

Quarterly Financial Update

Quarter ended September 30, 2023

Purpose

This is the quarterly financial update for the Fiscal Year 2023/24, as of September 30, 2023. 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 for the quarter ending September 30, 2023, 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.

Staff are currently working to complete the Town's audit for fiscal year 2022/23 and expect to present audited annual comprehensive financial statements to council early in calendar 2024.

With respect to revenues: The Town monitors and adjusts its year-end revenue projections based on revenue performance and other developments that may affect the Town's revenues in order to develop a more accurate picture of the Town's anticipated year-end financial position.

With respect to expenditures: The expenditure information in this report is extracted directly from the Town's financial management system, and adjustments are made to account for certain known payments, reimbursements, or transfers between Town departments and funds that have not yet been processed in the system at the time of publication. *It represents a snapshot of Town expenditures at a certain point in time.*

Quarterly Financial Update - Quarter Ended September 30, 2023

Executive Summary

Status of the FY2023/24 Adopted Budget

The Town receives its first property tax installment for the fiscal year in January. As such, the Town does not have any property tax collections to analyze. However, the Town has received the assessed value letter from the County, which details that the expected collections are \$15.8 million projected to be collected represents a 13% increase over the fiscal year 2022/23 budget.

The Town's sales tax auditor provides the Town with sales tax projections. Due to the timing of sales tax filing deadlines, their analysis is typically a few months after the closing of the quarter. The auditing company recently provided the Town with an analysis of the quarter and year ended June 30, 2023. Overall, the Town collected \$6,522,508 for fiscal year 2022/23. The Town had included an estimated actual of \$6,737,929 for fiscal year 2022/23 in the fiscal year 2023/24 operating budget, leaving a ~\$215,000 shortfall in estimated General Fund revenues.

The Town has collected and analyzed the quarter ended June 30, 2023, transient occupancy tax collections. Although the filing date for the quarter ending September 30, 2023, has passed (November 1st), staff has not finished reconciling and analyzing the data and does not have preliminary number to report. The Town collected \$6,680,645 for fiscal year 2022/23, as compared to \$6,680,645 fiscal year 2021/22, a 0.7% increase.

Overall, the Town has expended about 20-25% of the General Fund salaries and supplies budget for the fiscal year 2023/24, which is in-line with spending in previous fiscal years.

Staff analyzed the impacts of the updated property tax estimates on the General Fund after expenditures data. Also included in the General Fund balance review are recent budget amendments and future year impacts of staffing changes. The updated projected cash available balance for fiscal year 2027/28 is \$9,863,292 compared to \$4,947,772 projected as part of the fiscal year 2023/24 operating budget.

Preliminary Results for FY2022/23

General Fund – Key Revenue Analysis

The following discussion provides the status of significant General Fund revenue sources based on information received as of the publication of this report. Staff monitors each revenue source closely and may recommend certain revenue adjustments based on revenue actuals or state budget actions or other. A note regarding the Town's current budget practice: Budget conservatively. This means that budgeted expenses are set so as to ensure the Town has the funds necessary to meet all probable and necessary obligations and promises that occur throughout the year. An example of this is the Snow Removal budget which includes staffing to address snow removal needs for a good snowfall year. This also means that budgeted revenues are set at probably collection levels.

When revenues come in above probable levels or expenses come in lower than budgeted levels, it creates budget surplus, which rolls into the fund balance. Fund balances are available for Council priorities on a one-time basis.

Quarterly Financial Update - Quarter Ended September 30, 2023

Taxes

Property Tax

Property tax is the Town's largest revenue source for the General Fund, accounting for an estimated 46.5% of the General Fund revenues year-over-year. Property tax is levied by the Nevada County Assessor's Office at 1% of the property's assessed value, of which the Town receives approximately 15 cents per property tax dollar collected from a specific property within the incorporated city limits of the Town of Truckee. This means that for every \$30 million assessed property value within the Truckee city limits, the Town receives approximately \$45,000 of property tax annually.

In accordance with Proposition 13, the assessor can increase property values by the lesser of California Consumer Price Index (CPI) or 2% annually, unless a property is sold or transferred, in which case the assessed value is set at the sale or transfer price. Under Proposition 8, if a property's value decreases below the assessed value, then the assessed value must also decrease.

Analysis – The Town receives its first installment of property tax each year in January, therefore the Town has not received any property tax to allocate. However, the Town has received the final assessment letter and estimated allocation letter from the County for fiscal year 2023/24. Based on those letters, the Town expects to receive around \$15.8 million.

