

# Financial Update

Period ended December 31, 2025

## Purpose

This is the quarterly financial update for the Fiscal Year 2025/26, as of December 31, 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 December 31, 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

National and state economic indicators reflect moderating but continued growth, with several measures signaling softer momentum heading into 2026. The U.S. Leading Economic Index has declined for several

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consecutive months, and the Chicago Fed National Activity Index has remained slightly below historical trend levels, though not at recessionary thresholds. Manufacturing activity showed continued signs of contraction through December with a recent rebound in January, while the services sector continues to expand at a slower pace than historical averages. The Federal Reserve recently reduced interest rates by 25 basis points, and financial markets have experienced periods of elevated volatility tied to tariff discussions and policy uncertainty. Beacon Economics characterizes both the national and California economies as stable but increasingly exposed to downside risks, including structural imbalances, housing constraints, and reliance on capital gains–related revenues. Overall, these indicators point to an economy that is growing, albeit at a much slower pace than historically. There is no strong indication of a recession, although there are signs that scrutiny and vigilance is needed.

Key General Fund revenues are generally performing at or slightly above budget expectations through the first half of fiscal year 2025/26. Property tax, the Town’s largest revenue source, is projected to exceed budgeted levels based on updated assessed values and first installment receipts, reinforcing the stability of this revenue stream. Sales tax collections showed modest year-over-year growth for the quarter ended September 30, 2025, with strength in construction-related categories and restaurants partially offset by declines in fuel and certain retail segments. While analysis of the most recent quarter, December 31, 2025, is still underway, early receipts were close to projections, and staff continue to monitor trends as additional data becomes available.

Transient Occupancy Tax (TOT) collections increased slightly in the first quarter compared to the prior year, with hotel properties driving much of the growth and independently operated rentals showing improved utilization. Professionally managed properties experienced some softening in occupancy and rates. Preliminary winter lodging data indicates slower booking activity during portions of the holiday season, likely influenced by a delayed start to winter conditions. At this time, annual TOT revenues remain on track with budget, though this revenue source continues to be sensitive to weather and economic shifts.

Other General Fund revenues, including franchise fees and charges for services, are generally trending within expected ranges, with major franchise payments anticipated later in the fiscal year. On the expenditure side, spending remains consistent with historical patterns, and divisions are operating within their overall appropriations while maintaining flexibility to address operational needs. Updated five-year projections reflect higher property tax estimates and revised sales tax assumptions, resulting in an improved projected fund balance and strengthening the Town’s financial position moving forward.

Updated five-year projections also reflect a strengthened General Fund Undesignated cash balance. Based on revised property tax estimates, updated sales tax assumptions, approved budget amendments, and technical corrections identified during year-end review, the projected cash available position has improved over prior estimates. The updated undesignated balance for fiscal year 2024/25 is approximately \$2.48 million higher than previously projected, and by fiscal year 2029/30 the balance is projected to be approximately \$3.4 million higher than earlier forecasts. This improved trajectory enhances the Town’s financial resilience, preserves flexibility for future Council priorities, and provides a stronger buffer against potential economic volatility.

### 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

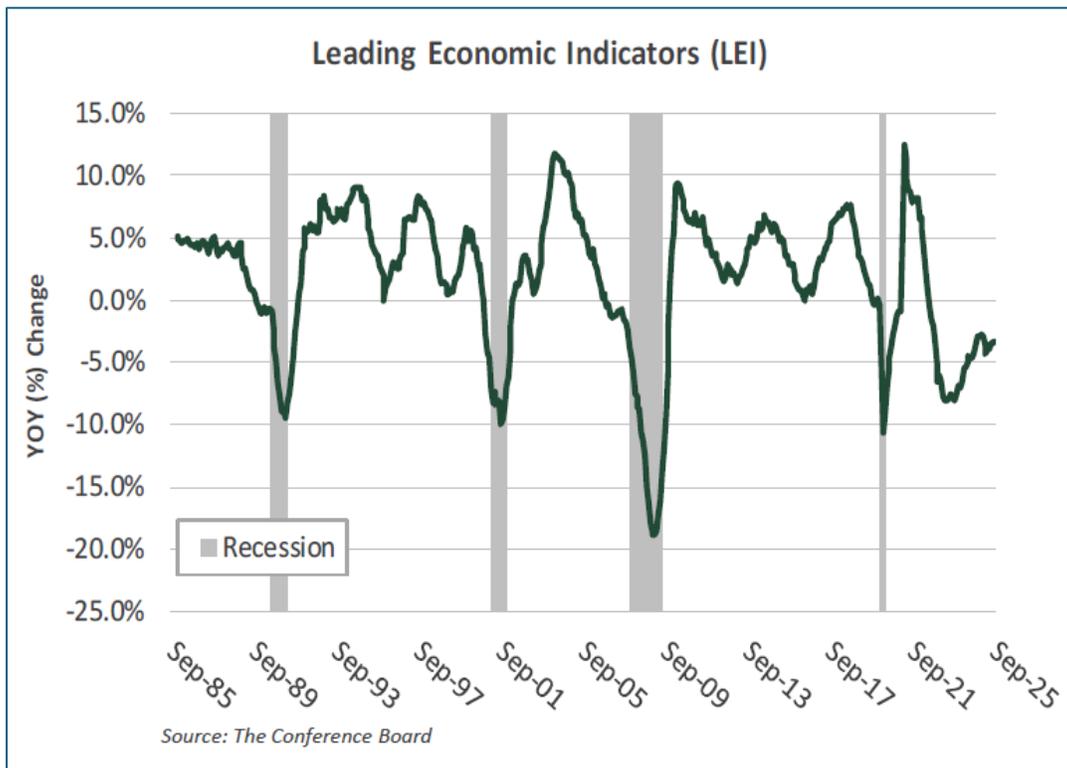
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sentiment, and monetary policy. The information is intended to offer context as we assess both opportunities and potential risks as the Town looks at its planning horizon.

*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 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.



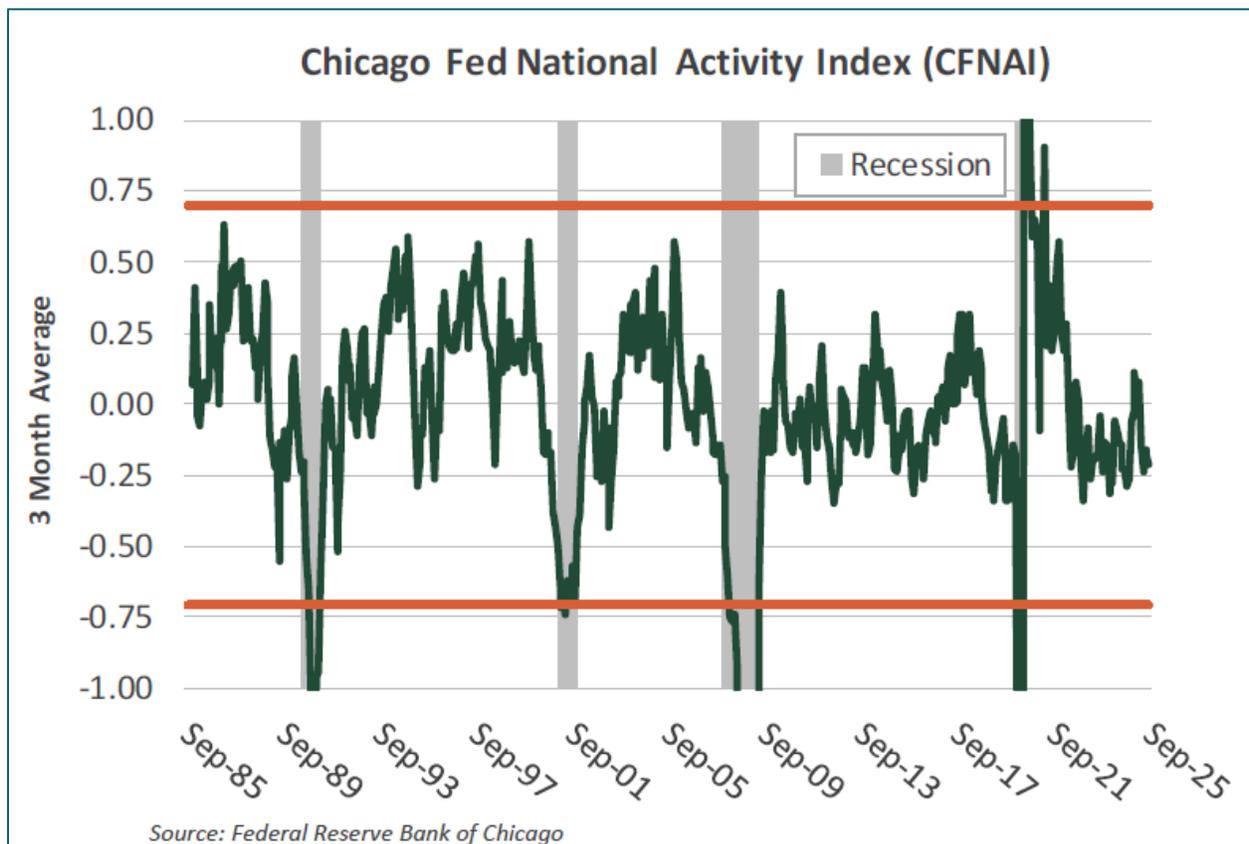
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The report shows that the U.S. Leading Economic Index (LEI) declined 0.3% in September 2025 to 98.3 and fell again in December to 97.6<sup>1</sup>. This marked its fifth consecutive month of decline, indicating continued softening of the market. Stock prices and credit conditions provided a modest lift while consumer expectations and manufacturing new orders declined 1.2% and 0.88% respectively. A declining LEI does not predict nor guarantee a recession. This does however signal slower economic growth through early 2026.

