



Date: Tuesday, September 23, 2025

Honorable Mayor and Council Members

Author and title: Nicole Casey, Administrative Services Director

Title: **Update to the Town of Truckee Reserve & Designation Policy as of June 2025**

Jen Callaway, Town Manager

Recommended Action: That the Council adopt Resolution 2025-27 adopting the Reserve and Designation Policy retroactively effective June 2025.

Background: The Town first established a reserve policy as part of the overall fiscal policies, developed in 2009. They have been updated periodically and unofficially as part of the annual operating budget process.

Over that time, the Town Council has been proactive in setting aside funds for specific projects or programs, such as economic development and sustainability, as well as operational contingencies. The designations for these special purposes have never been detailed as part of a specific policy and instead have been set aside as part of the annual operating budget process.

This Town of Truckee Reserve and Designation Policy (Policy) is designed to establish guidelines to ensure fiscal stability of the Town and provide guidance to staff in the financial management of the Town's operations. This Policy increases transparency in regard to the Town's General Fund savings and their purposes.

Discussion:

Staff adjusted the format of the policy to match the Town's new branding and added more contextual information to educate the reader on the basics of Governmental Accounting fund balance types.

The proposed Policy also includes the following changes:

General Fund Contingency Designation (Contingency) – During the FY2025/26 Annual Operating Budget process, Council directed staff to reduce the Contingency from a target level of 40.0% of General Fund operating revenues to 35.0% of operating revenues.

The 5.0% difference is to be reallocated to a new designation that is set aside for Wildfire Prevention efforts that would theoretically, reduce the conditions under which the Town would need to use the Contingency.

Also added verbiage as to when the Town would utilize these funds. Staff recommend limiting the use to emergencies. Example of such emergencies include, but are not limited to:

- Reduction in revenue equal to or greater than 20.0% of the adopted General Fund revenues in a given fiscal year.

- An unplanned, major, catastrophic event, such as a natural disaster requiring expenditures over 10.0% of General Fund adopted appropriations in a given fiscal year.
- Unfunded and/or unpredictable State or Federal legislation or judicial mandates.
- Any other unforeseen event that causes the Town to expend funds in excess of 10.0% of the General Fund adopted appropriations in a given fiscal year.

Staff further recommend that a resolution or other Council action be required before these funds can be expended.

Public Art Designation – This designation was created by Council as part of a [staff report on the Public Art Master Plan that was approved on September 10, 2024](#). This staff report just formalizes that creation.

As a reminder, Council directed staff to set aside \$100,000 annually as an ongoing funding source for the implementation of the Public Art Master Plan, up to \$500,000, with \$50,000 being reserved for maintenance and repair. This also satisfies one of the 2040 General Plan Action Items.

CC-5.B

Dedicated Funding

Explore dedicated funding sources and guidelines for public art such as a budget line item, a percentage of Capital Improvement Project (CIP) budgets, or other General Fund options.

| **Responsibility:** Public Works Department

| **Time Frame:** Ongoing



Wildfire Prevention Designation – As mentioned above, Council directed staff to reallocate some of the Contingency balance into a new designation. The Town will endeavor to save a balance equal to 5.0% of General Fund operating revenues into this new designation, reducing the Contingency target from 40.0% to 35.0%.

These funds will be available for future work on wildfire prevention, preparation and recovery.

Employee Group Healthcare Designations – This designation was reclassified as restricted fund balance since it would require an amendment to the Town’s Memorandum of Understanding with their employee groups to unlock these funds for other purposes.

Budget Stabilization Designation – Because the Budget Stabilization Designation was not funded as part of the FY2025/26 Operating Budget process, staff has deleted that designation from the policy.

Enterprise & Enhanced Service District Fund Designations – Because the designations for these two types of funds are so similar, staff lumped the policy for them into the same section. The Town is not creating a new set of designations, as staff have been actively working to set aside fund balance for special purposes for many years using the annual budget process as the mechanism for determining the amount to save and for what purpose the funds are set aside. The addition of these designations into the policy simply formalizes the Town’s savings structure toward these efforts and creates a central location detailing the why behind these designations.