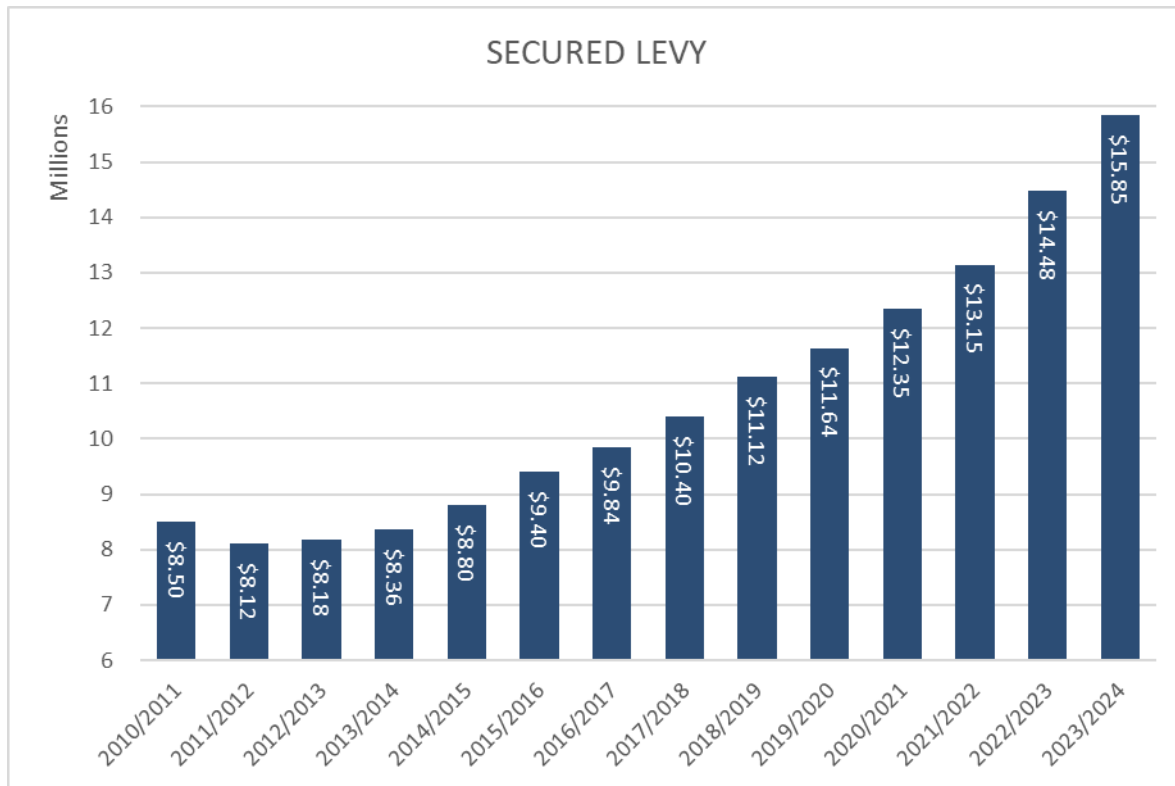


Table 1 shows the property tax allocation to the Town of Truckee

Quarterly Financial Update - Quarter Ended September 30, 2023

Year	Average	Change
2023	\$ 1,183,516	-9.8%
2022	\$ 1,312,056	16.1%
2021	\$ 1,130,568	41.4%
2020	\$ 799,613	8.8%
2019	\$ 734,669	1.1%
2018	\$ 726,763	9.3%
2017	\$ 664,883	10.0%
2016	\$ 604,210	7.2%
2015	\$ 563,417	0.7%
2014	\$ 559,759	14.0%
2013	\$ 490,888	19.7%
2012	\$ 410,001	-5.2%
2011	\$ 432,287	-7.2%
2010	\$ 466,072	-8.1%
2009	\$ 506,933	-14.7%
2008	\$ 594,054	-5.5%
2007	\$ 628,380	-1.2%
2006	\$ 636,165	-4.3%
2005	\$ 664,967	30.7%

Table 2 shows the median home prices in Truckee

As a reminder, the assessed value upon which property tax is assessed is re-valued when a property is sold. The table to the left shows the median home price in Truckee. Although the median home price in Truckee fell slightly in 2023, the prices are still drastically higher than five and ten years prior. These high prices had the effect of increasing the assessed value base dramatically and thus led to higher-than-normal increases in annual property tax.

Additionally, 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 from sales in fiscal year 2021/22, when Truckee was experiencing record high housing turnover.

The Town included a moderate 6.4% budget to budget revenue increase for property tax at \$14.8 million in the budget. The \$15.8 million projected to be collected represents a 13% increase over the fiscal year 2022/23 budget. The expected increase has been factored into the General Fund balance analysis included below. It is important to note that the record high housing turnover experienced during fiscal year 2021/22 is not being considered to be the new baseline. As indicated in

recent data, home price trends are declining, and sales are leveling out. For these purposes, the significant increases in property tax experienced in the last few years are to a degree viewed as one-time surges and there is no expectation of ongoing year-over-year increases in property tax. Instead, staff expect that the property tax collection increases will return to the historical average of between 1-3%.

Sales Tax

Sales tax generates approximately 17.5% of revenues, the second largest revenue source for the Town's General Fund in YEARS. The Town's General Fund receives \$12 for \$100 of sales tax collected. The allocation of sales tax is shown below. The budget for sales tax for fiscal year 2023/24 is \$6.69 million. This means that approximately \$676 million worth of taxable goods will need to be sold within the Town or delivered to properties within Truckee.

