

Financial Update

Period ended June 2025

Purpose

This is the quarterly financial update for the Fiscal Year 2024/25, as of June 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 June 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.

Executive Summary

Nationally, the economic outlook entering the second half of 2025 is marked by decelerating but relatively stable growth. Indicators such as the Conference Board's Leading Economic Index and the Chicago Fed

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National Activity Index signal weakening momentum, while the Institute for Supply Management's indexes reflect mild contraction in manufacturing and only modest growth in services. Inflation remains a concern, prompting the Federal Reserve to hold interest rates steady under a cautious, data-driven approach. Financial markets have reacted positively to reduced geopolitical tensions, evidenced by a sharp drop in the CBOE Volatility Index. In California, economic activity continues to expand, although at a more measured pace than in the recent past. According to Beacon Economics, labor shortages, rising unemployment, and a contracting tech sector are dampening growth potential, even as household incomes and consumer spending remain relatively strong.

Locally, Truckee's revenues have largely met or exceeded projections. Property tax, the Town's largest General Fund revenue source, closed fiscal year 2024/25 with collections totaling \$17 million—\$100,000 above the estimated actual included in the fiscal year 2025/26 budget. Assessed property values have continued to climb, driven in part by a strong real estate market, with the average home price reaching \$1.3 million in the first half of 2025, up from \$1.25 million in 2024. These gains have reinforced the Town's projections for the fiscal year 2025/26, with assessed value growth expected to meet or exceed budgeted increases.

Sales tax, which comprises approximately 17.5% of General Fund revenues, also performed well. By July, the Town had received 92% of projected sales tax collections and is on track to collect the \$6.56 million estimated for fiscal year 2024/25. Key categories such as building and construction materials saw strong growth in the quarter ending March 31, 2025 when compared to the same quarter in 2024. Other sectors, like fuel and business and industry, declined—primarily due to lower fuel prices and shifting consumption patterns.

Transient Occupancy Tax (TOT), the Town's third largest revenue stream, has proven difficult to predict historically, but collections to date have exceeded the \$5.25 million budgeted amount. Depending on final filings due in early August, the Town anticipates receiving between \$6.2 million and \$6.3 million for the year. No changes to the TOT projection are being recommended at this time, but the figures in the comprehensive financial statements, to be released this winter, will detail the final number.

Franchise fees experienced a 16% year-over-year decline. This is largely due to a significant drop in gas franchise fees collected in fiscal year 2024/25, which were for the 2024 calendar year winter, which was much milder than the calendar year 2023 winter. Revenues in this category are expected to close at approximately \$1.615 million, falling short of the \$1.8 million included in the estimated actual. This revised estimate has been incorporated into the Town's five-year financial projections.

Charges for services, including planning, engineering, and snow removal fees, have generated \$791,123 to date—outpacing expectations by more than \$124,000. This result comes despite a \$26,000 shortfall from budgeted animal services revenue due to the Town's new contract with the Humane Society of Truckee-Tahoe.

On the expenditure side, the Town has continued its long-standing practice of budgeting conservatively while encouraging divisions to spend only what is necessary to fulfill operational obligations. Salaries and benefits ended the fiscal year at 98% of budget, slightly under the \$24.9 million estimated actual. This savings has been factored into the Town's forward-looking projections. Meanwhile, spending on supplies, materials, and services was at 76% of budget as of July 31, in line with expectations given the nature of

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periodic and annual expenditures. No adjustments have been made at this time, pending final invoices and the closing of the Town’s books in September.

In total, the updated General Fund balance reflects a healthy and sustainable fiscal posture. After incorporating all updated revenue and expenditure figures—including actuals for property tax, franchise fees, and charges for services—the projected undesignated cash balance for fiscal year 2024/25 stands at \$32.86 million. This is \$238,458 higher than the estimated actual projection included in the fiscal year 2025/26 budget, reflecting both stronger-than-anticipated revenue performance and disciplined spending.

Some of this additional undesignated cash may be put aside into the Sustainability Designation or the Healthcare Funding Designations for the various employee groups in-line with the Town’s designation policy. The analysis for those savings has not yet been complete. An updated analysis will be included with the annual designation policy and designation savings which will be brought to Council at the second August meeting.

In summary, the Town of Truckee remains well-positioned financially, benefiting from a stable revenue base, thoughtful fiscal management, and economic conditions that, while slowing, continue to support moderate growth. This quarterly update provides assurance that the Town is meeting its financial commitments while retaining the flexibility to support community priorities now and into the future.

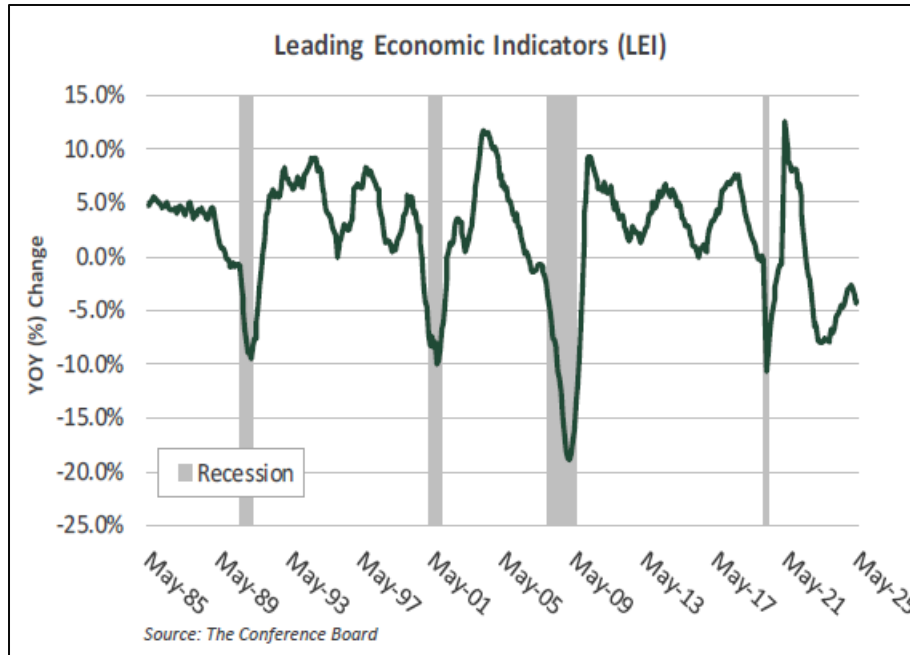
Economy Watch

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: The latest data point to a slowing but stable U.S. economy entering the second half of 2025. Leading indicators like the Leading Economic Index (LEI) and Chicago Fed National Activity Index (CFNAI) show weakening momentum, while the Institute for Supply Management (ISM) indexes reflect ongoing contraction in manufacturing and only modest growth in services—both with soft employment trends. The Federal Reserve is holding interest rates steady, signaling caution amid inflation and geopolitical uncertainty. Market sentiment remains relatively calm, as evidenced by a sharp drop in the CBOE Volatility Index (VIX), while California-based consulting firm, Beacon Economics forecasts continued but slower growth nationally and in California, tempered by labor shortages, tech sector job losses, and structural constraints. Overall, the economy is not in recession, but faces uneven growth and rising downside risks.

