. These fees are calculated based on recovery formulas, which reflect approximate costs of providing these services.

Analysis – The Town has received \$122,682 through September 30 for the fiscal year 2025/26. For the same period in fiscal year 2024/25 the Town had recorded \$173,307 in revenue. The Town typically collects about 20% of its annual revenue by September each year and the \$122,682, represents 21% of the budget for fees for services for fiscal year 2025/26.

The budget for fiscal year 2025/26 is lower than in past years due to several factors. The first is that the Town entered into a contract with the Humane Society of Truckee Tahoe (HSTT) for the operation of the Town’s shelter services. The Humane Society will now collect the revenues associated with shelter services such as license fees, boarding costs, and services outsourced to surrounding counties. This was around \$50,000 per year. Additionally, the budget for Engineering fees decreased from \$150,000 to \$40,000. This was based on staff’s expectation of a slowing building market as well as fewer projects in the planning queue that require Engineering review.



General Fund – Key Expenditure Analysis

The following discussion provides a status of significant General Fund expenditures as of September 30, 2025. It is the Town’s current practice to budget expenditures conservatively to ensure that there is adequate funding for expected events and to meet the Town’s promises and obligations. In practice, staff are encouraged to only spend what is needed to meet their operating obligations. A “use it or lose it” culture, typical of many public agencies is highly discouraged in an attempt to encourage adherence to the practice of only making expenditures when necessary.

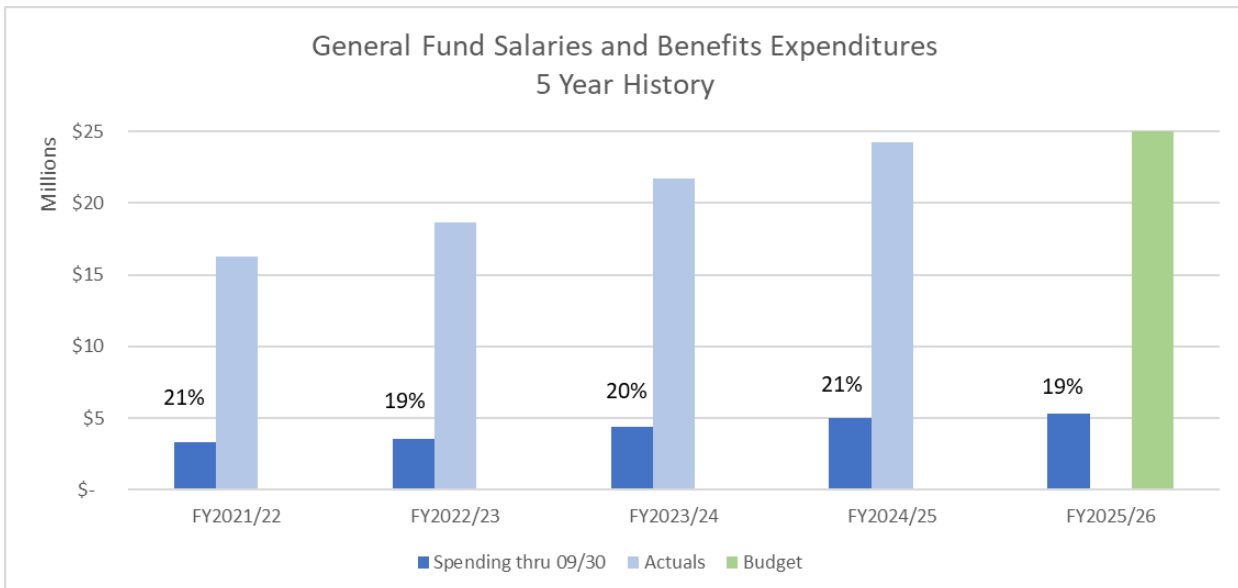
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The Town’s fiscal policies require each division to operate within its overall budget; however, there is no mandate to strictly adhere to individual line-item allocations. This approach provides flexibility and responsiveness to evolving operational needs. For example, a division manager may choose to use savings from a vacant position (Wages line item) to contract services through a consultant (Professional Services line item). As long as the total division budget remains balanced, managers have the authority to make such adjustments within their budgets.