Quarterly Financial Update - Quarter Ended September 30, 2023



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

Analysis – The Town’s sales tax auditors have analyzed the collections for the quarter ending June 30, 2023, as of the publication of this report. The Town received \$1,514,452 for the quarter ending June 30, 2023, as compared to \$1,643,532 for the same quarter in fiscal year 2021/22, a 7.9% decrease.

Building and construction receipts were a major driver of this trend due to moderating lumber prices. Lumber prices peaked in fiscal year 2020/21 and prices are nearing their pre-pandemic levels. This is partly due to a moderation in demand combined with increases in supply. Fuel prices also moderated during this period.

The decrease in county and state pools was driven by two factors. First, households particularly impacted by inflationary price increases, decreased their general consumer good purchases. Secondly, the California Department of Tax and Fee Administration (CDTFA), made changes to their previous Wayfair decision. As a reminder, the 2019 Wayfair decision required that out-of-state and online retailers who had more than \$500,000 taxable sales in California, collect and remit sales taxes on goods delivered into California based on the delivery location. The CDTFA recently refined that rule and allowed retailers with warehouses, or fulfillment centers, within California to remit taxes based on the originating warehouse/fulfillment center jurisdiction rather than the delivery location. This has led to a decrease in the taxes entering the State and County pools.

Decreasing sales taxes can be a flag of a potential recession. In this case, the majority of economists feel that moderating prices are the biggest causes of sales tax decreases (i.e. fuel prices and lumber prices) rather than a true recession. Staff will continue to monitor sales tax and the impact on the Town’s finances, along with assistance from the Town’s sales tax advisors.

Quarterly Financial Update - Quarter Ended September 30, 2023

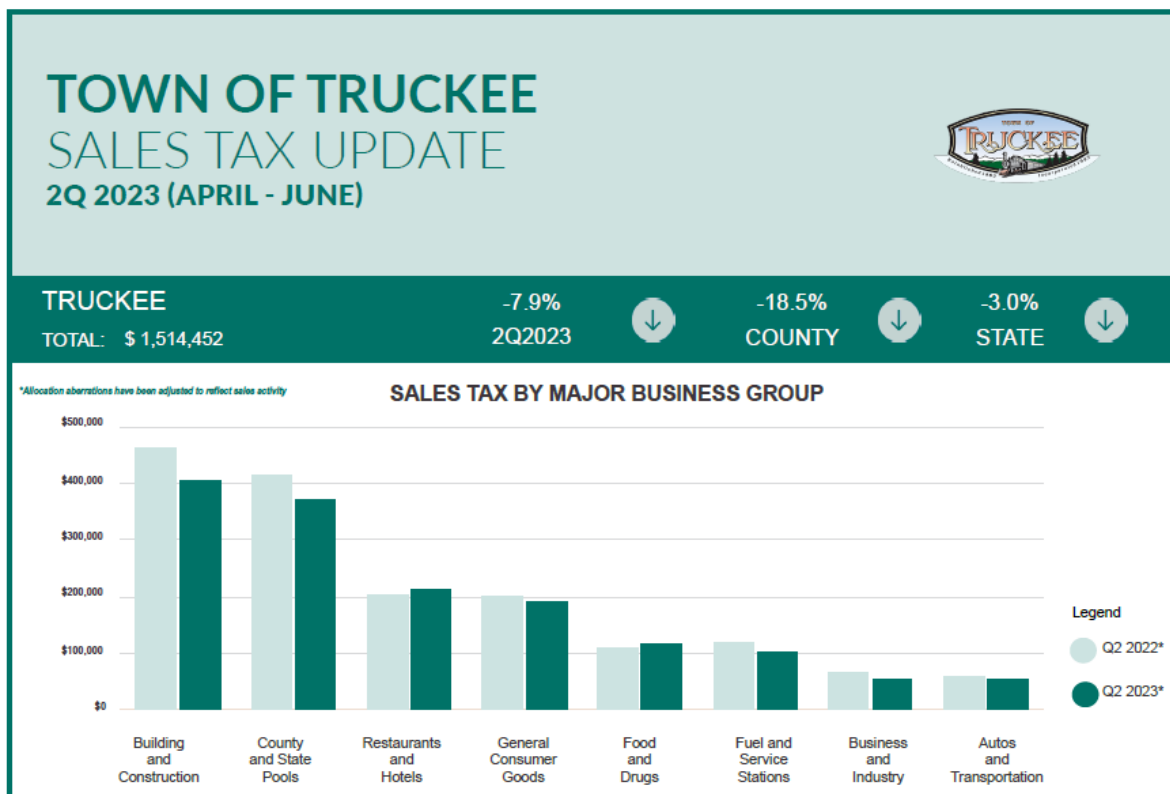


Table 3 provided by HdL Companies in fall 2023

Overall, the Town collected \$6,522,508 for fiscal year 2022/23. The Town had included an estimated actual of \$6,737,929 for fiscal year 2022/23 in the fiscal year 2023/24 operating budget, leaving a \$215,000 shortfall in estimated General Fund revenues. This shortfall has been included in the unaudited General Fund balance included in the analysis below.