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

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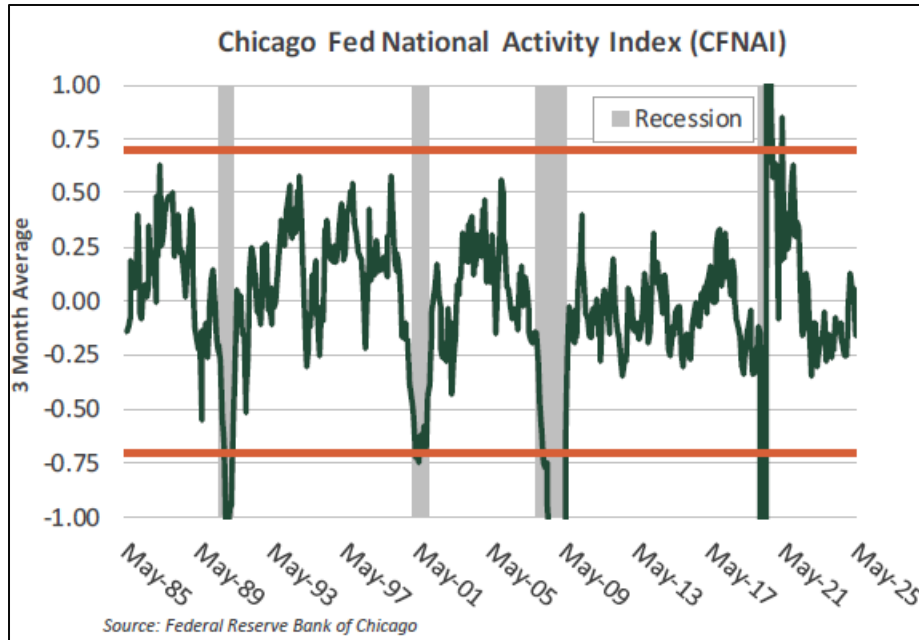
The Conference Board’s Leading Economic Index (LEI) is a widely respected economic indicator designed to signal future turning points in the business cycle—essentially forecasting economic expansion or contraction several months ahead. The LEI aggregates ten forward-looking indicators, such as manufacturing orders, consumer expectations, stock prices, jobless claims, and building permits, to flag possible future turning points in the economy, typically occurring before broader shifts.

The LEI fell by 0.3% in June, continuing a downward trend seen over the first half of the year, landing at 98.8 for the fiscal year¹. While rising stock prices gave the economy a bit of a lift, other signs—like people feeling less confident about spending and businesses slowing down orders—suggest that growth is cooling off. In plain terms: people might find it harder to land new jobs, businesses could slow hiring, and pay increases may become less common.

The semi-okay financial news? Although the LEI shows signs of economic strain, those interpreting this data do not believe the U.S. is heading into a recession right now. Instead, they expect the economy to slow down, with growth likely to be more modest this year compared to last. For most households, that means a potentially steadier but slower economy—less boom, but hopefully no bust either.

¹ The Conference Board, *US Leading Indicators*, accessed August 1, 2025, <https://www.conference-board.org/topics/us-leading-indicators/>.

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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:

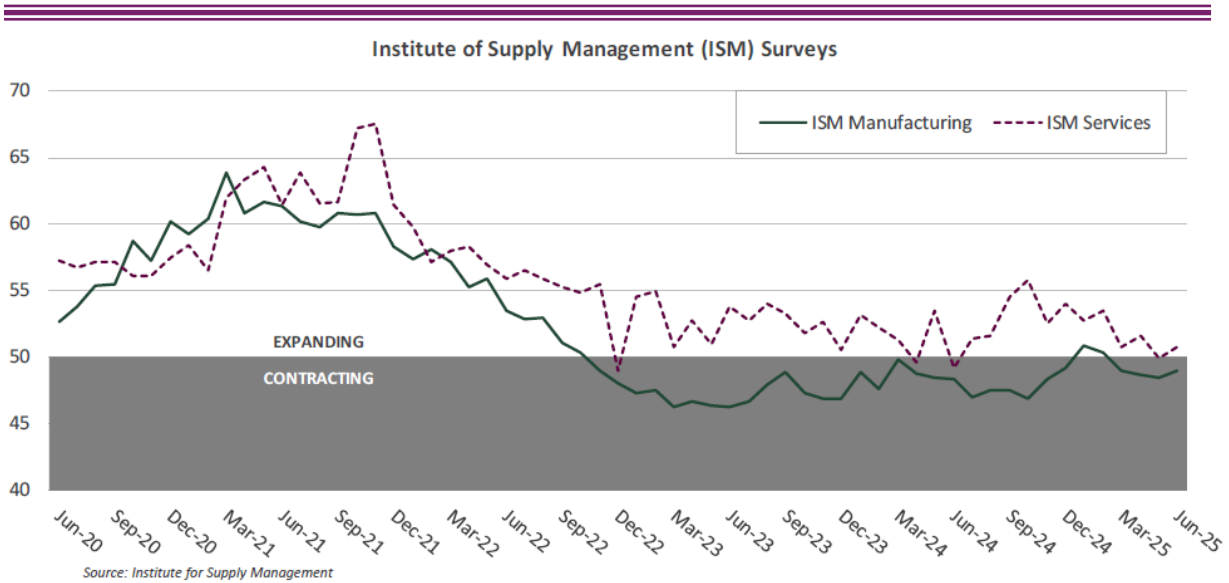
- Production and income
- Employment, unemployment, and hours worked
- Personal consumption and housing
- Sales, orders, and inventories

In May 2025, the CFNAI² showed that the U.S. economy is growing more slowly than average. The index came in at -0.28, slightly better than April's number, but still below the level that signals steady economic growth. When averaged over three months, the index turned negative for the first time since late 2024, suggesting a broad-based cooling in activity. Sectors like consumer spending, housing, and employment showed signs of softening, though manufacturing had a modest rebound.