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

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 date for the September information is available at this time.



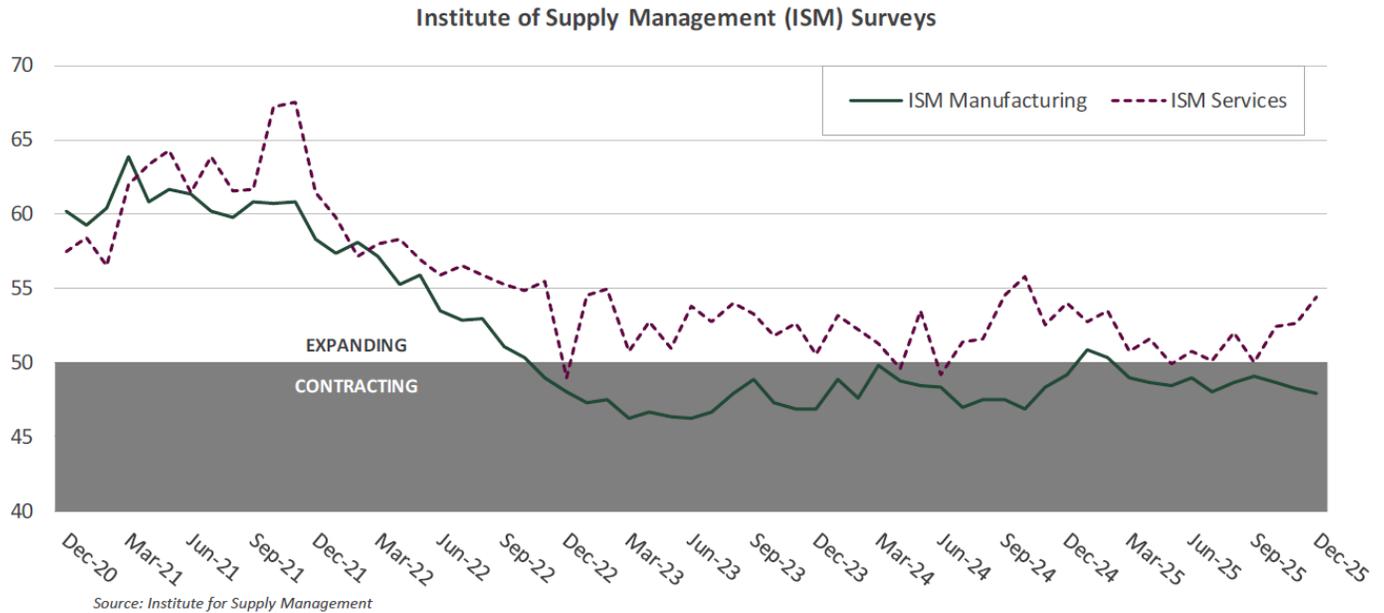
<sup>1</sup> Source: US Leading Indicators – The Conference Board (Latest briefing and data on U.S. Leading, Coincident, and Lagging Economic Indexes).

URL: <https://www.conference-board.org/topics/us-leading-indicators/>

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The latest CFNAI<sup>2</sup> came in at -0.21 in December 2025 before rebounding to +0.18 in January 2026. This indicates that the U.S. economic activity is below historical trends for the sixth consecutive month. 47 of the 85 indicators that make up the index made positive contributions to this change.

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) moved to -0.06 in January 2026, up from -0.36 in December 2025.



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.

<sup>2</sup> Federal Reserve Bank of Chicago. "Chicago Fed National Activity Index: Current Data." Federal Reserve Bank of Chicago, <https://www.chicagofed.org/research/data/cfnai/current-data>. Accessed 27 Feb. 2026.

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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.

- The ISM manufacturing index<sup>3</sup> fell to 47.9 in December, down from 48.2 in November. This marked continued weakness in the manufacturing sector, which has been in contraction for 36 of the past 38 months. The decline was related to declines in Production and Inventories. Thankfully, the index rose to 52.6 in January 2026 for the first time in 12 months. Primarily driven by expansion in new orders.
- The ISM Services index<sup>4</sup> remained in expansion territory, rising to 54.4 in December from 52.6 in November. Some feel this is due to seasonal strength and there is caution about the potential impact of tariffs. The index remained in expansion territory, despite a slight decrease, at 53.8 in January.

What This Means for the Economy - Taken together, the January 2026 indexes point to a mixed but constructive picture for the economy. This indicates broad economic activity within the U.S. in both goods and services, despite uneven momentum in some underlying areas such as employment in manufacturing and export orders in service.

At its December Open Market Committee meeting<sup>5</sup>, the Federal Reserve lowered its benchmark interest rate by 25-basis-points to a range of 3.50% to 3.75%. Policymakers remain divided on the path forward. Four of the governors project an additional 25-basis-point cut in 2026, another four anticipate further easing, eight expect multiple cuts, and three call for a potential rate hike. Chair Jerome Powell noted that the Fed is “well placed to wait and see” how labor market conditions and inflation evolve in the near term.

Chair Powell’s term ends in May and President Trump has indicated that he has already made a selection on the Chair’s replacement. Although the President has not disclosed a name, many speculate that Kevin A. Hassett, Trump’s top economic advisor is seen as the front runner. Experts speculate that Trump’s selection will be based on the individual’s willingness to push through additional rate cuts despite the fact that inflation remains above the 2 percent target.

The CBOE Volatility Index<sup>6</sup>, 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.

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<sup>3</sup> Institute for Supply Management. “Manufacturing PMI® at 52.6%; January 2026 ISM® Manufacturing PMI® Report.” ISM, Feb. 2026, <https://www.ismworld.org/supply-management-news-and-reports/reports/ism-pmi-reports/pmi/january/>. Accessed 27 Feb. 2026.

<sup>4</sup> Institute for Supply Management. “January 2026 ISM® Services PMI® Report.” ISM, Feb. 2026, <https://www.ismworld.org/supply-management-news-and-reports/reports/ism-pmi-reports/services/january/>. Accessed 27 Feb. 2026.

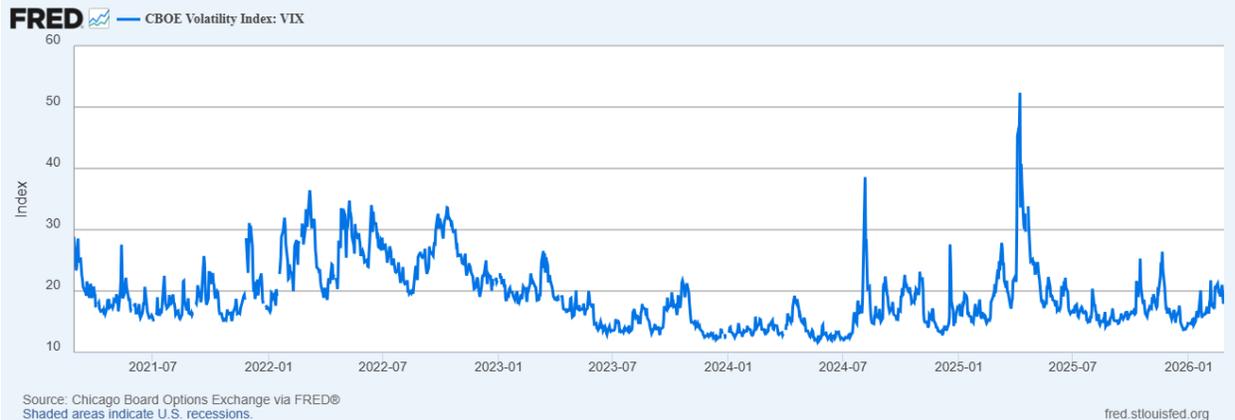
<sup>5</sup> Goldstein, Matthew. “Federal Reserve Faces Labor-Market Challenges, and Rate Cuts Aren’t Imminent.” *The New York Times*, 9 Jan. 2026, <https://www.nytimes.com/2026/01/09/business/economy/federal-reserve-labor-market-rate-cuts.html>. Accessed 27 Feb. 2026.