Quarterly Financial Update - Quarter Ended September 30, 2023

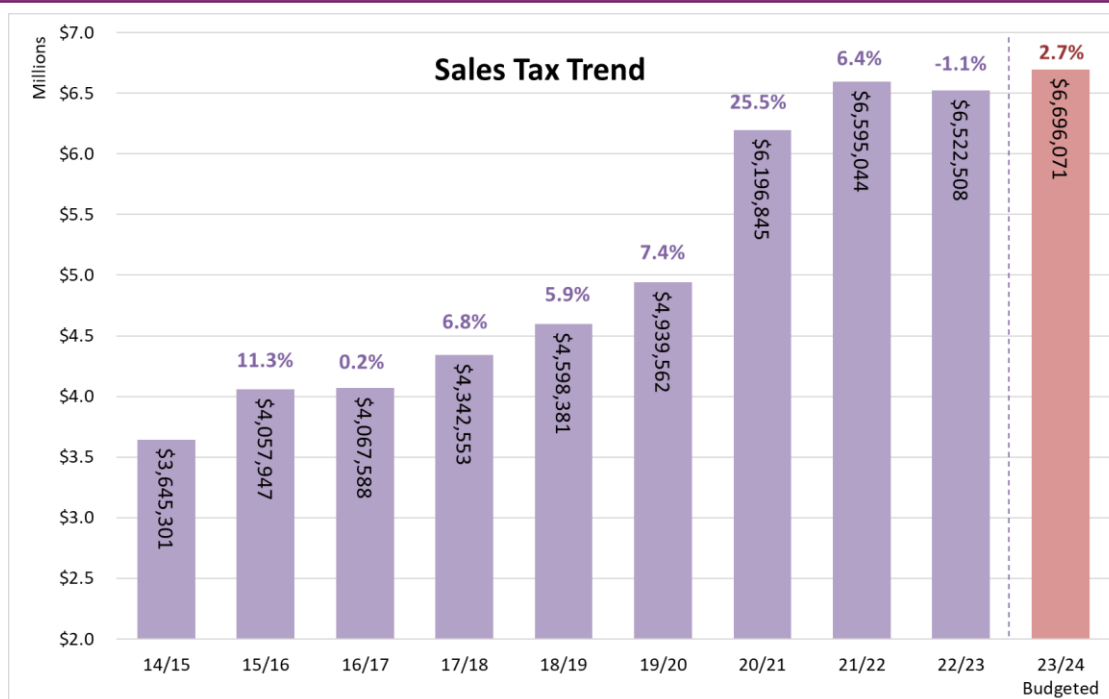


Table 4 shows the General Fund sales tax revenue over the past 10 years and the budget for fiscal year 2023/24

Transient Occupancy Tax

Transient Occupancy Tax (TOT) accounts for approximately 13.7% of the Town's General Fund revenues 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 plan 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.

Quarterly Financial Update - Quarter Ended September 30, 2023



Analysis – Although the filing deadline for the quarter ending September 30, 2023, has passed (November 1st), staff has not finished reconciling and analyzing the collections for that quarter. The Town has received and analyzed the TOT collections for the quarter and year ended June 30, 2023.

The Town received \$1,105,503 for the quarter ending June 30, 2023, compared to \$1,104,910 for the same quarter in 2022. Overall, the Town collected \$6,727,409 for fiscal year 2022/23, as compared to \$6,680,645 fiscal year 2021/22, a 0.7% increase. The Town included an estimated actual collection of \$6 million for fiscal year 2022/23 in the fiscal year 2023/24 annual operating budget. The excess collected is included in the General Fund balance in the analysis below.

Collections from hotels were up 37% during quarter ending June 30, 2023, when compared to quarter ending June 30, 2022. Overall, hotels collections were up 17% for the fiscal year. Gains in hotel revenues were offset by a 30% decrease in collections from individually operating short-term rentals for the quarter, and 13% for the year. Likewise, collections from property management short-term rentals were down 9% for the quarter and 3% for the year.

