



Date: Tuesday,

Honorable Mayor and Council Members:

Author and title: Nicole Casey, Administrative Services Director

Title: **Acceptance of the Financial Status Update for the Period Ended February 28, 2025, Purchasing Authority (Green Bear and HDL Coren and Cone), and Budget Amendment for C1811**

Jen Callaway, Town Manager

Recommended Action: That Council do the following:

- Accepts the financial update for the period ended February 28, 2025;
- Authorize the Town Manager to sign a contract with HDL Coren and Cone for property tax estimation and auditing;
- Authorize spending not to exceed \$75,000 with Green Bear for fiscal year 2024/25; and
- Approve a budget amendment for C1811 changing \$50,000 of funding from the Sustainability Designation to the Building and Safety Fund for the purchase of one of the division's new electric vehicles.

Discussion: Attached is the financial report for the Town of Truckee for the period ended February 28, 2025. This report presents an analysis of the General Fund's major revenue sources as well as expenditures. This report provides an update to the General Fund's five-year projections including updated projections for property tax, sales tax, and transient occupancy tax.

The purpose of this quarterly public reporting is twofold. First, it ensures that the Town is consistently monitoring its revenues and expenditures, responding to unanticipated events, and preparing for emerging trends. This allows staff to keep Council informed as to the Town's financial position. 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 continue to evolve this report over time depending on present-day issues and to ensure that the public is given access to relevant revenue and spending data.

Executive Summary from Report –

As of February 28, 2025, the Town's General Fund continues to reflect a stable and positive fiscal position. Property tax revenues, which represent the Town's largest source of General Fund income, are exceeding projections. Due to ongoing reassessments of recently sold properties and strong underlying real estate values, secured property tax revenue is now projected to reach \$16.35 million for the year—approximately \$350,000 more than originally budgeted. This increase has been factored into the Town's fund balance projections.

Sales tax, the Town's second-largest General Fund revenue stream, presents a more mixed picture. During the quarter ending September 2024, the Town experienced a 3.1% year-over-year increase,

outperforming the statewide average. However, this was followed by a 7.3% decrease in the December quarter, driven by a slowdown in construction-related activity, economic uncertainty tied to interest rate speculation, and recent changes in state sales tax allocation rules. Staff will continue to monitor these trends closely in coordination with the Town's sales tax advisors, HDL, and any adjustments to projections will be shared in future updates.

Transient Occupancy Tax (TOT) continues to perform well and is expected to surpass budget projections significantly. Collections for the December 2024 quarter were up 6.2% compared to the prior year, and the Town is now anticipating full-year revenues of approximately \$6.22 million, nearly \$1 million over the adopted budget of \$5.25 million. While there has been a modest overall decline in TOT receipts since the peak of FY 2022/23, revenue levels remain nearly 40% above pre-pandemic collections. Hotel performance remains particularly strong, while short-term rentals are showing stable but slower growth.

On the expenditure side, the Town continues to manage its General Fund resources prudently. Salaries and benefits spending through February stands at 63% of the annual budget, in line with expectations, and is slightly below the benchmark of 66% for this time of year. Spending on supplies, materials, and services is tracking even more conservatively, with only 49% of the budget expended to date—down from 53% at this point last year. This reflects the Town's continued commitment to responsible budgeting and a focus on spending only what is necessary to meet service obligations.

The Town's General Fund balance outlook remains strong. Updated projections show that the undesignated fund balance is expected to reach \$22.9 million by the end of FY 2024/25, which is \$4.99 million higher than previously anticipated. Looking ahead, the forecasted undesignated balance for FY 2028/29 has increased by nearly \$9.7 million, from \$5.1 million to \$14.8 million. These gains reflect strong performance in key revenue areas—particularly property tax and TOT—as well as continued adherence to conservative fiscal practices.

In summary, the Town is in a sound financial position at the midpoint of the fiscal year. Revenues are largely exceeding expectations, expenditures remain controlled, and the long-term fiscal outlook is increasingly positive. Staff will continue to monitor all revenue streams and expenditure patterns closely and will update the Council as conditions evolve.

Attached to this staff report is a newsletter from HDL (the Town's sales tax auditors) regarding the results allocations for the quarter ending September 30, 2024. The newsletter for December 31, 2024, has not yet been published and will be attached to future updates. Relevant information for the quarter ended December 31, 2024, has been included in the analysis.

Purchase Authorizations –

To consolidate the reports that come to Council, staff will attempt to consolidate requests for spending authority into this periodic update rather than providing separate reports. When spending or contract authority warrants more attention or there are timing issues, a separate report will be presented.