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 slipped to -0.16 in May from +0.06 in April, providing additional substantiation that economic growth is tepid. Overall, the data points to a moderate economic slowdown, not a sharp downturn.

² Federal Reserve Bank of Chicago, *Chicago Fed National Activity Index – Current Data*, last modified June 26, 2025, <https://www.chicagofed.org/research/data/cfnai/current-data>.

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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 June 2025, the ISM Manufacturing PMI³ rose modestly to 49.0%, continuing its fourth straight month of contraction. By comparison, in March 2025, the PMI was also 49.0%, down from 50.3% in February—a 1.3-point drop—meaning the sector has seen little improvement since March. New orders and employment continued to decline, while input costs surged, pointing to ongoing weakness and inflationary pressures in the sector.

³ Institute for Supply Management, *Manufacturing PMI® at 49%: June 2025 Manufacturing ISM® Report On Business®*, published July 1, 2025, accessed August 1, 2025, <https://www.ismworld.org/supply-management-news-and-reports/reports/ism-report-on-business/pmi/june/>

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- In June 2025, the ISM Services PMI⁴ returned to expansion territory at 50.8%, a rebound from May's slight contraction at 49.9%, led by gains in business activity and new orders—though employment slipped again into contraction territory. By comparison, in March 2025, the Services PMI stood at 50.8%, signaling slower but ongoing growth, so while June restored that March-level reading, May's dip underscores some volatility in the sector.

What This Means for the Economy - Taken together, the June 2025 ISM indexes signal that the U.S. economy is treading water—not contracting sharply, but also not gaining strong momentum. Overall, the data point to an economy that is growing slowly and unevenly, with limited forward drive and heightened sensitivity to policy shifts, consumer sentiment, and global developments.

On June 18, 2025, the Federal Open Market Committee⁵ decided to keep the target federal funds rate unchanged at 4.25%–4.50%, reaffirming its cautious "wait-and-see" framework amid continued inflation risks and elevated geopolitical and trade uncertainties. Despite a generally healthy labor market and moderate economic expansion, Chair Powell highlighted rising inflation expectations—driven in part by tariffs—and emphasized the Fed's commitment to its dual mandate of maximum employment and 2% inflation. The Committee also reiterated that future policy adjustments would be data-dependent and tailored to evolving risks



The CBOE Volatility Index⁶, 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 swings ahead, often due to economic uncertainty, geopolitical events, or shifts in monetary policy.

⁴ Institute for Supply Management, *Services PMI® at 50.8%: June 2025 Services ISM® Report On Business®*, published July 3, 2025, accessed August 1, 2025, <https://www.ismworld.org/supply-management-news-and-reports/reports/ism-report-on-business/services/june/>.

⁵ Board of Governors of the Federal Reserve System, *Federal Open Market Committee Issues Policy Statement – June 18, 2025*, published June 18, 2025, accessed August 1, 2025, <https://www.federalreserve.gov/newsevents/pressreleases/monetary20250618a.htm>.

⁶ Chicago Board Options Exchange, *CBOE Volatility Index: VIX [VIXCLS]*, retrieved from FRED, Federal Reserve Bank of St. Louis; accessed July 21, 2025, <https://fred.stlouisfed.org/series/VIXCLS>.

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- 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.

On June 24, 2025, the VIX plunged approximately 10% after investors welcomed a ceasefire between Israel and Iran, reflecting a sharp drop in geopolitical risk sentiment and renewed market confidence. This rapid fall in the VIX suggests that trading sentiment shifted quickly from uncertainty to relative calm, reinforcing optimism about global stability.⁷

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 Summer 2025 Outlook for the U.S.⁸ sees the U.S. economy entering the second half of 2025 with moderate but steady growth, supported primarily by strong consumer spending and a resilient job market. Although the risk of recession within the next 12 months has risen to around 30%, credit remains readily available and household balance sheets appear healthy. That said, the outlook warns of economic imbalances, including soaring public deficits, elevated stock and asset valuations, and weakening investor confidence abroad. A softening dollar, coupled with fiscal instability and unpredictable trade policy, could flare volatility or trigger higher interest rates if foreign capital inflows slow.

The Beacon Summer 2025 Outlook for California⁹ projects that California's economy will continue growing in 2025, though at a more moderate pace. While real median household income remains high—nearing \$90,000 compared to around \$81,000 nationally—growth is being tempered by labor shortages, slowing population gains, and job losses in the Information sector (tech and media), which has seen a roughly 9% decline since January 2020. Rising unemployment (from 5.1% to 5.4%) and revisions to employment data highlight structural strains, especially among small and mid-sized employers. Beacon forecasts no recession but warns that persistent housing constraints, labor cost pressures, and declining tech output could further restrict California's economic potential.

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-

⁷ Hannah Erin Lang, "Wall Street's Fear Gauge, the VIX, Falls Sharply," *The Wall Street Journal*, June 24, 2025, accessed August 1, 2025, via search summary of WSJ livecoverage article on CBOE Volatility Index

⁸ Beacon Economics, *The Beacon Outlook: United States (Summer 2025)*, accessed August 1, 2025, <https://beaconecon.com/publications/the-beacon-outlook/united-states-outlook/>.

⁹ Beacon Economics, *The Beacon Outlook: California (Summer 2025)*, accessed August 1, 2025, <https://beaconecon.com/publications/the-beacon-outlook/california-outlook/>.

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average snowfall. Similarly, revenue projections are based on realistic, probable collection levels rather than overly optimistic estimates.

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 –

As a reminder, the assessed value upon which property tax is assessed is re-valued when a property is sold. The table below shows the average home price in Truckee provided by HdL Coren and Cone, the Town's Property Tax Analysis company. The prices have increased drastically in the past ten years, nearly doubling. The assessed value on many property sales is increasing from \$400,000 or even as low as \$100,000 to the new value, substantially increasing the assessed value and thus the property tax collections.

