

Financial Update

Period ended May 2025

Purpose

This is the quarterly financial update for the Fiscal Year 2024/25, as of April 30, 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 April 30, 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.

Staff submit the Town's audit for fiscal year 2023/24 and presented the audited annual comprehensive financial statements to council at the May 13, 2025 meeting.

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.*

Quarterly Financial Update – Period Ending April 30, 2025

Executive Summary

At the national level, economic indicators continue to signal a moderated outlook. While the Leading Economic Index and ISM reports suggest a slowdown in economic activity, there is no current evidence of an imminent recession. The Chicago Fed Index continues to show modest growth, and although market volatility has increased—as indicated by the rise in the VIX—there is no sign of investor panic. Economists have adjusted GDP forecasts for 2025 downward and now estimate a 30–45% probability of a recession in the next year, driven in part by uncertainties in trade policy. Nevertheless, Beacon Economics reports that consumer and business spending remain resilient, and overall momentum in the U.S. economy continues, albeit more cautiously than in previous quarters.

Locally, property tax revenues remain the cornerstone of the Town’s General Fund, comprising approximately 45% of total annual revenues. Strong real estate activity in recent years has led to increased assessed property values, resulting in a positive adjustment to the Town’s revenue forecast. Based on updated figures, the Town now anticipates collecting \$16.367 million in secured property tax revenue, exceeding the original FY24/25 budget by \$367,000.

Sales tax, the second-largest revenue source at 17.5% of the General Fund, has shown signs of softening. Actual collections for the fourth quarter of 2024 decreased by 7.3% compared to the same period in the prior fiscal year. The decline was more pronounced when examining point-of-sale receipts alone, which fell by over 15%. Changes by the California Department of Tax and Fee Administration regarding tax sourcing rules have further impacted revenues. Revised outyear projections are lower and are incorporated into the Town’s updated financial outlook.

Transient Occupancy Tax (TOT) revenues, which make up about 13.7% of General Fund income, have reached \$3.88 million as of April, representing 62% of the annual target. While staff have not yet completed a full analysis due to the recent filing deadline, current collections are in line with expectations, and no adjustments to projections are recommended at this time.

Franchise fee revenue, anticipated to contribute 3.5% of General Fund revenues, is currently down by 11% compared to the prior year. The decrease stems from reduced remittances by gas and electric providers—down 20%—as well as smaller declines from cable and solid waste providers. Despite this, the Town remains on track to meet its \$1.5 million budgeted target for franchise fees.

Revenue from charges for services has decreased by 12% year-over-year, primarily due to the transition of animal services operations to the Humane Society and the timing on the Town’s annual snow removal billings to Nevada and Placer County. Other service-related revenues, such as engineering plan checks, planning services, and snow removal, remain stable and are expected to meet projections by year-end.

On the expenditure side, the Town continues to adhere to its conservative fiscal philosophy. Through April, 78% of the salaries and benefits budget has been utilized—consistent with the same period last year and comfortably below the 83% target for this point in the fiscal year. Similarly, operating expenditures for supplies, materials, and services were at 60% of budget, slightly below last year’s pace, demonstrating continued fiscal discipline.

The General Fund balance has improved notably. With updated revenue projections and adjustments for recently approved budget amendments, the Town now anticipates an undesignated fund balance of \$24.03 million by the end of FY24/25—an increase of over \$6 million from earlier estimates. The

Quarterly Financial Update – Period Ending April 30, 2025

FY28/29 undesignated balance forecast has decreased slightly since the last update to \$12.7 million due to recent budget amendments and updated forecasts for Sales Tax. The ending balance is still above the balance projected in the Town's budget by \$5.1 million.

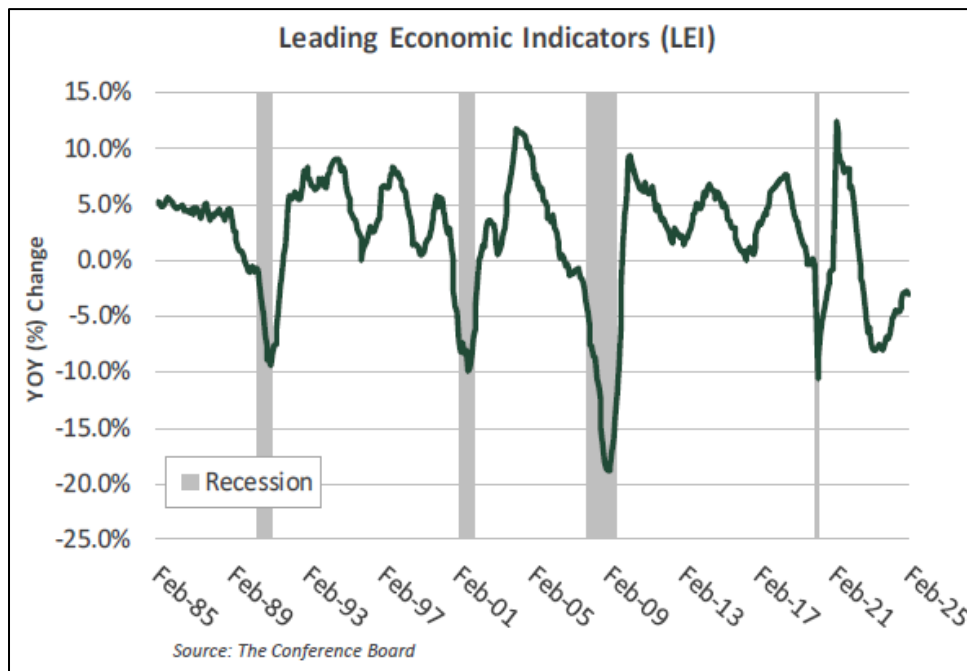
In summary, the Town of Truckee remains in a strong financial position, bolstered by sound fiscal management, prudent budgeting practices, and ongoing monitoring of key economic and financial indicators. While national economic uncertainty warrants cautious optimism, the Town's proactive approach ensures it is well-prepared to maintain essential services and respond to emerging fiscal challenges.