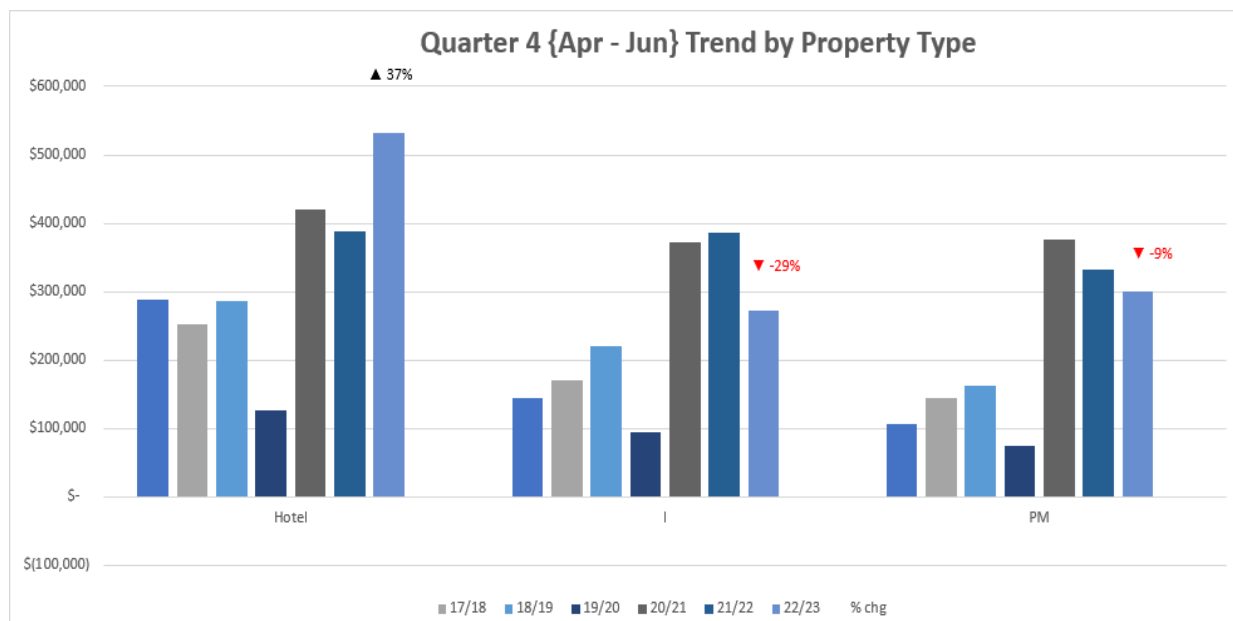


Table 5 was created by Angela Martin, Program Analyst II in the STR Division. It shows the collections by property type for the last six years.

Quarterly Financial Update - Quarter Ended September 30, 2023

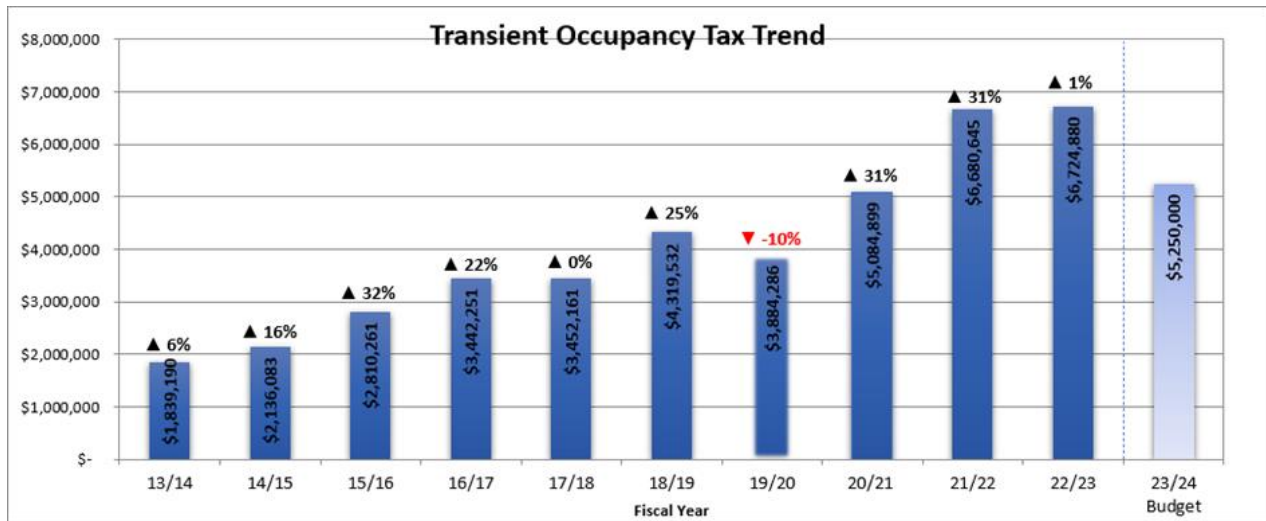


Table 6 was created by Angela Martin, Program Analyst II in the STR Division, which shows the ten-year history of transient occupancy tax collections, including the budget for FY23/24. These figures are adjusted to exclude amounts assigned to Measure K for comparison

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 2023/24.

Analysis – The Town collected \$1.58 million in franchise fees for fiscal year 2022/23. One of the franchise fee payers still has not paid their franchise fee for fiscal year 2022/23. Staff are working to collect the missing fees, which will be included in the fiscal year 2023/24 revenues.

The Town had an estimated actual of \$1.44 million for franchise fee collections for the that period as part of the fiscal year 2023/24 operating budget. The surplus collections are included in the unaudited General Fund balance analyzed below.

The Town has received the first quarter franchise fees from its utility cable franchisees for fiscal year 2023/24. They are down 8% when compared to the same quarter in fiscal year 2022/23. These decreases are offset by higher collections from the Town's garbage collection franchisees. Overall, the Town appears to be on track to receive the budgeted amount of \$1.35 million. Staff will continue to monitor and work towards collecting from the missing franchisee payer for fiscal year 2022/23.

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 assessed based on recovery formulas, which reflect the approximate costs of providing these services.