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THE TOWN OF TRUCKEE 2024/25 SALES HISTORY

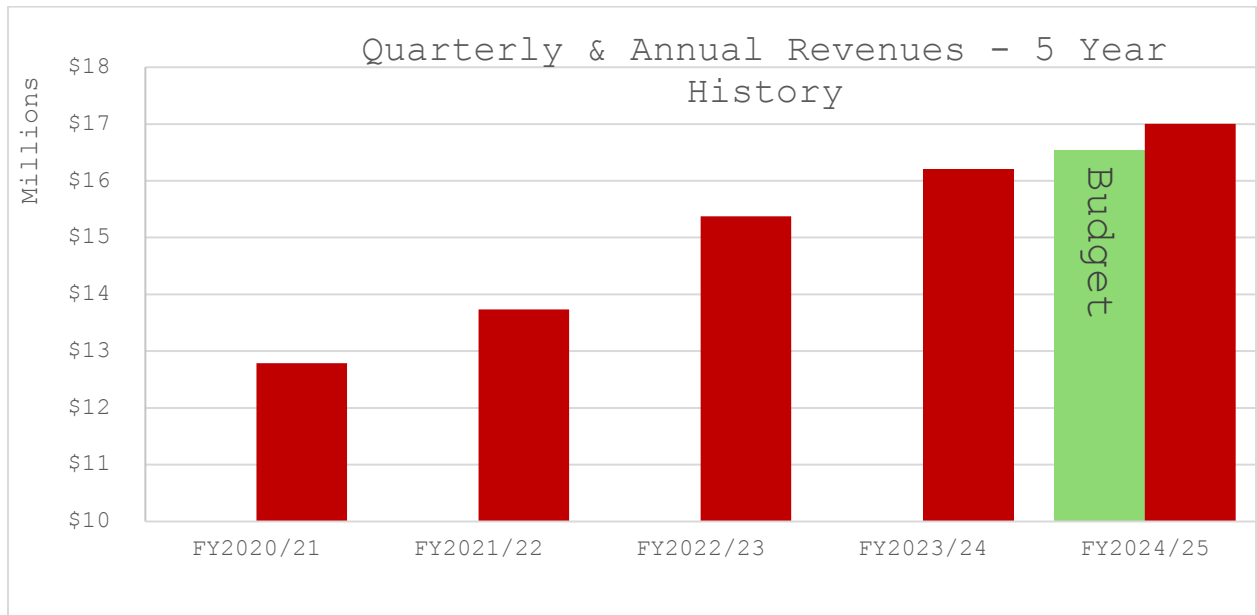
Detached Single Family Residential Full Value Sales (01/01/2016 - 06/30/2025)

Year	Full Value Sales	Average Price	Median Price	Median % Change
2016	565	\$651,389	\$550,000	
2017	640	\$677,290	\$598,750	8.86%
2018	575	\$729,771	\$638,000	6.56%
2019	536	\$755,005	\$650,000	1.88%
2020	736	\$892,650	\$754,500	16.08%
2021	592	\$1,115,677	\$960,000	27.24%
2022	455	\$1,209,935	\$1,024,000	6.67%
2023	372	\$1,140,958	\$982,750	-4.03%
2024	400	\$1,247,612	\$1,060,000	7.86%
2025	157	\$1,313,761	\$1,100,000	3.77%

The county assessor currently requires 12-18 months to reassess properties following a sale. Thus, this estimated allocation increase discussed above is newly including the re-assessment of property value after sales in fiscal year 2023/24.

For the first half of 2025, the average sales price of detached single-family residential homes in Truckee was \$1.3 million up from \$1.25 million in 2024. The median price was \$1.1 million, up from \$1.06 million in 2024. This represents a 3.77% increase. Through June 2025, there have been 157 sales, compared to 147 for the same period in 2024. There were 410 detached single family home sales in fiscal year 2024/25, compared to 390 in fiscal year 2023/24.

For FY 24/25 the Town included a 9.8 % budget-to-budget revenue increase for secured, unsecured, and supplemental property tax, an increase from \$15.0 million to \$16.5 million.



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Although slightly outside the reporting period for this update, staff wanted to include the most up-to-date information available, thus this report includes the final property tax installment for FY24/25, received in July 2025. The Town received \$17 million for the year, which is \$100,000 more than was included as an estimated actual.

The total property tax received has been factored into the General Fund balance analysis included in this report.

Also, slightly outside the reporting period for this update, the Town received the assessed value letter for fiscal year 2025/26 in July 2025. The assessed value for properties in a tax rate area (TRA) with an allocation to the Town of Truckee increased 6.6%. As a reminder, the Town included a 6.23% budget-to-budget increase for secured property tax for the year. Due to the variation in the amount the Town receives from TRAs, the General Fund will likely not receive 6.6% increase, but the 6.23% budget increase will be achieved.

Sales Tax

Sales tax generates approximately 17.5% of revenues for FY2024/25, 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. The allocation of sales tax is shown below. The budget for sales tax for fiscal year 2024/25 is \$6.60 million. This means that approximately \$725 million worth of taxable goods will need to be sold within the Town or delivered to properties within Truckee.