<sup>6</sup> Cboe Global Markets. “VIX Volatility Products.” Cboe, <https://www.cboe.com/tradable-products/vix/>. Accessed 27 Feb. 2026.

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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.



In response to renewed tariff threats from the U.S. government toward European allies, investors sold off stocks, long-dated Treasuries, and the U.S. dollar, pushing key volatility measures higher as market participants became more uncertain. As a result, the Cboe Volatility Index (VIX) jumped to an eight-week high above 20, signaling increased expected near-term market volatility, though analysts noted it had not yet reached levels historically associated with extreme fear.<sup>7</sup>

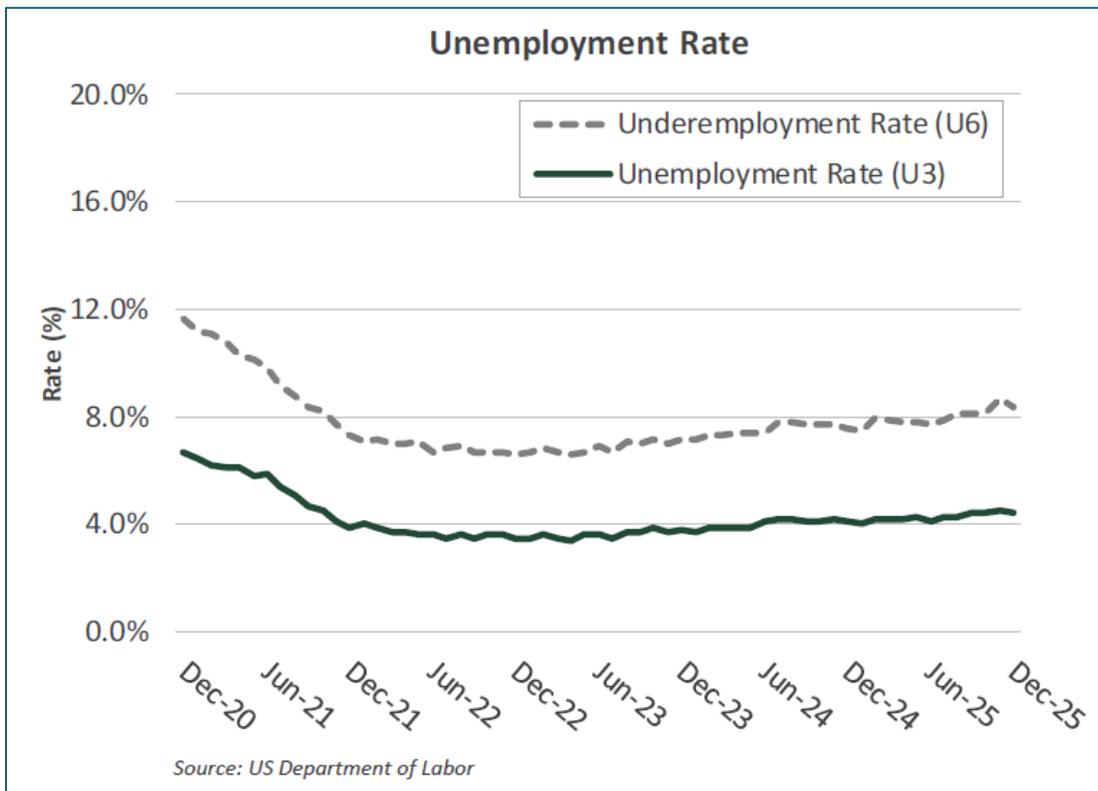
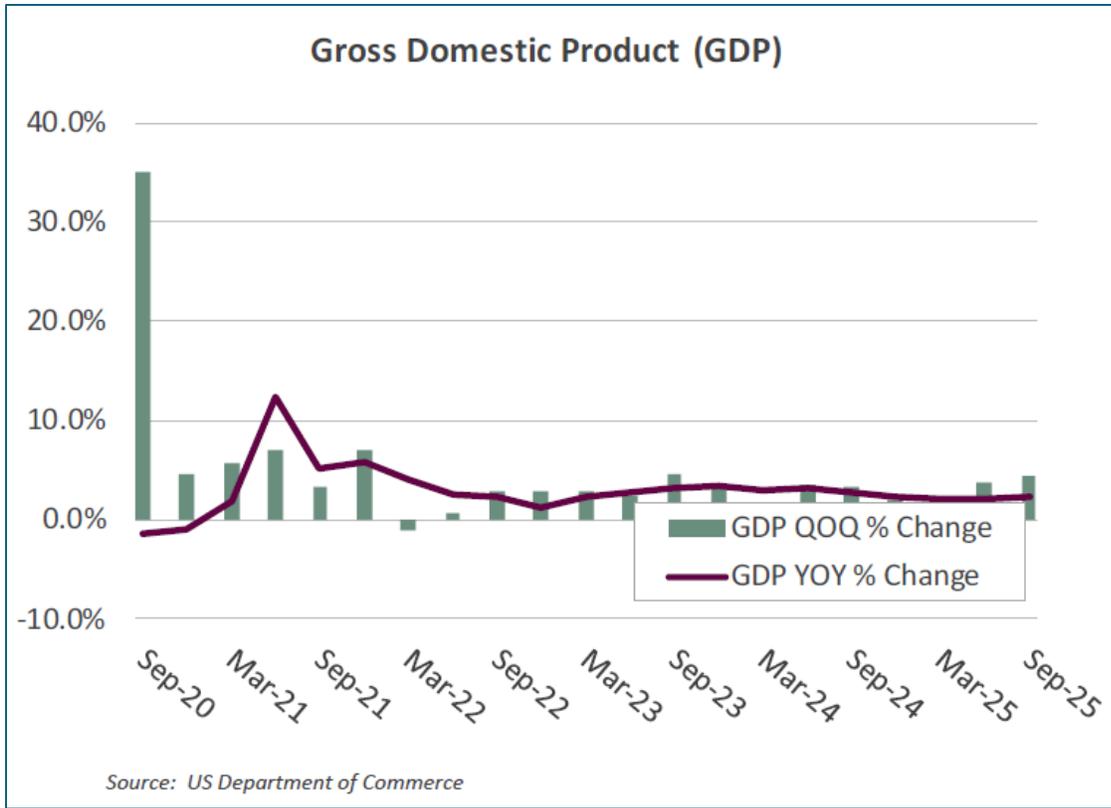
The Town also reviews economic information from Beacon Economics, a California-based independent economic research and consulting firm, founded in 2006. The firm provides data-driven analysis and forecasting to help public agencies, businesses, and policymakers make informed decisions. Their work supports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

In the *Beacon Outlook: United States (Winter 2026)*<sup>8</sup>, the authors suggest that the national economy is likely to continue growing at a modest pace, though they caution that the expansion appears increasingly fragile. They describe recent GDP growth as steady but argue that underlying conditions reflect mounting imbalances and elevated uncertainty. The report points to softening consumer sentiment, mixed labor market signals, and policy uncertainty as factors that may temper momentum in the near term. The authors also express concern about structural vulnerabilities, including large federal deficits and elevated asset valuations, which they believe could amplify risks if economic conditions shift. Overall, they characterize the U.S. outlook as stable but exposed to downside risk, with the trajectory of growth depending heavily on policy clarity and financial market stability.

<sup>7</sup> Ahmed, Saqib Iqbal, et al. "Volatility Gauges Jump as Tariff Threats Spook Investors." *Reuters*, 20 Jan. 2026, <https://www.reuters.com/business/volatility-gauges-jump-tariff-threats-spook-investors-2026-01-20/>. Accessed 27 Feb. 2026.