Analysis – The Town has received \$128,244 in charges for services through September 30, 2023. The Town had received \$188,695.94 by September 30, 2022. The difference is primarily due to Planning set fees and Engineering set fees. The Town has received \$52,269 and \$14,714, respectively through

Quarterly Financial Update - Quarter Ended September 30, 2023

September 30, 2023, compared to \$73,998 and \$39,312 respectively, in 2022. Staff will continue to monitor the fluctuations as the year progresses.

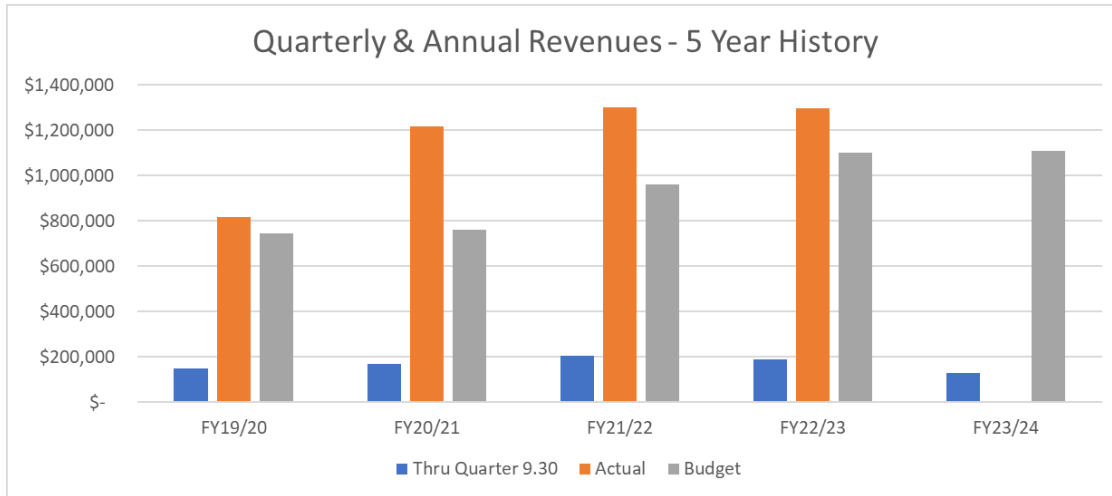


Table 7 shows the Charges for Services revenues over the last five years. The blue line shows the amount collected through September 30 each year.

The Town ended fiscal year 2022/23 with \$1.297 million for charge for services, compared to \$1.103 million that was budgeted. The only revenue categories the Town did not achieve its expected revenue collections were related to special event services provided by the Town. This includes Police Department Services and Public Works Services Charges – Maintenance which account for the services provided by the Town for special events in those respective divisions.

Account	FY22/23 Budget	FY22/23	Under Collected
42.10 - Animal Licenses	25,000	27,225	-
42.21 - Set Fees	230,000	236,928	-
42.28 - Engineering Fees	105,000	135,385	-
42.60 - Short-term Rental Registration	432,975	458,350	-
46.05 - Animal Services Contract Fees	14,500	18,848	-
46.06 - Animal Shelter Fees & Charges	14,000	17,796	-
46.30 - Impact Admin Fee	70,000	106,301	-
46.31 - Special Event Fees	5,000	3,745	(1,255.00)
46.40 - Police Department Services	40,000	16,852	(23,147.62)
46.41 - Police Special Events Services	50,000	57,337	-
46.42 - Abandoned Vehicle Abatement	4,000	30,275	-
46.50 - Public Works Chgs - Snow	100,000	150,142	-
46.51 - Public Works Service Chg - Maint	5,000	2,530	(2,469.60)
46.54 - Trails, Privately Owned Maint.	-	2,238	-
46.90 - Other Current Service Charge	7,500	28,180	-
Subtotal	1,102,975.00	1,292,134.26	

Table 8 shows the items included in the review of charges for services for fiscal year 2022/23 compared to the budget for those items.

The surplus has been included in the General Fund balance in the analysis below.

General Fund – Key Expenditure Analysis

The following discussion provides a status of significant General Fund expenditures as of the quarter ending September 30, 2023. It is the Town's current practice to budget expenditures conservatively to

Quarterly Financial Update - Quarter Ended September 30, 2023

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 practices require that each division stay within their division budget, but there is no requirement to adhere to the line-item budget for specific spending categories. This allows some amount of flexibility and nimbleness to respond to the operating realities that may arise. An example of this is allowing a division manager to outsource some work to a consultant (Professional Services line item) using savings from a position vacancy (Wages line item). As long as the net impact to the division budget is zero overall, the division managers have budget authority flexibility for such an action.

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 has used around 19% of its budget for salaries and benefits through the quarter ended September 30, 2023. This is similar to the same time period in fiscal year 2022/23.