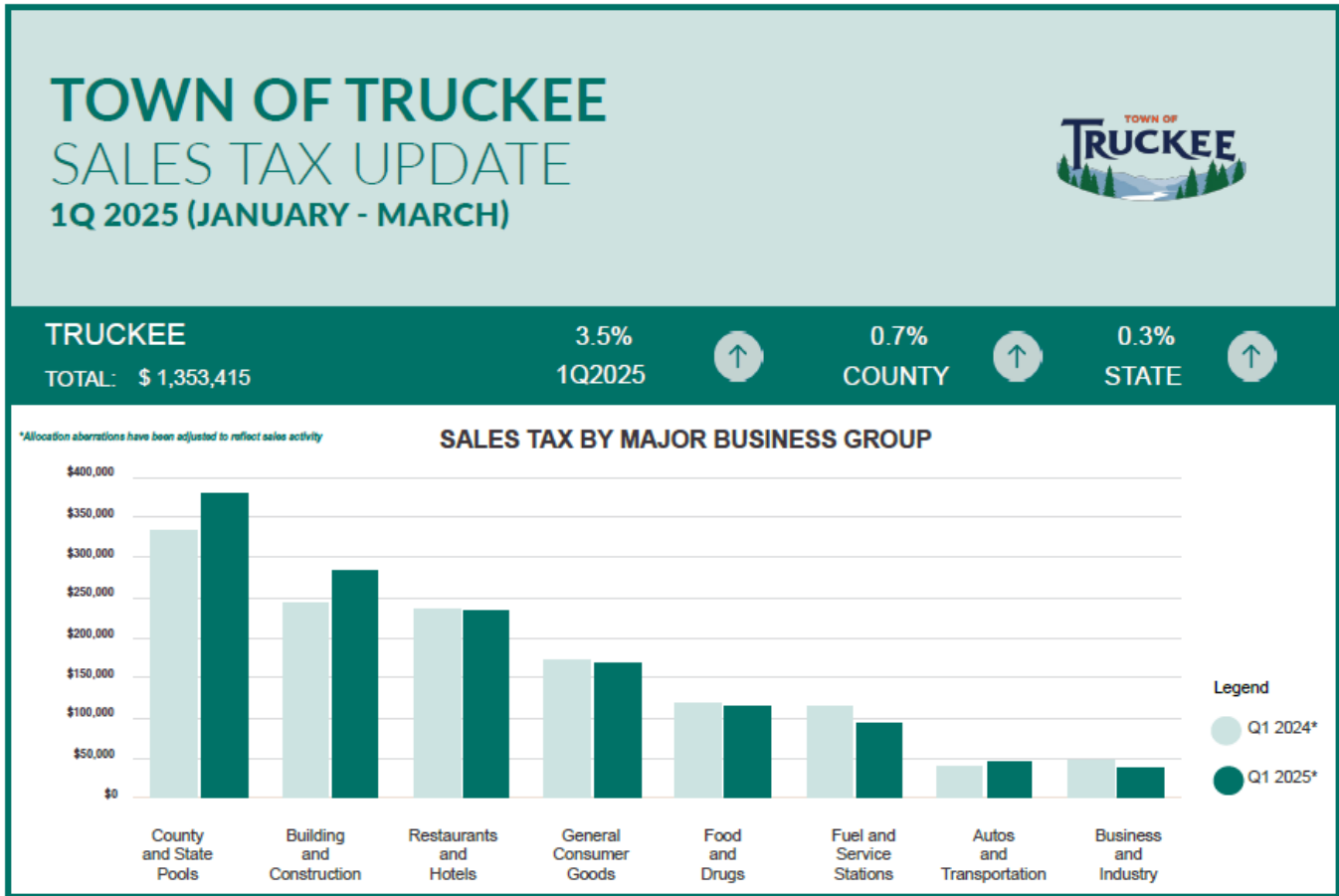
Figure 1 shows the allocation of \$100 of sales tax in California

Analysis –

Quarter ended March 31, 2025 - HDL (the Town's sales tax auditors) analyzed the actual collections for the quarter ending March 31, 2025. HDL reported that the Town was allocated approximately \$1,353,415

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for the quarter ending March 31, 2025, as compared to \$1,307,873 for the same quarter in fiscal year 2023/24, a 3.5% 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.

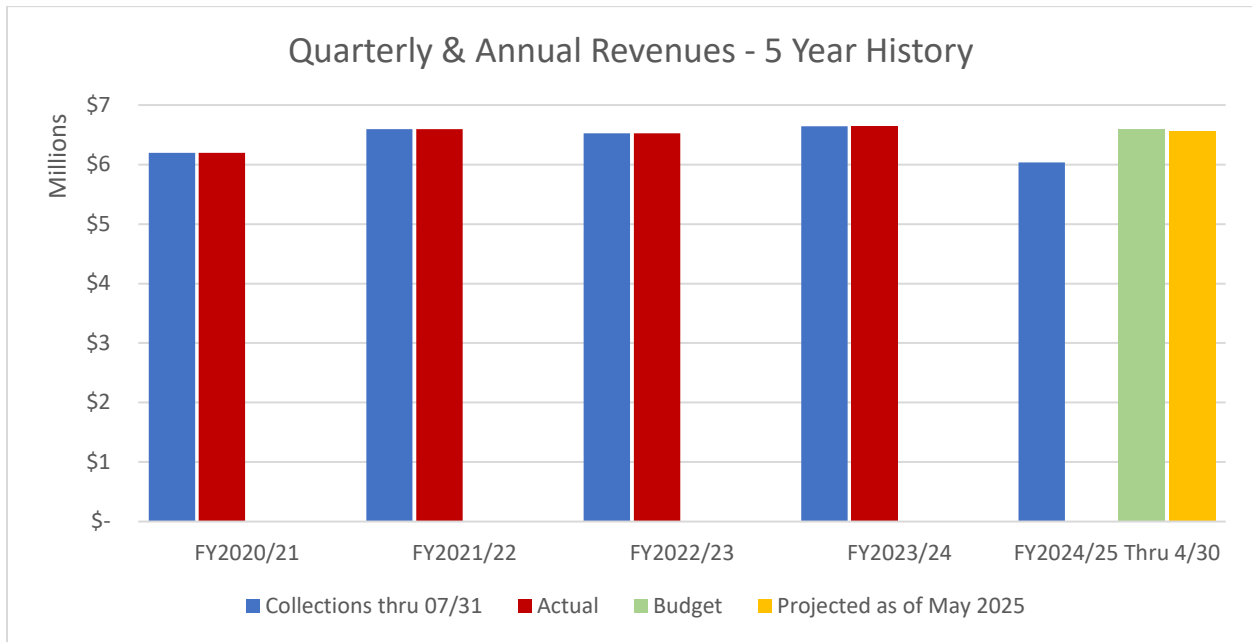
A notable amount of the construction material purchased in Truckee was sent outside of Truckee and therefore no Measure V nor Measure U taxes were charged.

By July each year, the Town has typically received around 90% of the sales tax it will receive for the year. For fiscal year 2024/25, the Town has received 92% of HdL’s projected sales tax for fiscal year 2024/25. Collections for the quarter ending June 30, 2025 have not been analyzed yet as the filing deadline for sales tax collectors is July 31. If the Town receives the projected amount of \$1.6 million for the quarter

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ending June 30, 2025, the Town will have collected more than HdL projected for the year of \$6,563,510. To date the Town has received \$1,049,310 in prepayments for the quarter. The Town would need to collect \$1.62 million to reach the budgeted amount of \$6.6 million. The Town received \$1.575 million for the same quarter in fiscal year 2023/24.

No changes to the projected amount have been included in the five-year analysis below and the previously projected amount of \$6,563,510 has been maintained. Staff will include the true amount in the financial statements presented to Council in the winter of fiscal year 2025/26.



Transient Occupancy Tax

Transient Occupancy Tax (TOT) accounts for approximately 13.7% of the Town’s General Fund revenues for fiscal year 2024/25 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 in Truckee difficult to predict with great accuracy year-over-year.