<sup>8</sup> Thornberg, Christopher, et al. *The Beacon Outlook: United States Winter 2026*. Beacon Economics, Jan. 2026, <https://beaconecon.com/publications/the-beacon-outlook/united-states-outlook/>. Accessed 27 Feb. 2026.

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In the *Beacon Outlook: California (Winter 2026)*<sup>9</sup>, the authors suggest that California’s economy is likely to continue expanding modestly rather than entering a formal recession, but they emphasize that growth appears constrained by structural and policy challenges. They argue that slow labor force growth, uneven job gains concentrated in limited sectors, and persistent housing affordability issues are weighing on broader momentum. The report also expresses concern that policy uncertainty — including regulatory shifts, tax proposals, and immigration enforcement — may be dampening business confidence and workforce stability. Additionally, the authors contend that the state’s heavy reliance on capital gains–related income tax revenue leaves the budget particularly exposed to financial market volatility. Overall, they characterize California’s outlook as stable but vulnerable, with stronger long-term performance dependent on improvements in housing supply, labor force expansion, and clearer policy direction.

### 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.

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

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<sup>9</sup> Thornberg, Christopher, et al. *The Beacon Outlook: California Winter 2026*. Beacon Economics, 2026, <https://beaconecon.com/publications/the-beacon-outlook/california-outlook/>. Accessed 27 Feb. 2026.

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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.

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.

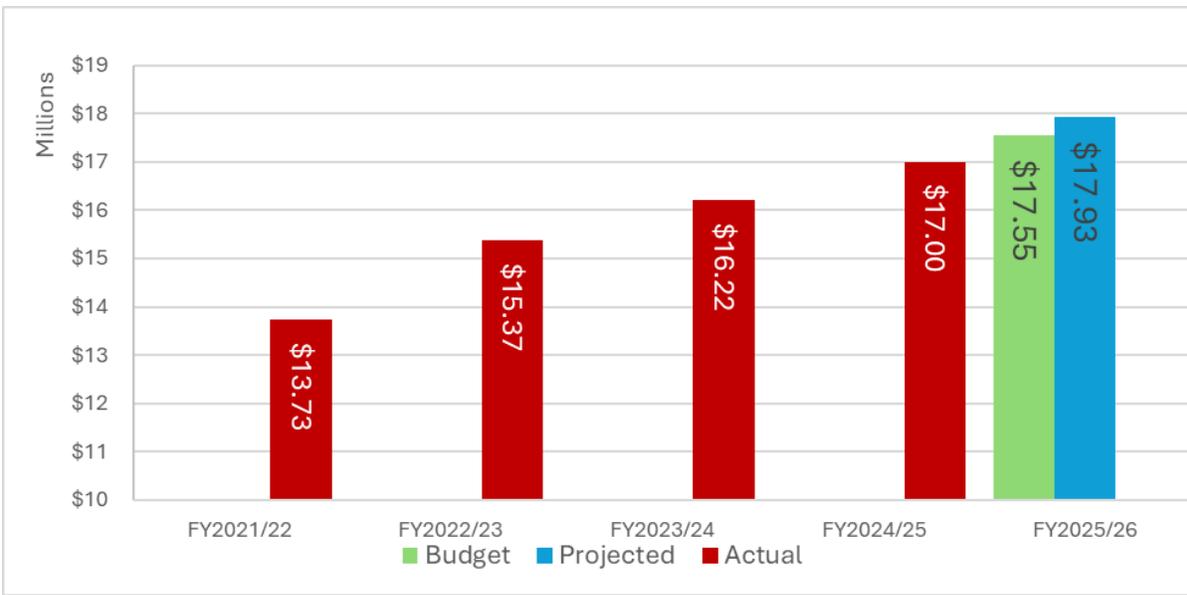
- The Town's top property taxpayer is Hidden Lake Properties with 14 parcels. Despite such a large portfolio, Hidden Lake Properties only accounts for 0.36% of the Town's overall assessed value. This means that the Town has low risk of one property owner failing since they do not represent a large share 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.

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.

Although slightly outside of the period of this update, the Town received its first install of property tax, \$9.9 million, in January 2026. Because the Town's property tax is allocated to the Town under the Teeter method, the Town can make assumptions about actual collections for the year. Based on this collection, the Town is projected to receive \$17.9 million for property tax for the year.

This is approximately \$383,000 more than budgeted. This increase has been included in the five-year projection below.

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On January 13, 2026, the State Board of Equalization released the 2026-27 California Consumer Price Index (CPI) that is used for property tax assessments. The CPI came in at two percent. This supports the property tax projections the Town used in its fiscal year 2025/26 budget for the five-year projection period.

## 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.



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

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## Analysis –

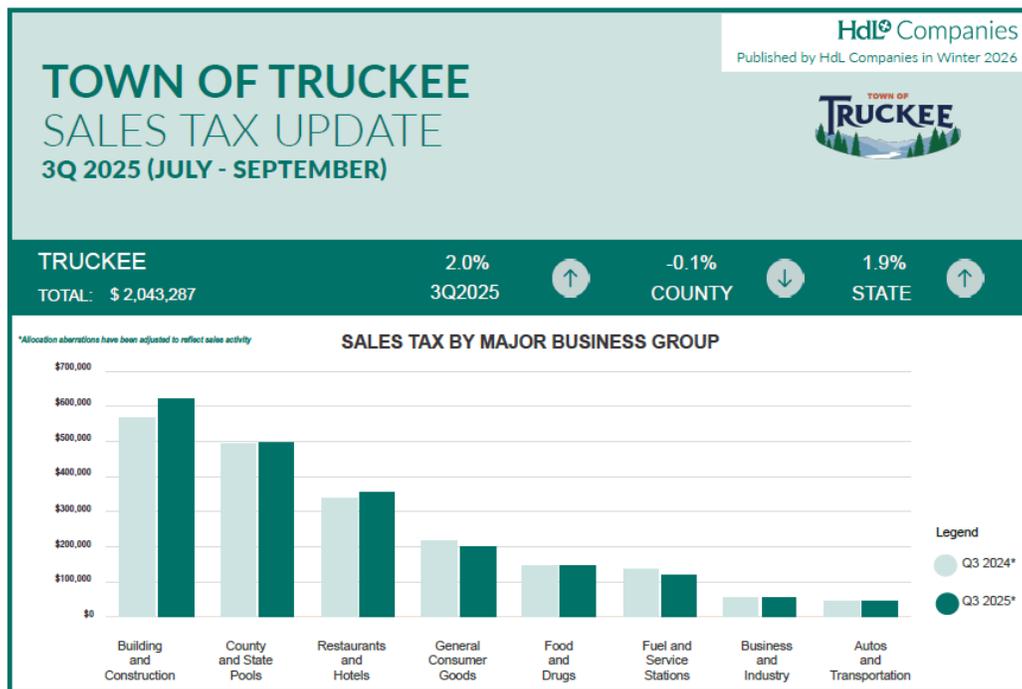
Quarter ended September 30, 2025 - HDL (the Town's sales tax auditors) analyzed the actual collections for the quarter ending September 30, 2025. HDL reported that the Town was allocated approximately \$2,043,287 for the quarter ending June 30, 2025, as compared to \$2,003,863 for the same quarter in fiscal year 2024/25, a 2.0% increase.

The County Pool allocation category stayed relatively flat with a 2.5% increase over the same quarter in fiscal year 2024/25. This increase was in spite of a slight decrease in the share of the pool that the Town receives (38.8% in fiscal year 2025/26 compared to 39.1% for the same quarter in fiscal year 2024/25). Despite the decrease in share of the pool, the Town still receives the largest share of the pool. Overall, the pool increased from \$3.8 million in fiscal year 2024/25 to \$3.9 million in fiscal year 2025/26. As a reminder, County Pool revenues come from the 1% Bradley-Burns local sales tax on transactions that cannot be tied to a specific physical point of sale, most commonly use tax from out-of-area or online purchases and certain mobile or itinerant sales. These revenues are collected at the county level and allocations are based on the proportionate share of "point of sale" receipts in the county.

Building and Construction materials had a notable 9.0% increase over the same quarter in FY2024/25 which added \$51,976 in collections and Restaurants and Hotels increased 3.4%, adding \$11,633 in collections.