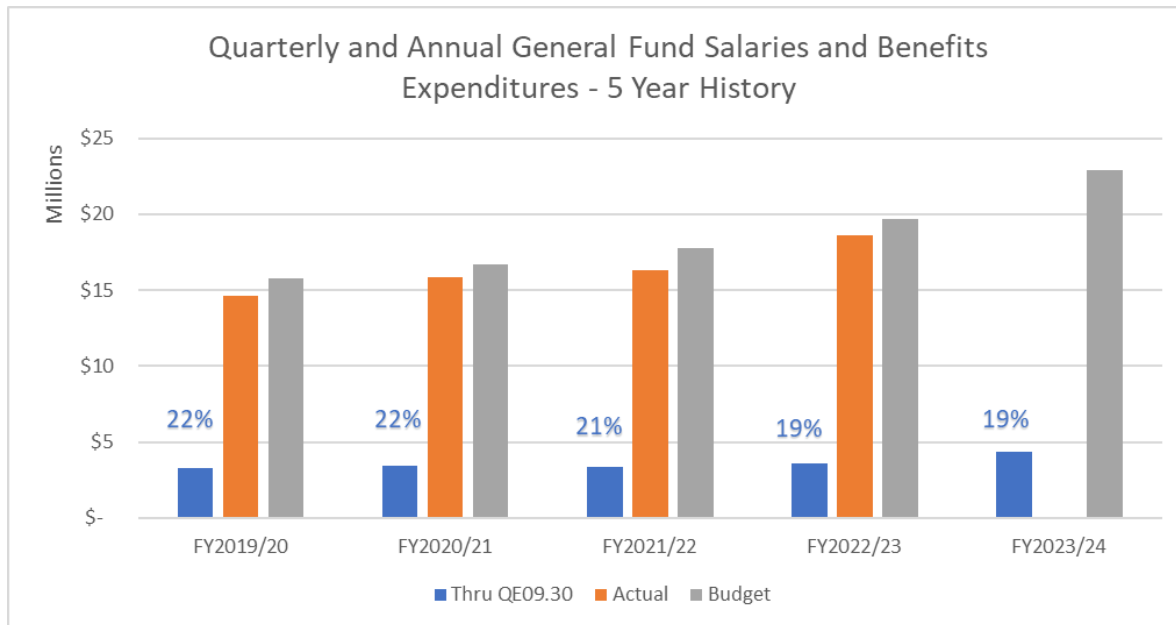


Table 9 shows the Annual Budget for Salaries and Benefits over the past five years compared to the Actuals and the amounts spent through September 30 each year.

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 around 25% for the first quarter of the fiscal year. Many expenditures such as utility

Quarterly Financial Update - Quarter Ended September 30, 2023

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 - The Town has utilized approximately 24% of its General Fund Supplies, Materials, and Services budgets for the fiscal year 2023/24 through quarter ending September 30, 2023. At this time last year, the Town had only utilized 20% of its budget.

The Town had some larger expenditures in General Government, Emergency Coordination, and Trails that account for the slightly higher percentage of usage this year over last. In General Government, the Town did make its annual general liability insurance payment until later in the year, as compared with this year, when the payment was made in July. In Emergency Coordination, the Town expended \$40,000 for evacuation planning services at the beginning of the year as a lump sum payment. In Trails, the spent nearly \$50,000 during the end of the summer on the new trails messages and the remaining repairs needed following last winter.