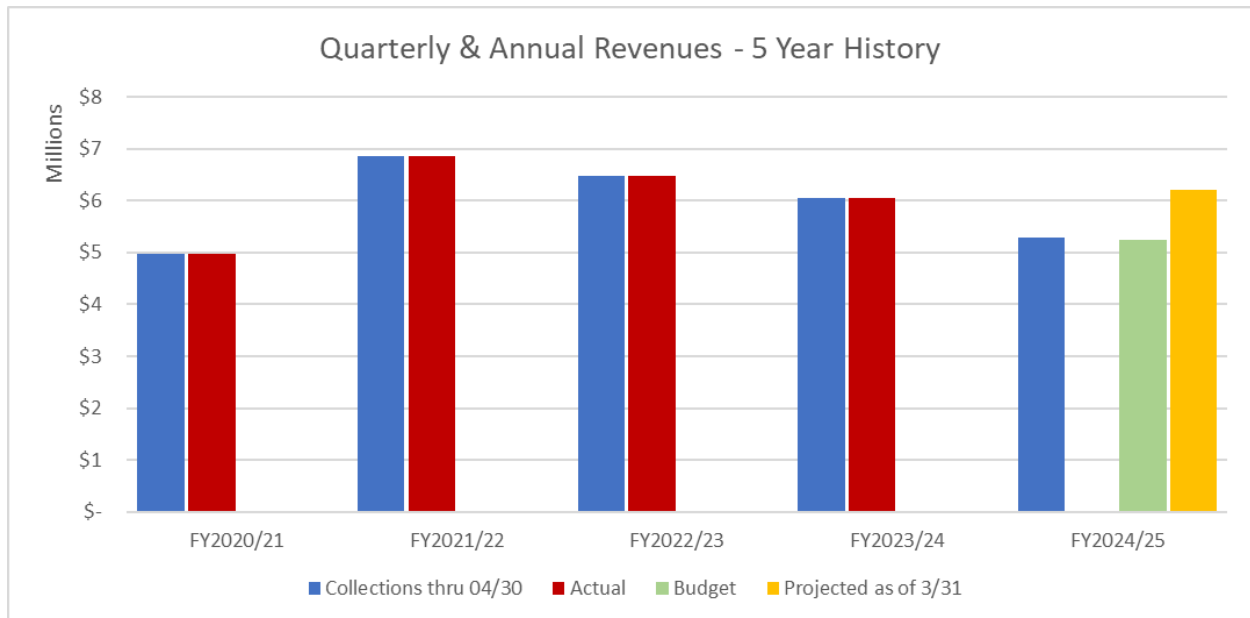
The Town levies a 12% TOT on all hotel, motel, vacation rentals, campgrounds, and RV parks within the incorporated city limits of the Town of Truckee. Of the 12%, 10% goes into the General Fund and 2% is assigned by Council to Measure K. In addition to TOT, the Town collects 1.25% on behalf of the Truckee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

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Analysis –

The Town's filing deadline for the quarter ending June 30, 2025 was August 1, 2025. As such, staff are still working on receipting and reconciling the payments. The final results will be incorporated in the Town's financial statements.



To date, the Town has received \$5,292,482 in General Fund transient occupancy tax receipts. This is above the budgeted amount of \$5,250,000. The Town received \$1,016,136 for the same quarter in fiscal year 23/24. If the Town receives the same amount as fiscal year 23/24, the Town will bring in \$6,308,618. Last year, the receipts for the quarter ending June 30, 2025 were 10% lower than the collections for the same quarter in fiscal year 2023/24. If we see the same trend for the quarter ending June 30, 2025, the Town

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would receive \$914,522.40 for the quarter and \$6,207,000 for the year. The Town included an estimated actual of \$6,220,000 for the fiscal year.

Staff are not recommending any updates to the projection for transient occupancy tax.

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 3.52% of General Fund revenues for fiscal year 2024/25.

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.¹⁰ Under the state franchise, holders of state franchises must pay franchise fees in the amount of 5% of gross revenues.

Solid Waste Franchises – The California Integrated Waste Management Act gives cities broad authority of solid waste matters and cities may provide these services by means of exclusive franchises, contracts, or otherwise. The collection of franchise fees from solid waste management franchisees is in the form of a “rent” or “toll” for the use of the streets and rights-of-way of the city. There are no statutory limits on the amount that a city may charge for a solid waste franchisee.¹¹ Franchise fees are separate from the refuse collection fee charged to each property that is governed under Proposition 218.

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 July 31, 2025, the Town has collected \$1,547,149 in franchise fees, representing a 16% decrease compared to the same period in fiscal year 2023/24. This variance is primarily driven by a 21% decline in gas and electric franchise fee revenues.

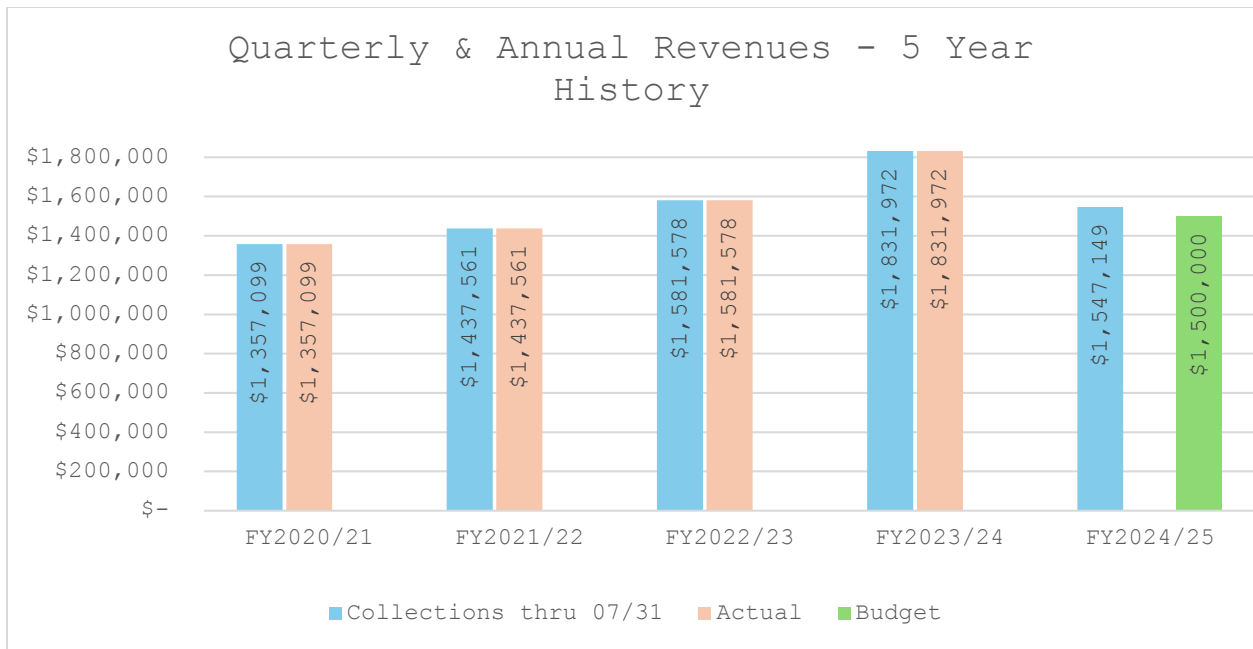
The reduction in gas franchise fees is a key factor, as these are based on gross annual receipts. The FY 2023/24 remittance reflected the harsh winter of 2023, when residents and businesses likely incurred significantly higher heating costs. In contrast, the FY 2024/25 remittance corresponds to the milder winter of 2024, resulting in lower gas consumption and reduced fee collections.