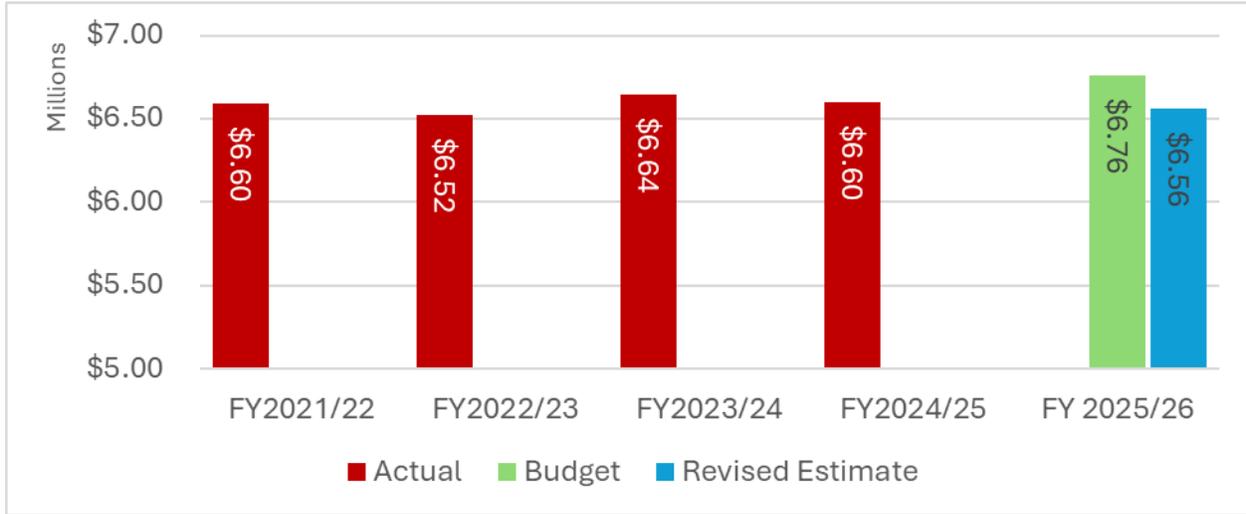
Fuel and Service Stations experienced a 10.8% decrease, \$14,709 lower than FY2024/25 and General Consumer Goods had a 7.2% decrease, \$15,603 lower than FY2024/25. Decreases in the Fuel and Service Stations category were driven by lower fuel prices. Losses in General Consumer Goods was driven by sharp decreases in sales of home furnishings.

Truckee outperformed the County overall, which was down 0.1% and the state which was only up 1.9%.



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*Quarter ended December 31, 2025* - The filing deadline for the quarter ending December 31, 2025 was on January 31 and HDL has not had sufficient time to analyze and report out on the data. Although slightly outside the reporting period for this report, the Town has received all three payments from the California Department of Tax and Fee Administration for the quarter. HDL projected that the Town would receive \$1.69 million from the CDTFA for the quarter and the Town ended up receiving \$1.676 million, 0.84% below expectation. The Town will provide more analysis on this with the next quarterly update.



## *Transient Occupancy Tax*

Transient Occupancy Tax (TOT) accounts 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.

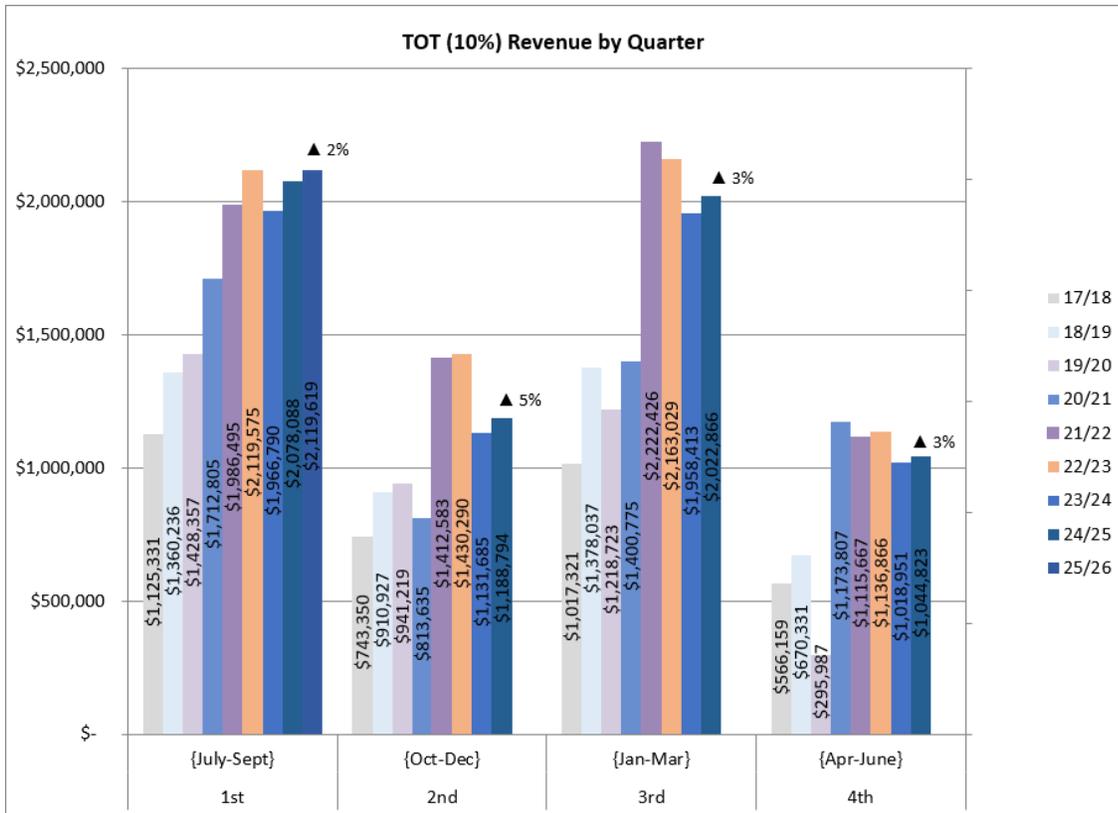
The Town levies a 12% TOT on all hotel, motel, vacation rentals, campgrounds, and RV parks within the incorporated city limits of the Town of Truckee. Of the 12%, 10% goes into the General Fund and 2% is assigned by Council to a special fund for use on housing and wildfire preparedness. In addition to 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 TTBID amounts are remitted to Visit Truckee Tahoe for administration.