Definitions –

- *Enhanced Service District (ESD) Funds* - An ESD fund is either a community facilities district or another group of properties that has voted to self-assess a property tax for enhanced services. This could include streetscaping, lighting, landscaping, and/or snow removal. The Town has the following actively funded enhanced service district funds:
 - Brickelltown Maintenance District Fund

- Railyard Maintenance District Fund
- Donner Pass Road Maintenance District Fund
- West River St District Fund
- *Enterprise Funds* - Town of Truckee activities that operate in a manner similar to private enterprises. Revenues are derived from fees charged to users, and the programs are largely cost covering. Also referred to as Proprietary Funds.

Within these funds, the Town funds the following types of designations and savings. The below list also details which funds currently have these types of contingencies:

1. Contingency or Administrative Cost Designation - intended to provide funding for an enterprise fund in the event that a disaster prevents the normal collection of user fees or other funding sources, and will allow the underlying division to continue to provide necessary public services until funding resumes or the Town is able to develop alternative operating procedures.
 - a. Parking Fund – The Parking Fund is working to save an amount equal to six (6) months of operating expenses. The Town is currently working on financial sustainability modeling for the Parking Fund and may update this target based on the results of that study. At this time, the Town is using six months as that seems to be an industry standard.
 - b. Building Fund – The Building Fund will maintain reserves equal to one (1) year of operating expenses. This reserve is intended to ensure that the Building and Safety Division can continue operations in the event of a catastrophic natural disaster, even in the absence of revenues. Maintaining this reserve allows the Division to carry out critical, life-safety responsibilities in a emergency such as red-tagging unsafe structures and providing expedited permitting services to support recovery and rebuilding efforts. While staff recognize that recovery from a truly catastrophic event would extend beyond one year, this reserve level provides the Town with the capacity to initiate recovery operations and develop a long-term recovery plan. ESD Funds – The ESD's save \$5,000 in each fund each fiscal year for this purpose.
2. Capital Project and/or Improvement's Designation - intended to be used for capital improvements or replacement of necessary infrastructure for the underlying service area.
 - a. Parking Fund – The Parking Fund sets aside \$50,000 each fiscal year into this designation for the periodic replacement or upgrade of Parking District infrastructure including meters and/or parking lots.
 - b. ESD Funds - Any amount remaining in the fund balance of the ESD funds that is not designated for another purpose will be available for the replacement of the infrastructure in the ESD. The infrastructure replacements must be in line with the purpose of the ESD (i.e. lighting infrastructure replacements in a lighting district).
3. Risk Management Designation – Intended to fund the \$50,000 self-insurance deductible on the Town's self-insurance pool.
 - a. Enterprise Funds – The Enterprise funds *do not* currently save this amount because their cash flows are such, that they can typically absorb the cost of the deductible into their normal operations.
Note: The Transit Fund has its own insurance, separate from the Town's self-insurance pool, as the Town's self-insurance pool does not cover transit operations.
 - b. The ESD Funds work to save this amount as quickly as possible.
4. Fleet/Vehicle Replacement Designation - an amount set aside to replace the fleet of the underlying funds operations once the in-operation vehicles reach end of life.
 - a. Building Fund – The Building Fund sets aside 10% of any projected revenue over expenditures (i.e. the operating surplus) annually for this purpose.
 - b. ESD Funds – Save \$5,500 annually for eventual replacement of specialized snow removal equipment used within the districts. The equipment is used in multiple ESD areas, and the cost is split between the funds.

Transit Fund - Because the Transit fund is funded via revenues controlled by the Transit Development Act (TDA), the Town is not able to amass any fund balance. As such, the Town would rely on funds held

at Nevada County Transportation Commission (NCTC) in the event of an emergency or other funding need. In terms of vehicle replacements, the Transit Fund relies on grant funds or federal transit funds for the replacement of the Town's bus fleet. Additionally, due to the provisions of the TDA, the Town is unable to save any fund balance for vehicle replacement.

Solid Waste Fund – The Town did not contemplate the need for any sort of designations during the creation of the last Franchise Agreement; therefore, the Town has no designations in the Solid Waste Fund. The Town is embarking on a new Franchise Agreement negotiation process during FY25/26 that is intended to go into effect in FY27/28. It is appropriate to develop the Town's designation plans in conjunction with the franchise negotiation process.