The Town anticipates receiving an additional \$68,000 in franchise fees before closing the books for the fiscal year, bringing the estimated total to approximately \$1.615 million. The Town estimated \$1.8 million for franchise fees and the five-year projection has been updated to reflect that the Town only expects to receive \$1.615 million.

¹⁰ League of California Cities – “The California Municipal Revenue Sources Handbook, Fifth Addition”

¹¹ League of California Cities – “The California Municipal Revenue Sources Handbook, Fifth Addition”

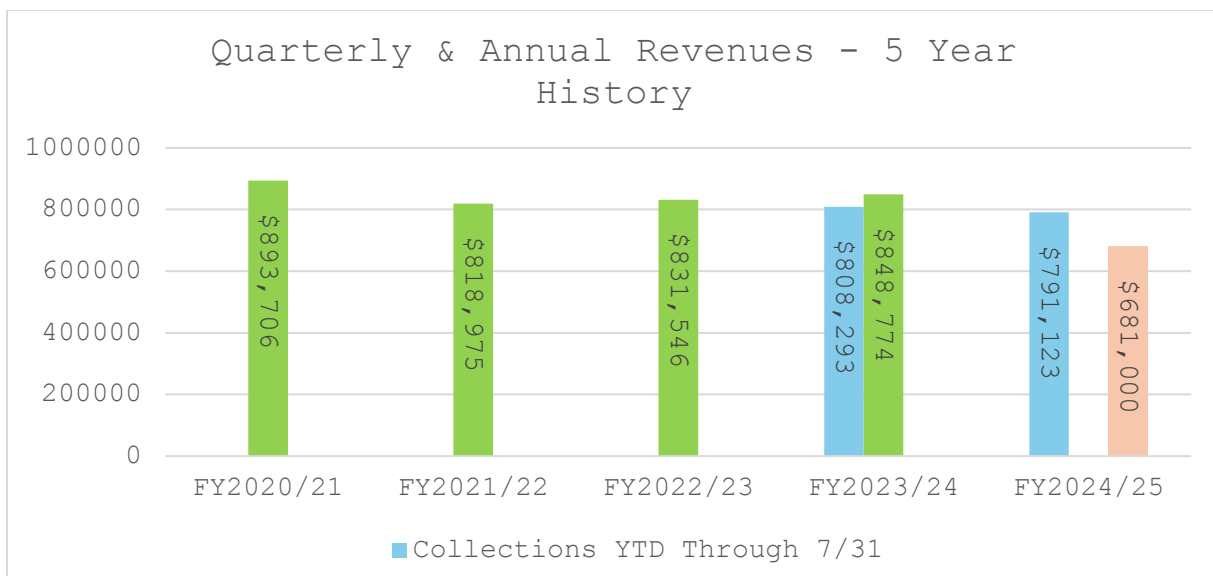
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Charges for Services

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 were calculated based on recovery formulas, which reflect approximate costs of providing these services.

Analysis – The Town has received \$791,123 through July 31 for the fiscal year 2024/25. For the same period in fiscal year 2023/24 the Town had recorded \$808,293 in revenue. Due to the new contract with the Humane Society of Truckee Tahoe (HSTT), the Town does not expect to collect \$26,000 in budgeted animal services related revenue. Despite this loss in revenue, its expected that the Town will receive more than the budgeted amount of revenue for charges for services. The Town included \$667,111 in estimated actuals for charges for services. The difference between the estimated actual and actual collections to-date has been factored into the five-year projection below.



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General Fund – Key Expenditure Analysis

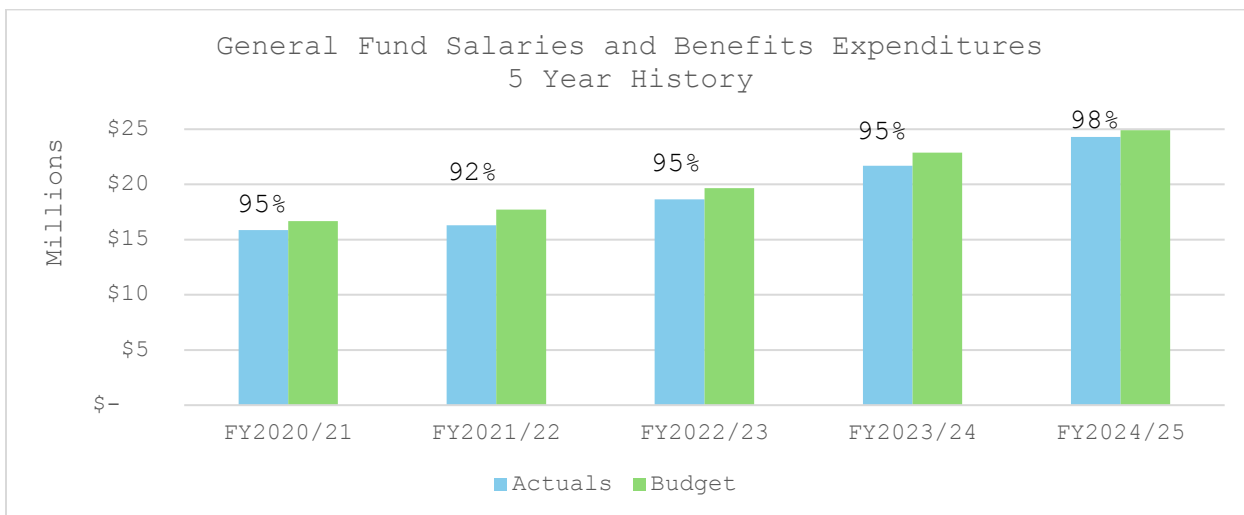
The following discussion provides a status of significant General Fund expenditures as of June 30, 2025. It is the Town’s current practice to budget expenditures conservatively to ensure that there is adequate funding for expected events and to meet the Town’s promises and obligations. In practice, staff 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.