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## Analysis –

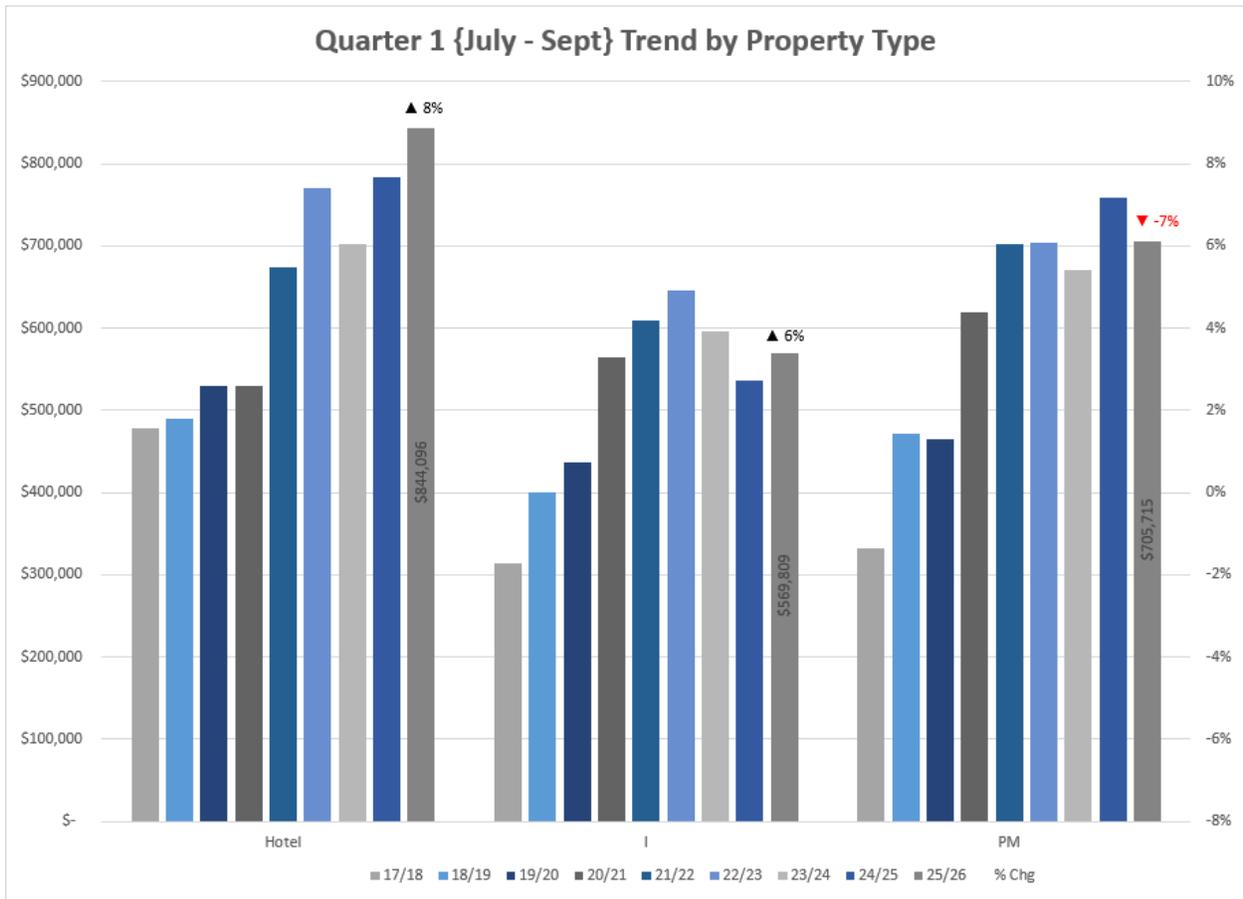
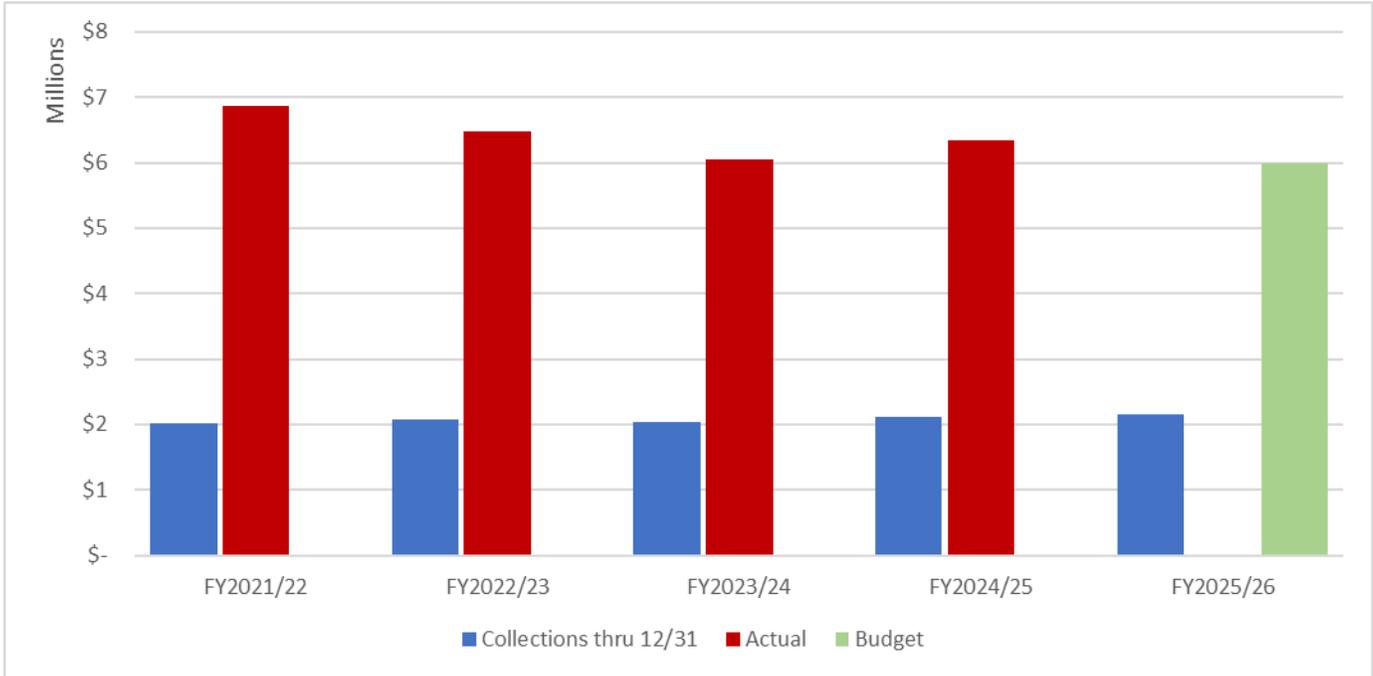
The Town has received and analyzed filings for the quarter ending September 30, 2025.



For the quarter overall, TOT was up 2.0% over the same quarter in FY2024/25 at \$2.12 million. Estimating the collections for the three remaining quarters of the year, the Town is on track to receive the budgeted TOT revenue of \$6 million for the general fund (this does not include the 2% allocated to the Measure K

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fund). By December each year, the Town typically receives around 30% of the annual revenue for the year. For fiscal year 2025/26, the \$2.12 million represents about 35% of the annual budget amount.



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### *Hotels –*

Hotel TOT revenue increased 8% compared to the same quarter in FY2024/25 and accounted for 40% of total TOT revenue for the quarter. The increase was driven primarily by improved performance across several hotel properties.

The Town completed its fifth hotel TOT audit, conducted by Avenu (now Neumo). This audit resulted in the largest liability identified to date, largely due to pet fees being incorrectly reported as subject to sales tax instead of TOT, underscoring the importance of ongoing compliance and audit efforts.

### *Independently Operated Properties –*

TOT revenue from independently operated rentals increased 6% compared to the same quarter in FY2024/25. The percentage of properties filing more than \$0 in TOT was 63%, down 2 percentage points from the same quarter in FY2024/25. For properties that were rented, the average number of nights increased significantly, while average nightly rates remained relatively flat, indicating higher utilization rather than rate-driven growth.

### *Properties Operated by Property Managers –*

TOT revenue from professionally managed properties declined 7% compared to the same quarter in FY2024/25. The percentage of properties filing more than \$0 in TOT was 88%, down 1 percentage point from the same quarter in FY2024/25. Among rented units, both average nights booked and average nightly rates decreased, with nightly rates decreasing by approximately 8%, contributing to the overall reduction in TOT revenue.

### *Quarter ending December 31, 2025 –*

The filing deadline for the quarter ending December 31, 2025 is not until Monday, February 2, 2026. As such, staff have not had adequate time to analyze the filings as of the publication of this report.

Visit Truckee Tahoe (VTT) published preliminary data regarding the quarter and beyond as of December 18, 2025. A summary of their analysis is included below. These projections were created by KeyData. KeyData is a third-party lodging analytics provider that aggregates anonymized, real-time booking data from participating vacation rental managers and hotels to track trends in guest nights, occupancy, average daily rates, and overall lodging demand. For Truckee KeyData analyzes 2,442 short-term rentals (resorts, condos, private homes, etc), which are represented by 63 property management hotels. They also use data from 5 hotels with 1,136 rooms.

Based on the data available, revenue from short-term rentals is projected to be around 1% lower than fiscal year 2024/25 between December and June and 12% above the same period two years ago. December was projected to be down 3.7% year over year. Total guest nights are projected to be down 6% for December through February, likely due to the slow start to the winter season, with an 8.6% decline the week of Christmas.

For hotels, guest nights are projected to be down 7% between December 2025 and April 2026 compared to the same period in the year prior, with a 14.6% decline in December and 11.5% decline in January. Guest

## Quarterly Financial Update – Period Ending December 31, 2025

nights (i.e. the total number of nights reserved by guests) was projected to be down 8% between December 18, 2025 and February 15, 2026 compared to the same time last year, with a 24.5% decline the week before Christmas and 9.1% decline the week after Christmas.

Staff will monitor actual results and report back to Council as part of future financial updates.