Salaries & Benefits

Salaries and benefits include full-time employee salaries, elected official’s stipends, part-time and temporary employee pay, overtime, other benefits, pension expenses, and health care. Salaries and benefits are expected to increase annually to accommodate the negotiated cost of living adjustments and the Town’s pay-for-performance increase to employee wages, as well as increases in the cost of benefits.

Analysis – On average, the Town expends about 20% of its annual General Fund salaries and benefits by September 30 each year. The Town has spent 19% of the fiscal year 2025/26 budget as of September 30, 2025. The budget for fiscal year 2025/26 is \$27.9 million.

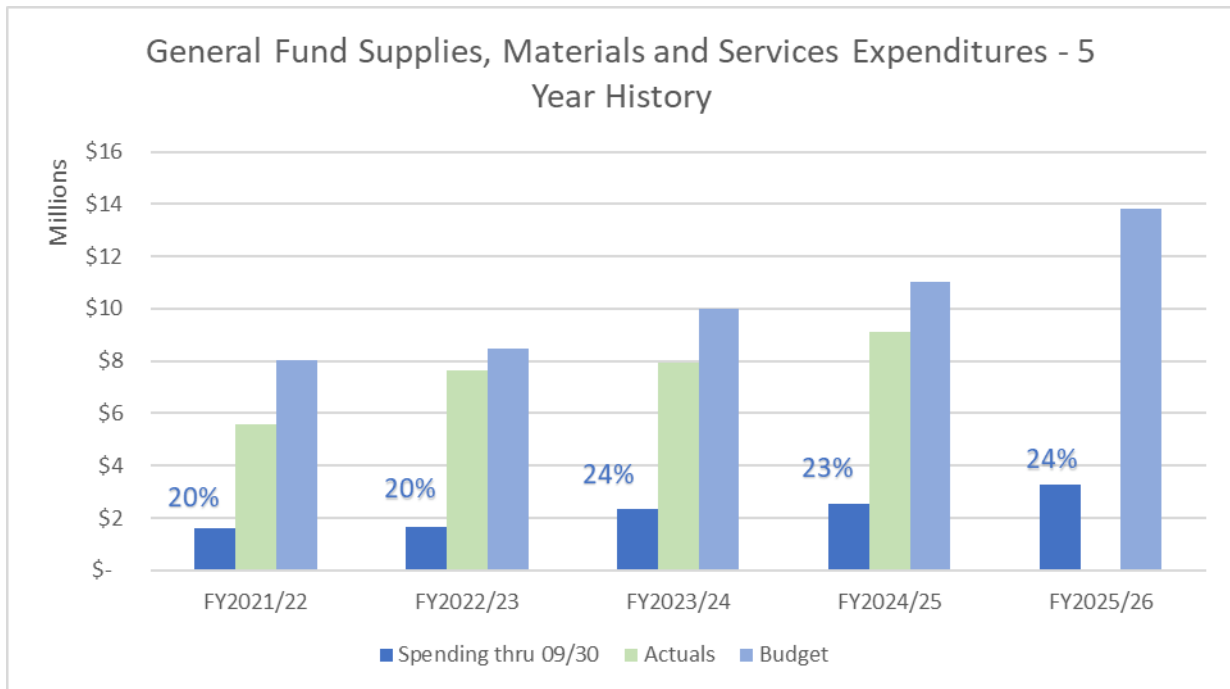


Supplies, Materials, & Services

Operating expenditures consist of all General Fund costs to provide services, including supplies and materials, consulting services, and contract services. The category of supplies, materials, and services should trend just around 80% for ten months of the fiscal year. Many expenditures such as utility payments are monthly costs. Because some expenses do not occur in semi-equal installments, such as contract payments or annual payments paid in a lump sum, the actual level of expenditures generally does not tie similarly with the percentage of the year that has passed.

Analysis – On average, the Town uses 20 – 24% of the annual budget by September 30 each year. The Town has used 24% of the supplies budget for fiscal year 2025/26 through September 30, 2025.

Quarterly Financial Update – Period Ending September 30, 2025



General Fund – Fund Balance Review

The following discussion provides a status of the General Fund as a whole. This review shows the projected fund balance over the normal five-year budget horizon.

Several assumptions were used in this analysis. The beginning fund balance for fiscal year 2024/25 is the audited ending fund balance for fiscal year 2023/24.