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 – The Town used around 98% of its General Fund budget for salaries and benefits for the year, spending \$24,296,155 of the budgeted \$24,896,722. On average the Town uses 95% of its salaries and benefits budget. Most major closing entries have been completed. In the fiscal year 2025/26 budget, the Town estimated salaries and benefits to be \$24.5 million. The difference between the \$24.5 million estimated and the \$24.3 in actuals has been included in new savings in the five-year projection below.



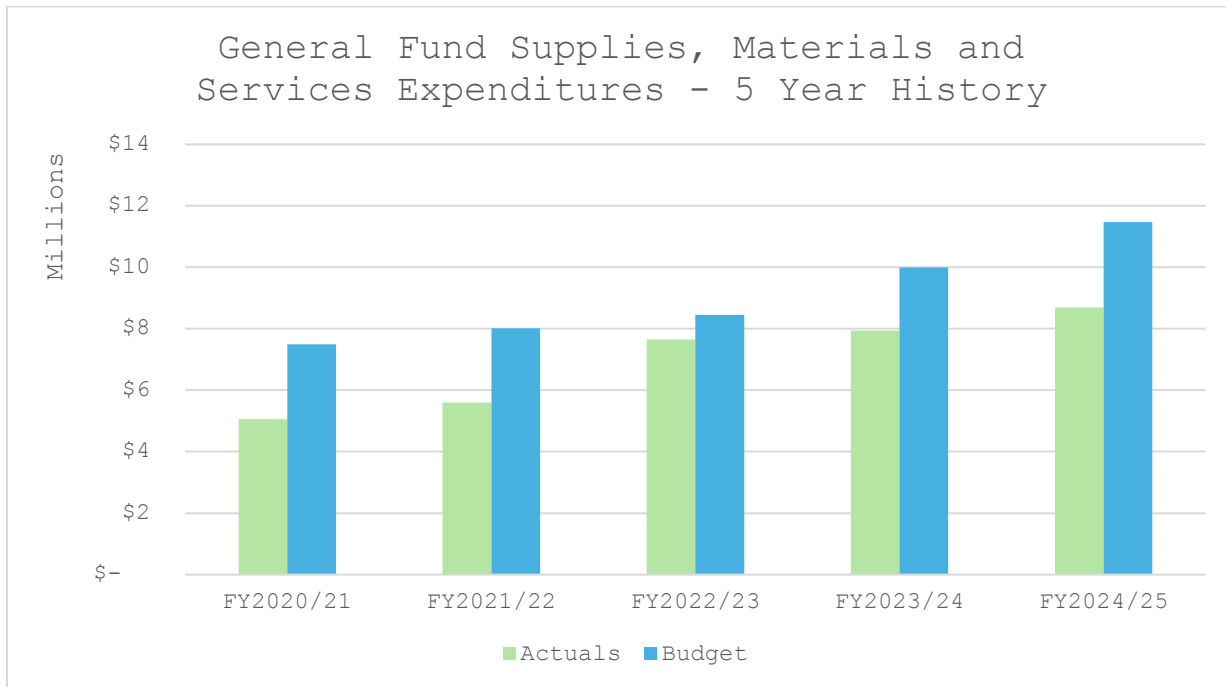
Supplies, Materials, & Services

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

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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 - The Town has utilized approximately 76% of its General Fund Supplies, Materials, and Services budgets for the fiscal year 2024/25 as of July 31, 2025. Last year the Town utilized 79% of the budget and 90% in fiscal year 2022/23. The Town included \$8.8 million as an estimated actual. The Town does not close its books until August 31 each year and some final invoices for services and supplies received on June 30 or earlier are still trickling in. As such, no adjustments have been included in the five-year analysis below.



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 and \$124,012 in charges for services

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than estimated. The Town included \$187,500 more than were estimated to collect for franchise tax for fiscal year 2024/25 and an adjustment has been made for this as well.

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	58,312,839	51,047,380	49,450,439	45,505,902	41,515,862
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					
Less: Expenditures	(34,602,974)	(41,131,993)	(42,900,301)	(44,471,605)	(46,055,834)	(47,892,863)
Budget Amendments - Expenses						
Salaries and Benefits - Revised	200,000					
Net Operating Revenue/(Expense)	10,588,162	4,852,160	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 -						
Road Maintenance	(1,982,000)	(1,250,000)	(625,000)	-	-	(625,000)
Economic Development	(414,662)	(50,000)	-	-	-	-
Sustainability	(293,217)	(920,600)	(706,200)	(236,000)	(236,000)	(236,000)
Streetscape	-	(500,000)	-	-	-	-
Railyard	-	(250,000)	(50,000)	(50,000)	(50,000)	(50,000)
Housing	(240,000)	(455,970)	(65,290)	-	-	-
Public Art	(54,244)	(186,518)	(100,000)	(100,000)	(100,000)	(100,000)
Designation Spending	(2,984,123)	(3,613,088)	(1,546,490)	(386,000)	(386,000)	(1,011,000)
Budget Amendments - Capital Transfers & Designation Spending						
Net Change	(1,727,024)	(7,265,459)	(1,596,941)	(3,944,537)	(3,990,040)	(8,802,163)
Total Ending Fund Balance	58,312,839	51,047,380	49,450,439	45,505,902	41,515,862	32,713,699
Updated Designation Balances based on FY23/24 Ending Balances						
Less: Nonspendable	433,906	433,906	433,906	433,906	433,906	433,906
Less: Assigned	24,785,864	23,621,984	22,593,997	24,126,868	25,656,815	26,738,987
Less: Restricted	231,390	231,390	231,390	231,390	231,390	231,390
Total Undesignated (Cash Available)	32,861,679	26,760,100	26,191,146	20,713,738	15,193,751	5,309,416
<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	238,458	238,458	238,458	238,458	238,458	238,458

Based on these changes, combined with the audited actual results from the fiscal year 2023/24, the updated projection for Cash Available (undesignated balance), is projected to be \$32,861,679 for fiscal year 2024/25, \$238,458 more than the projected balance. Some of this additional undesignated cash may be put aside into the Sustainability Designation or the Healthcare Funding Designations for the various

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employee groups in-line with the Town's designation policy. The analysis for those savings has not yet been complete. An updated analysis will be included with the annual designation policy and designation savings which will be brought to Council at the second August meeting.

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