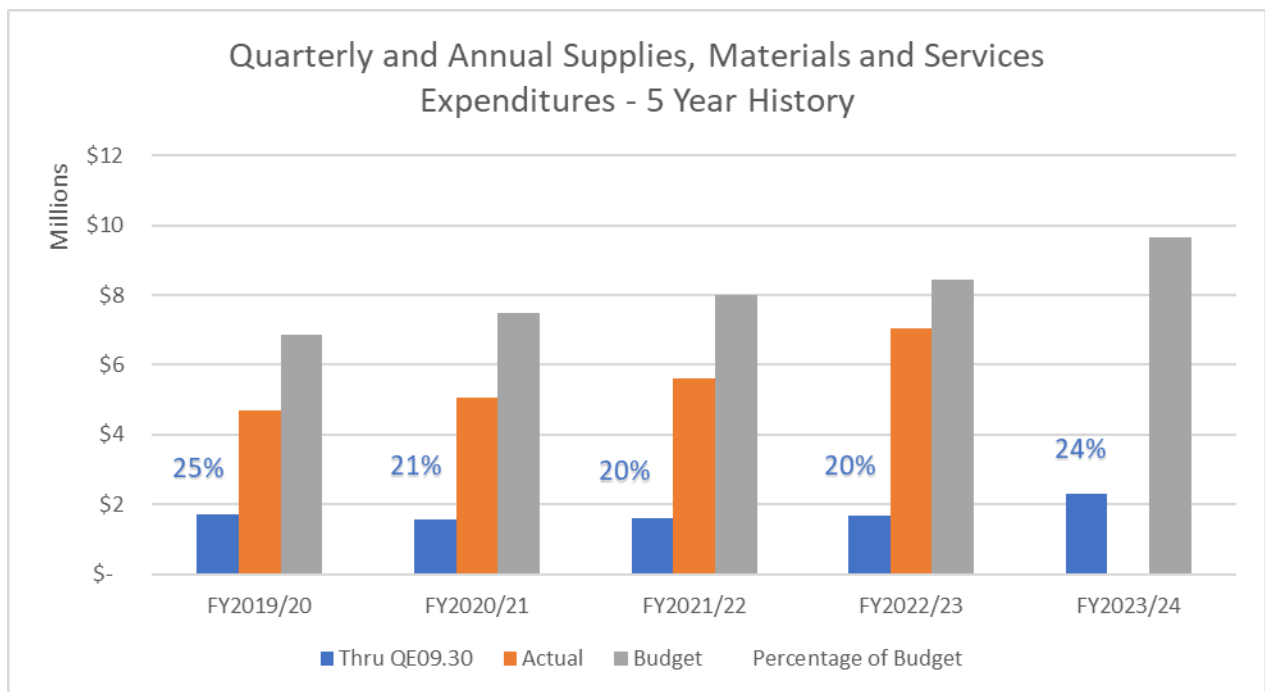


Table 10 shows the Annual Budget for supplies, materials, and services over the past five years compared to the actuals and amounts spent through September 30 each year.

Quarterly Financial Update - Quarter Ended September 30, 2023

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 is the unaudited balance from fiscal year 2022/23. This number could change between now and when the Town releases its audited annual comprehensive financial statement for the same period.

As a reminder, staff are currently working with the Town's independent financial auditors to complete the audit process and publish the annual comprehensive financial statement. The statements are expected to be presented to Council early in the next calendar year.

The Revenues and Expenses were taken directly from the annual operating budget, 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 2023/24 annual operating budget. Although these numbers are expected to change as the Town embarks on the fiscal year 2024/25 annual operating budget process, these numbers provide a good starting point to benchmark the Town's current and projected financial position.

Extra lines were added under expenditures to show the additional cost associated with items being presented to Council as separate staff reports at the same council meeting, on Tuesday, November 28, 2023. The projection for the additional Senior Planner position has been increased by 5% each year to represent the probable cost increases associated with the position.

Extra lines were also added under Capital Transfers and Designated Spending to show budget amendments that were approved by Council at previous council meetings.

Based on these changes, combined with the unaudited, actual results from fiscal year 2022/23, the updated project to the Cash Available Undesignated balance will be \$25,444,123, \$2,250,557 more than the projected balance. The Cash Available Undesignated balance increased from \$4,947,772 to \$9,863,292 in the fifth year, a \$4,915,520 increase.

Quarterly Financial Update - Quarter Ended September 30, 2023

Fiscal Year	2022/23	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
	Estimated Actual	Unaudited Balances	Budgeted	Updated Projection	Updated Projection	Updated Projection	Updated Projection
Beginning Balance	50,143,385	50,143,385	55,580,507	46,868,609	42,026,309	38,040,138	32,487,116
Revenues	39,022,559	39,739,128	38,380,723	38,574,380	39,550,386	40,349,119	41,118,910
Updated Revenues -							
Property Taxes			941,696	941,696	941,696	941,696	941,696
Less: Expenditures	(26,288,909)	(26,991,557)	(32,269,785)	(34,183,892)	(35,107,519)	(36,514,340)	(38,065,547)
Budget Amendments -							
LPR Amendment				(11,500)	(11,500)	(11,500)	(11,500)
Add'l Senior Planner				(180,000)	(189,000)	(198,450)	(208,373)
Net Operating Revenue/(Expense)	12,733,650	12,747,572	7,052,634	5,140,684	5,184,063	4,566,525	3,775,187
Less: Debt Service	(952,094)	(934,037)	(951,397)	(943,710)	(949,307)	(948,593)	(943,601)
Repayment of Loans	100,000	132,200	100,000	100,000	100,000	100,000	100,000
Capital Transfers	(2,065,224)	(1,389,311)	(9,592,182)	(6,619,274)	(6,155,466)	(7,215,954)	(4,758,592)
Budget Amendments -							
DEI Action Plan			(50,000)				
Designated Spending	(5,738,071)	(5,119,302)	(4,990,953)	(2,520,000)	(2,165,461)	(2,055,000)	(1,055,000)
Budget Amendments -							
C2302 2023 Paving & Drainage			(280,000)				
Net Change	4,078,261	5,437,122	(8,711,898)	(4,842,300)	(3,986,171)	(5,553,022)	(2,882,006)
Total Ending Fund Balance	54,221,646	55,580,507	46,868,609	42,026,309	38,040,138	32,487,116	29,605,110
Less: Nonspendable	568,316	476,499	568,316	568,316	568,316	568,316	568,316
Less: Assigned	24,652,124	25,276,037	20,911,170	19,641,170	18,931,093	18,445,586	18,948,502
Less: Restricted	225,000	225,000	225,000	225,000	225,000	225,000	225,000
Total Undesignated (Cash Available)	28,776,206	29,602,971	25,164,123	21,591,823	18,315,729	13,248,214	9,863,292
Projection in FY2023/24 Budget		28,776,206	23,193,566	18,871,070	14,853,780	9,054,518	4,947,772
	Previously adopted amendments				Updated projections a part of this Financial Update		

Table 11 shows the General Fund balance for the previous fiscal year and over the five-year projection period included in the annual operating budget. It has been adjusted with updated revenue projections and expenditure budget amendments.