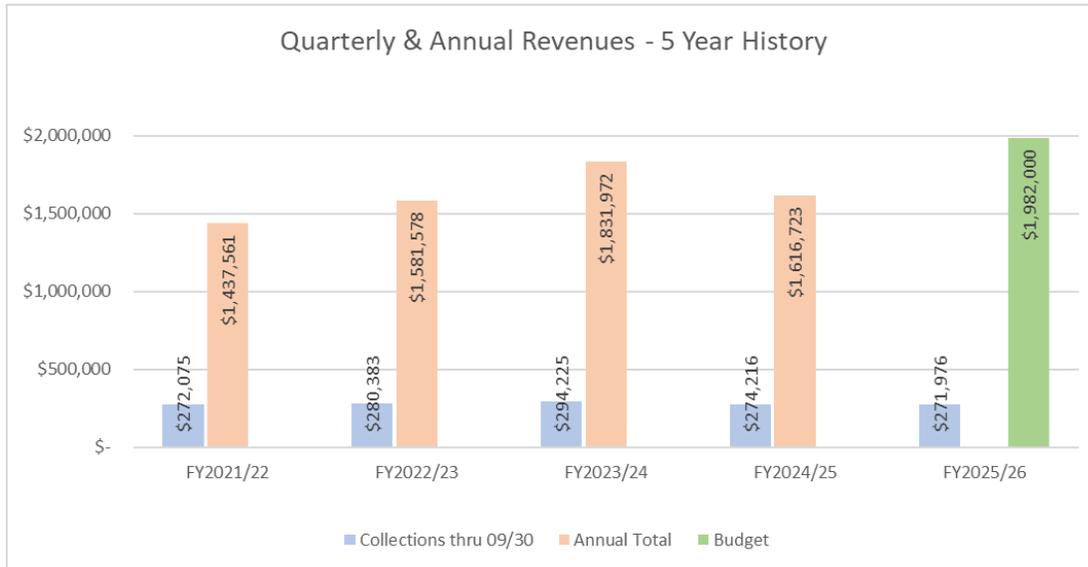
### Franchise Fees

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.<sup>10</sup> 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 December 31, 2025, the Town has collected \$217,976 in franchise fees, on par with the same period in fiscal year 2024/25, \$274,215. The Town receives its two biggest franchise payments, who pay annually, in the early parts of the Calendar year and will provide more analysis of franchise fees with the next quarterly update after the receiving those payments.



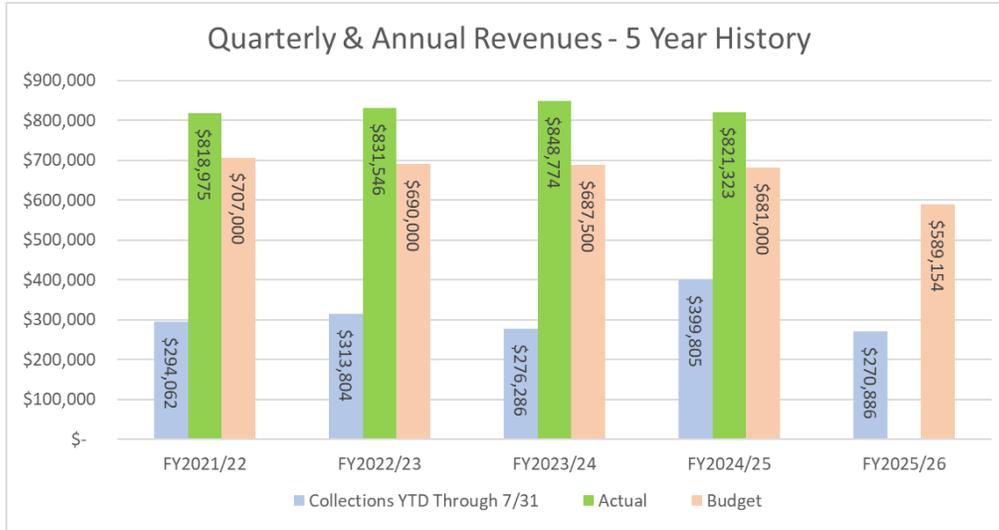
<sup>10</sup> League of California Cities – “The California Municipal Revenue Sources Handbook, Fifth Addition”

# Quarterly Financial Update – Period Ending December 31, 2025

## 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 \$270,886 through December 31 for the fiscal year 2025/26. For the same period in fiscal year 2024/25 the Town had recorded \$399,805 in revenue. The Town typically collects about 40% of its annual revenue by December each year and the \$270,886, represents 46% of the budget for fees for services for fiscal year 2025/26.



## 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.

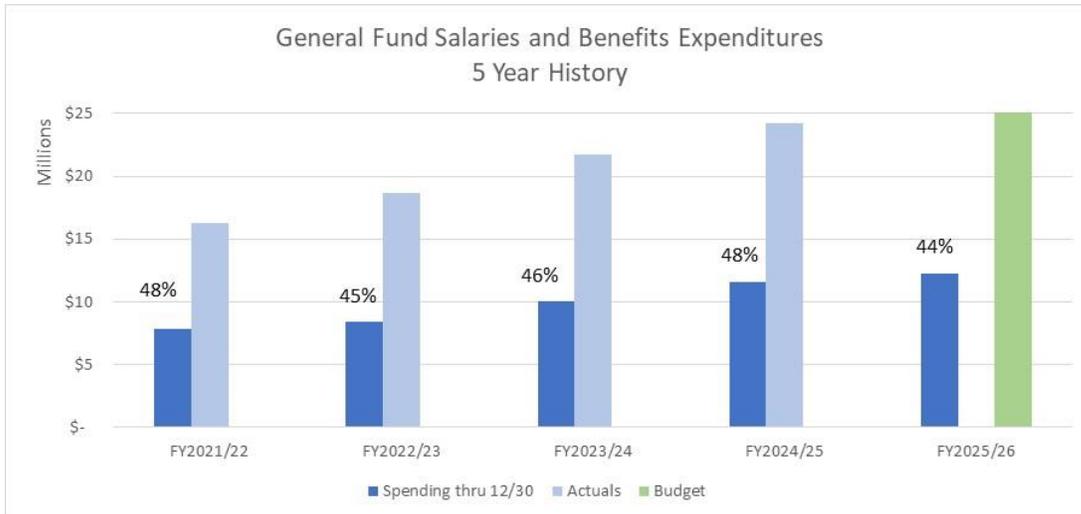
The Town’s fiscal policies require each division to operate within its overall budget; however, there is no mandate to strictly adhere to individual line-item allocations. This approach provides flexibility and responsiveness to evolving operational needs. For example, a division manager may choose to 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.

## Quarterly Financial Update – Period Ending December 31, 2025

**Analysis** – On average, the Town expends about 47% of its annual General Fund salaries and benefits by December 31 each year. The Town has spent 4% of the fiscal year 2025/26 budget as of December 31, 2025. The budget for fiscal year 2025/26 is \$27.9 million.



### Other Updates:

#### CalPERS -

*Preliminary Investment Return:* CalPERS reported their preliminary net investment return of 11.6% for the fiscal year ending June 30, 2025, significantly exceeding its assumed discount rate of 6.8% and outperforming its performance benchmark by 1.7%. This return boosted the Public Employees' Retirement Fund's assets under management to approximately \$556 billion and contributed to an improvement in the fund's estimated funded status to 79%, up from 75% the prior year. Public equity was the strongest performing asset class, with double-digit returns also from private equity and private debt, helping drive the overall results. Final audited performance figures will be released later in the year and will inform the Town's contribution rates in fiscal year 2026/27.

*Asset Liability Management (ALM) Process:* At its November Board meeting, the CalPERS board voted on the proposal as part of the periodic ALM process including proposed reference portfolio, active risk limits, expected rate of return, experience study findings, actuarial assumptions, and the discount rate. Based on the expected rate of return of the selected portfolio, the board elected to maintain the current discount rate of 6.9%. As a frame of reference, lowering the discount rate by 1% decreases the Town's funded status by about 10% and increases the normal cost (i.e. the Town's contribution rate) by about 6% of payroll.

*Reporting Changes and Results:* Starting with the June 30, 2024, actuarial valuations, CalPERS has consolidated reporting of the Town's various tiers into two reports, down from six. The Town now receives a report about its Safety members (i.e. sworn police officers) and a separate report for its Miscellaneous members (i.e. everyone else). In addition, CalPERS now provides the Town with two unfunded actuarial liability (UAL) numbers, one for Safety and one for Miscellaneous. The Town previously allocated out the

## Quarterly Financial Update – Period Ending December 31, 2025

annual UAL contribution among the members of each Tier and this change in reporting in changing the Town’s allocation method.