The Revenues and Expenses were taken directly from the annual operating budget for fiscal year 2025/26, without any allowance for expected changes. The projections for debt service, capital transfers, loan repayments, designation spending, and fund balance types were also pulled from the fiscal year 2025/26 annual operating budget, as well.

Adjustments were added under the Revenues section to show updated property tax, franchise tax, and charges for service revenue projections, as described above or in previous updates. The Town collected \$101,946 more in property tax than estimated for fiscal year 2024/25, \$124,012 in charges for services than estimated, \$34,735 more than estimated in sales tax, and \$117,487 more than estimated in transient occupancy tax. The Town included \$187,500 in the estimated actuals for franchise fees for fiscal year 2024/25 than was ultimately collected, and an adjustment has been made for this.

On the expense side, staff estimate that salaries and benefits are \$240,000 less than estimated, capital spending was \$1,837,883 less than estimated, and debt service spending was \$17,219 less than estimated. Some of the savings in capital spending will need to be re-budgeted for fiscal year 2025/26 due to timing differences. The savings in debt service was due to interest earnings on balances held as reserves in the Town's bond accounts.

Staff also trued up the balances of nonspendable, assigned and restricted fund balances based on actual spending. There are still a few entries needed to close the books, and the amounts are subject to change.

Quarterly Financial Update – Period Ending September 30, 2025

Fiscal Year	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30
	Estimated Actuals	Budgeted	Updated Projected	Updated Projected	Updated Projected	Updated Projected
Beginning Balance	60,039,863	60,360,163	52,942,104	51,345,163	47,400,626	43,410,586
Revenues & Transfers In	44,952,678	45,984,153	46,974,347	48,631,776	50,230,724	51,874,448
Updated Revenue Estimates						
Property Tax	101,946					
Franchise Fee	(187,500)					
Charges for Services	124,012					
Sales Tax	34,735					
Transient Occupancy Tax	117,487					
Less: Expenditures	(34,602,974)	(41,131,993)	(42,900,301)	(44,471,605)	(46,055,834)	(47,892,863)
Budget Amendments & Revisions - Expenses						
Salaries and Benefits - Revised	240,000					
Sign shop purchases		(80,000)				
Net Operating Revenue/(Expense)	10,780,384	4,772,160	4,074,046	4,160,171	4,174,890	3,981,585
Less: Debt Service	(946,057)	(951,344)	(945,390)	(943,601)	(936,864)	(937,748)
Capital Transfers	(8,385,006)	(7,553,187)	(3,179,107)	(6,775,107)	(6,842,066)	(10,835,000)
Designation Spending	(2,984,123)	(3,613,088)	(1,546,490)	(386,000)	(386,000)	(1,011,000)
Budget Amendments & Revisions - Capital Transfers & Designation Spending						
Capital Spending Revisions	1,837,883					
Debt Service Spending Revision	17,219					
C2609 - Town Hall Remodel		(72,600)				
Net Change	320,299	(7,418,059)	(1,596,941)	(3,944,537)	(3,990,040)	(8,802,163)
Total Ending Fund Balance	60,360,163	52,942,104	51,345,163	47,400,626	43,410,586	34,608,423
Updated Designation Balances based on FY23/24 Ending Balances						
Less: Nonspendable	672,482	672,482	672,482	672,482	672,482	672,482
Less: Assigned	25,982,900	22,932,403	22,142,605	24,255,576	26,345,155	27,827,644
Less: Restricted	229,690	236,080	236,080	236,080	236,080	236,080
Total Undesignated (Cash Available)	33,475,090	29,101,139	28,293,995	22,236,487	16,156,868	5,872,216
<i>Projection in FY2025/26 Budget</i>	<i>32,623,221</i>	<i>26,521,642</i>	<i>25,952,688</i>	<i>20,475,280</i>	<i>14,955,293</i>	<i>5,070,958</i>
Increase in Undesignated Balance from Budget Projections	851,869	2,579,497	2,341,307	1,761,207	1,201,575	801,258

Based on these changes, the updated estimated for Cash Available (undesignated balance), is projected to be \$33,475,090 for fiscal year 2024/25, \$851,869 more than the projected balance. The updated estimated cash available in fiscal year 2029/30, the fifth year of the projection period is estimated to be \$801,258 more than the projected cash balance.

The Town will report the final results for fiscal year 2024/25 with the audited financial report. This is expected for January.