



Date: Tuesday, June 25, 2024

Honorable Mayor and Council Members:

Author and title: Nicole Casey, Administrative Services Director

Title: **Amend the Town of Truckee Reserve and Designation Policy**

Jen Callaway, Town Manager

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**Recommended Action:** That Council adopt resolution 2024-44 approving and adopting the Town of Truckee Reserve and Designation policy for FY2024/25, effective July 1, 2024.

**Discussion:** The Town had an unofficial reserve policy established as part of the Town's overall fiscal policies, developed in 2009. These reserves were updated periodically and unofficially as part of the annual operating budget process.

In February 2024, the Town formalized its Reserve and Designation Policy (Policy) with the adoption of Resolution 2024-11. The 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.

Staff recommend that Council review the recommended changes outlined below and in Attachment B, and adopt the Reserve and Designation Policy for FY2024/25, effective July 1, 2024.

### **Sustainability Designation –**

As part of the February 2024 Policy adoption, Council approved an ongoing funding strategy for the General Fund Sustainability Designation. When the annual General Fund operating surplus is greater than \$5 million, the Town will save 5.0% of said annual operating surplus into the Sustainability Designation. Based on the Town's estimated actual spending for fiscal year 2023/24, presented in the Proposed Budget as a separate item before Council this evening, the General Fund net operating surplus is estimated to be \$10,272,251. This will result in a savings amount of \$513,612.55.

After planned capital spending for FY 2023/24, this will bring the Sustainability Designation balance to \$996,714 as of June 30, 2024.

GENERAL FUND	ESTIMATED ACTUALS
	2023/24
Beginning Total Fund Balance	55,709,624
Revenues	41,732,711
Less: Operating Expenditures	(30,508,366)
<b>Net Operating Revenue/ (Expense)</b>	11,224,345
Less: Debt Service	(952,094)
<b>Net Operating Surplus/ (Deficit) with Debt Service</b>	10,272,251
5.0% Sustainability Designation Savings	513,612.55

**Employee Groups Healthcare Designation –**

As part of the most recent negotiations with the Town’s three employee groups, which are concluding with the approval of the Truckee Police Officer’s Association (TPOA) successor Memorandum of Understanding (MOU) as a separate item presented to Council at this meeting, the Town committed to the creation of a General Fund designation for the stabilization of future rate increase in employee health care insurance rates. Council’s approval of the Truckee General Employee Membership Association (TGEMA) and Truckee Mid-Management Association (TMMA) showing the commitment to these new designations, is linked below in link 1. A specific designation will be created for each of the Town’s three employee groups. These designations will be funded with savings, if any, between the budgeted costs for the Town’s portion for employee access to health, dental, and vision insurance (called the “fixed rate”) and the actual costs. The specifics of the funding strategy, use policy, funding limits, and timing of savings are listed in the attached Reserve and Designation Policy.

The Town will determine the initial savings for each designation at the end of next fiscal year and at the end of each subsequent fiscal year.

**Budget Stabilization Designation –**

This General Fund Designation is intended to provide one-time funding to appropriate for actions or items that are unknown at the time of budget preparation but anticipated during the upcoming budget year. In FY 2024/35, the funding allocated in the Budget Stabilization is to seed implementation of recommendations resulting from the Organizational and Service Delivery Assessment. Examples of such items could include the initial implementation cost for a new software or a study to create a five-year strategic plan for a specific division.

The initial set aside, as recommended in the proposed fiscal year 2024/25 operating budget, is \$1,700,000.

This amount differs from what was initially proposed in the draft fiscal year 2024/25 budget, brought to Council for review at the May 28, 2024 budget workshop. Please see the staff report for the proposed budget, which is included as a separate item on the agenda for Council at this meeting for details as to why this set aside amount has changed.

**Priority:**

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

**Fiscal Impact:** A well-defined reserve and designation policy can help the Town maintain fiscal stability and funding for contingencies that may arise unexpectedly.

By setting aside additional amounts of undesignated fund balance towards a specific purpose, those funds will no longer be available for other Council priorities that may come up.

**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 workshops were open to the public. Council had a priority setting workshop on February 8, 2024, a high-level review workshop on April 23, 2024, and a detailed budget workshop on May 28, 2024.

For the employee group healthcare designation, there were negotiation meetings with the Town’s employee groups that started in January 2024.

**Attachments:**

Link 1: Approval of the MOU with the TMMA and TGEMA -  
<https://app.laserfiche.com/laserfiche/DocView.aspx?repo=r-6a91ddbc&customerId=140032387&id=59716274>

Attachment A: Resolution 2024-44 Amending the Town of Truckee Reserve and Designation Policy effective July 2024

Exhibit 1: Reserve and Designation Policy Effective July 2024

Attachment B: Redline Version of the Reserve & Designation Policy