Estimated Balances –

Based on this policy, staff estimate that the Town will make the savings of General Fund dollars:

- \$1,287,986 towards the General Fund contingency
- \$529,408 towards the Sustainability Designation
- \$4,690 towards the restricted Employee Healthcare savings
- \$1,250,000 towards the Road Maintenance Reserve
- \$100,000 towards the Public Art Designation.

The Town included all of these savings except the restricted Employee Healthcare savings and some of the Sustainability Designation savings (\$59,226) in the estimated actuals in the fiscal year 2025/26 operating budget. Savings towards the Wildfire Designation were budgeted to begin in fiscal year 2025/26.

Staff updated the Town's five-year projection based on these updated estimates. While completing the update, staff realized that the balance of the General Fund contingency had not been adjusted to reflect the change from 40% to 35%. With the additional savings for sustainability and employee healthcare, as well as the correction to the General Fund contingency balance, the projected undesignated fund balance in fiscal year 2029/30 is \$133,768 more than was projected in the fiscal year 2025/26 operating budget.

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
Updated Designation Balances based on FY23/24 Ending Balances						
Inventory	413,967	413,967	413,967	413,967	413,967	413,967
Prepays & Deposits	19,939	19,939	19,939	19,939	19,939	19,939
Less: Nonspendable	433,906	433,906	433,906	433,906	433,906	433,906
General Fund Contingency	17,981,071	16,094,454	16,441,021	17,021,122	17,580,753	18,156,057
Litigation	50,000	50,000	50,000	50,000	50,000	50,000
Road Maintenance Reserve	3,652,816	2,402,816	1,777,816	3,277,816	4,777,816	5,652,816
Econ Development	216,691	166,691	166,691	166,691	166,691	166,691
Streetscape Projects	543,182	43,182	43,182	43,182	43,182	43,182
General Fund Housing	521,260	65,290	-	-	-	-
Railyard Commitments	500,000	250,000	200,000	150,000	100,000	50,000
Truckee Fire Fee	17,281	17,281	17,281	17,281	17,281	17,281
Sustainability	1,317,033	396,433	-	-	-	-
Public Art	45,756	9,238	9,238	9,238	9,238	9,238
Wildfire Prevention		2,299,208	2,348,718	2,431,589	2,511,536	2,593,722
Less: Assigned	24,845,090	21,794,593	21,053,948	23,166,919	25,256,498	26,738,987
Self Insurance Retention	150,000	150,000	150,000	150,000	150,000	150,000
Self Insurance Retention - WC	75,000	75,000	75,000	75,000	75,000	75,000
Employee Healthcare	4,690	4,690	4,690	4,690	4,690	4,690
Trails Amenities Contributions	6,390	6,390	6,390	6,390	6,390	6,390
Less: Restricted	236,080	236,080	236,080	236,080	236,080	236,080
Total Undesignated (Cash Available)	32,797,762	28,482,801	27,626,505	21,568,997	15,489,378	5,204,726
<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	174,542	1,961,159	1,673,817	1,093,717	534,085	133,768

Please note that these amounts are subject to change as staff completes the entries needed to close the Town's book for the fiscal year. The calculation for the Sustainability Designation will not be finalized until the books are closed for the year. Additionally, the calculation for the Employee Healthcare savings amounts is only in draft form as of the publishing of this staff report and subject to change.

Priority:

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|---|--|--|
| <input checked="" type="checkbox"/> Enhanced Communication | <input checked="" type="checkbox"/> Climate and Greenhouse Gas Reduction | <input checked="" type="checkbox"/> Housing |
| <input checked="" type="checkbox"/> Infrastructure Investment | <input checked="" type="checkbox"/> Emergency and Wildfire Preparedness | <input checked="" type="checkbox"/> Core Service |

Fiscal Impact: By setting aside additional amounts of undesignated fund balance towards a specific purpose, those funds will no longer be available for other purposes.

Public Communication: The Town's designations and reserves are included in the annual operating budget and Council discusses them during each part of the budget development process. All Council budget meetings were open to the public.

Attachments:

Link 1 – Public Art Funding Strategy Staff Report – September 10, 2024 - <https://portal.laserfiche.com/Portal/DocView.aspx?id=59738158&repo=r-6a91ddbc>

Attachment 1: Resolution 2025-27 Amending the Reserve and Designation Policy

Exhibit 1: Reserve and Designation Policy June 2025

Attachment 2: Redline Version of the Reserve and Designation Policy