CalPERS made this change to better reflect their operating practices. If an agency was to default on it’s required contributions, the Town’s portion of the miscellaneous pool would be available to fund retirement benefits for any miscellaneous member regardless of tier. Under the previous method of reporting, it made it appear that the amounts that an agency had contributed to one pool’s tier, as example Tier 1 Miscellaneous, would only be available to the members of that tier and pool in the event of a default.

Additionally, they are only reporting the Town’s funded status by pool (i.e. Safety or Miscellaneous). The Town’s funded status for the Safety pool increased from 76.1% for the June 30, 2023, actuarial period to 79.2% for the June 30, 2024 actuarial period. The Town’s funded status for the Miscellaneous pool increased from 74.1% for the June 30, 2023, actuarial period to 76.8% for the June 30, 2024 actuarial period. The below table shows how the contribution rates and UAL contributions will change between fiscal year 2025/26 and fiscal year 2026/27. The employer contributions rates have stabilized in all six of the Town’s tiers. The Towns UAL contributions continue to rise.

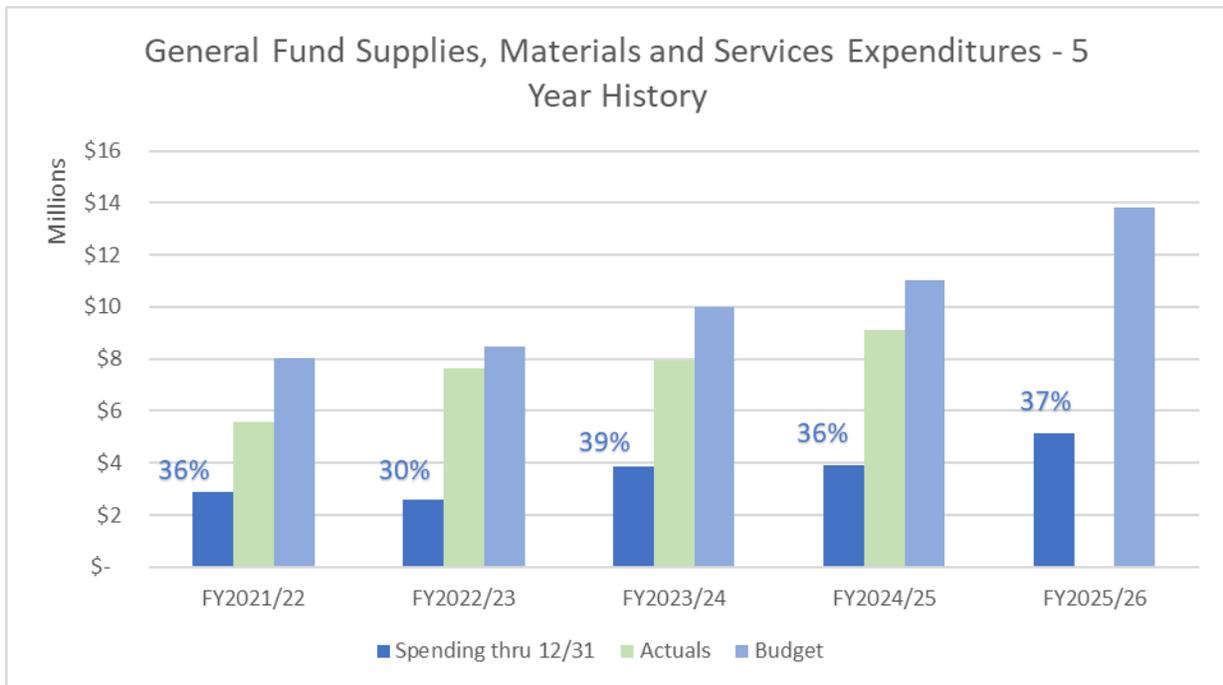
Pool	Tier	Fiscal Year 25/26	Fiscal Year 26/27
Misc	1	17.02%	17.01%
Misc	2	14.33%	14.31%
Misc	3	8.27%	8.24%
Misc	UAL	1,366,103	1,539,105
Safety	1	29.35%	29.38%
Safety	2	25.02%	25.03%
Safety	3	14.96%	14.86%
Safety	UAL	533,315	625,549

### 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 around 35% of the annual budget by December 31 each year. The Town has used 37% of the supplies budget for fiscal year 2025/26 through December 31, 2025.

## Quarterly Financial Update – Period Ending December 31, 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.

The beginning fund balance for fiscal year 2024/25 is the audited ending fund balance for fiscal year 2023/24. The fiscal year 2024/25 Revenues and Expenses are the actual audited amounts.

Several assumptions are used in the creation of this review. The Revenues and Expenses for fiscal years 2025/26 through 2029/30, 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 and sales tax as described previously in this report. The Town collected \$383,000 more in property tax than budgeted for fiscal year 2025/26. This is a base property tax increase, and the Town can expect to collect \$383,000 more in each of the five years of the budget horizon. HdL provided updated estimates for Sales Tax, and an allowance has been made for each year of the five-year horizon to reflect the updated expected collections. A separate line has been added for each separate budget amendment approved by Council that had a General Fund impact.

While completing year end reporting, staff caught a correction that is needed for capital project funding. This has been recorded as a prior period adjustment. Amounts were inadvertently funded via the General Fund and should have been funded by the Measure V Sales Tax fund.

Staff also trued up the balances of nonspendable, assigned and restricted fund balances based on actual spending.

## Quarterly Financial Update – Period Ending December 31, 2025

Fiscal Year	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30
	Audited Actuals	Budgeted	Updated Projected	Updated Projected	Updated Projected	Updated Projected
Beginning Balance	60,039,863	61,351,963	54,799,529	53,243,531	49,324,116	45,388,403
Revenues & Transfers In	46,349,231	45,984,153	46,974,347	48,631,776	50,230,724	51,874,448
<b>Updated Revenue Estimates</b>						
Property Tax		383,000	383,000	383,000	383,000	383,000
Sales Tax		(200,615)	(342,057)	(357,878)	(328,673)	(342,553)
Less: Expenditures	(34,564,547)	(41,131,993)	(42,900,301)	(44,471,605)	(46,055,834)	(47,892,863)
<b>Budget Amendments &amp; Revisions - Expenses</b>						
Sign shop purchases		(80,000)				
<b>Net Operating Revenue/(Expense)</b>	<b>11,784,685</b>	<b>4,954,545</b>	<b>4,114,989</b>	<b>4,185,293</b>	<b>4,229,217</b>	<b>4,022,032</b>
Less: Debt Service	(928,838)	(951,344)	(945,390)	(943,601)	(936,864)	(937,748)
Capital Transfers	(7,125,307)	(7,553,187)	(3,179,107)	(6,775,107)	(6,842,066)	(10,835,000)
Designation Spending	(2,418,440)	(3,613,088)	(1,546,490)	(386,000)	(386,000)	(1,011,000)
<b>Budget Amendments &amp; Revisions - Capital Transfers &amp; Designation Spending</b>						
Prior Period Adj to Correct CIP Funding		759,670				
C1817 -		(76,430)				
C2609 - Town Hall Remodel		(72,600)				
<b>Net Change</b>	<b>1,312,100</b>	<b>(6,552,434)</b>	<b>(1,555,998)</b>	<b>(3,919,415)</b>	<b>(3,935,713)</b>	<b>(8,761,716)</b>
<b>Total Ending Fund Balance</b>	<b>61,351,963</b>	<b>54,799,529</b>	<b>53,243,531</b>	<b>49,324,116</b>	<b>45,388,403</b>	<b>36,626,687</b>
<b>Updated Designation Balances based on FY23/24 Ending Balances</b>						
Less: Nonspendable	672,482	672,482	672,482	672,482	672,482	672,482
Less: Assigned	25,351,547	22,351,049	21,561,252	23,674,223	25,763,801	27,246,291
Less: Restricted	229,690	236,080	236,080	236,080	236,080	236,080
<b>Total Undesignated (Cash Available)</b>	<b>35,098,244</b>	<b>31,539,918</b>	<b>30,773,717</b>	<b>24,741,331</b>	<b>18,716,039</b>	<b>8,471,834</b>
<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	2,475,023	5,018,276	4,821,029	4,266,051	3,760,746	3,400,876

Based on these changes, the updated estimated for Cash Available (undesignated balance), is \$35,098,244 for fiscal year 2024/25, \$2,475,023 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 \$3,400,876 more than the projected cash balance.