Authorization with HDL Coren and Cone –

Town staff have been exploring how to prepare more accurate estimates for the Town's largest revenue source Property Tax. Staff read a myriad of literature available on property tax calculations from Nevada County, the League of California Cities, and the California Society of Municipal Finance Officers. Additionally, staff had a one-on-one training meeting with the Nevada County Auditor Controllers office to better understand how they do the annual calculations. Staff have been checking in regularly with the Nevada County Assessor's Office to better understand their processes and determine if they are able to make more data available for analysis. Staff have met with the Nevada County Chief Financial Officer to understand how they are creating their budget, given that they have greater access to the source data.

There are many issues complicating staff's ability to provide a more accurate property estimate. They include:

- The market in Truckee is much different than the market on the western side of Nevada County which is what the Nevada County CFO uses for their budgets;
- The revaluation process after sales takes between 12-18 months, meaning the Town is working with outdated data in attempting to prepare estimates;
- There are 20+ tax rate areas in Truckee that have between 50 and several hundred properties in them, each with different allocation percentages to the overlapping agencies. In conformance with the provisions of Proposition 13, these percentages change slightly year-over-year.

Based on these issues, staff explored other options for creating more accurate projections. Staff contacted two firms that provide property tax estimation services to California jurisdictions. The first did not respond.

The second, HDL Coren & Cone (HDL), provided a quote for not only projection services, but also auditing services of the property tax remittances to the Town. Due to the level of data needed to prepare an accurate projection, HDL provides these services on a package basis. HDL boasts that 85% of the time their projections are within 1-2% of actual receipts.

The Town's purchasing rules require that Council approval is needed at least every three years on all contracts without a not-to-exceed amount. The contract with HDL has a flat amount of \$18,150 and a provision for 25% of net tax revenues recovered for the Town through audits they perform. Although HDL admits that counties are pretty accurate with their calculation processes, as counties are also audited by the State, HDL does occasionally find corrections. The proposal for these services is attached to Attachment 3.

As such, staff is requesting that Council authorize the Town Manager to sign a contract with HDL Coren and Cone for Property Tax Projections and Auditing.

Green Bear Spending Authority –

The Town has an existing contract with Green Bear in the amount of \$49,900 for fiscal year 2024/25. They are contracted to complete miscellaneous curb repair and paver replacements. The Town has more curb and paver replacements needed this year due to snow removal activity damage. The damage is in high-traffic areas such as the Depot, the Railyard area, and the Soaring Way roundabout. Staff estimate that an additional \$25,100 is needed to complete the extra repair work.

The Town's purchasing rules require Council approval for contracts in excess of \$50,000. As such, staff is requesting Council authorize the Town Manager to sign a contract amendment with Green Bear for an increased not-to-exceed amount of \$75,000 for fiscal year 2024/25.

There is sufficient budget to accommodate this increase.

Budget Amendment –

On October 8, 2024, the Town Council authorized the purchase of two (2) Chevrolet Blazer AWD electric vehicles (EVs) for the Building Division from Michael Hohl GMC. The original staff report (Attachment 4) and associated budget indicated that both vehicles would be funded through the General Fund's Sustainability Designation.

However, it was staff's intention that only one of the vehicles be funded through the Sustainability Designation, with the second vehicle funded via the Building and Safety Fund.

Historically, the Building Division has relied on surplus vehicles from the Police Department, rather than purchasing new vehicles. These surplus vehicles, while no longer suitable for police operations due to

preset retirement mileage thresholds, often still had useful life for other departments. With the Town now pursuing more ambitious greenhouse gas reduction targets and transitioning to electric vehicles, the Police Department does not yet have surplus EVs available for reassignment. As a result, the Building Division must purchase new EVs in order to align with the Town's sustainability goals.

In recognition of this temporary shift in vehicle procurement, staff intended for one of the new EVs to be funded by the General Fund's Sustainability Designation and the other from the Building and Safety Fund.

Staff is requesting Council approval of a budget amendment to reallocate \$50,000 in funding within Project C1811—transferring the amount from the Sustainability Designation to the Building and Safety Fund.

Priority:

<input checked="" 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:

The Town is proposing to start using the services of HDL in fiscal year 2025/26 and has included a sufficient amount in the draft budget for Council for fiscal year 2025/26, which will be brought to Council for their consideration at the May 27th Budget Meeting.

The amounts for the Green Bear contract will be coded to the appropriate facilities budget including community facilities districts, based on where the repairs are needed. There is sufficient budget to accommodate the increased contract amount.

Attachments:

Attachment 1 - Financial Update for the Period Ended February 28, 2025

Attachment 2 – HdL Newsletter QE September 30, 2024

Attachment 3 – HdL Coren and Cone Proposal for Property Tax Management

Attachment 4 (Link) – Staff Report for Purchase of Chevrolet Blazers for Building & Safety - <https://portal.laserfiche.com/Portal/DocView.aspx?id=59743521&repo=r-6a91ddbc>