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 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 data points to a slowing—but not a contracting—U.S. economy. The Conference Board's Leading Economic Index fell for a second month, and GDP forecasts for 2025 have been revised downward. Still, the Chicago Fed Index indicates modest growth, and recession risk remains low. Manufacturing has slipped into contraction, while services show minimal growth. The Federal Reserve held rates steady amid uncertainty, and a moderate rise in the VIX reflects market caution. Economists now place recession odds between 30 and 45 percent, mainly due to trade policy volatility, but current indicators do not signal an imminent downturn.

Below is an in-depth review of various economic indices.

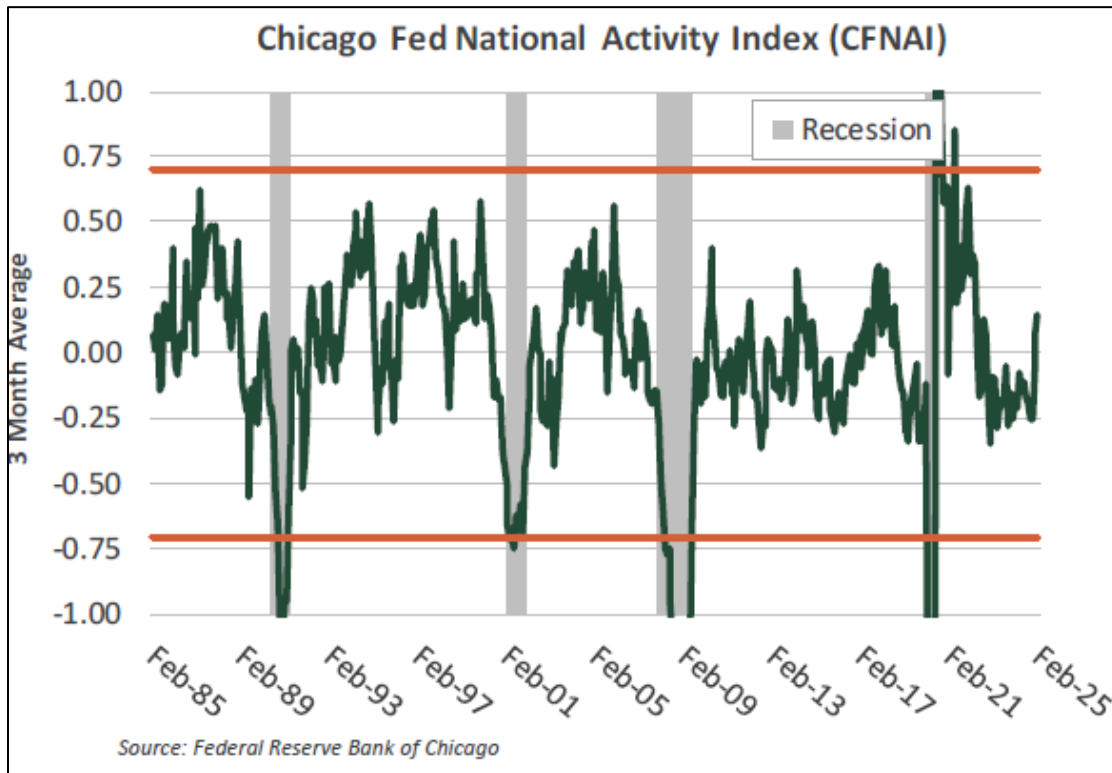


The Conference Board's Leading Economic Index (LEI) is a widely respected economic indicator designed to signal future turning points in the business cycle—essentially forecasting economic expansion or

Quarterly Financial Update – Period Ending April 30, 2025

contraction several months ahead. The Conference Board's Leading Economic Index (LEI) fell by 0.3% in February, following a 0.2% decline in January. The LEI decreased year-over-year by 3.1%. The monthly decline was primarily driven by consumer assessments of future business conditions becoming more pessimistic.

Despite the LEI's decline, The Conference Board does not currently anticipate an imminent recession. However, due to ongoing trade tensions and associated economic challenges, they have revised the U.S. GDP growth forecast for 2025 downward.



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

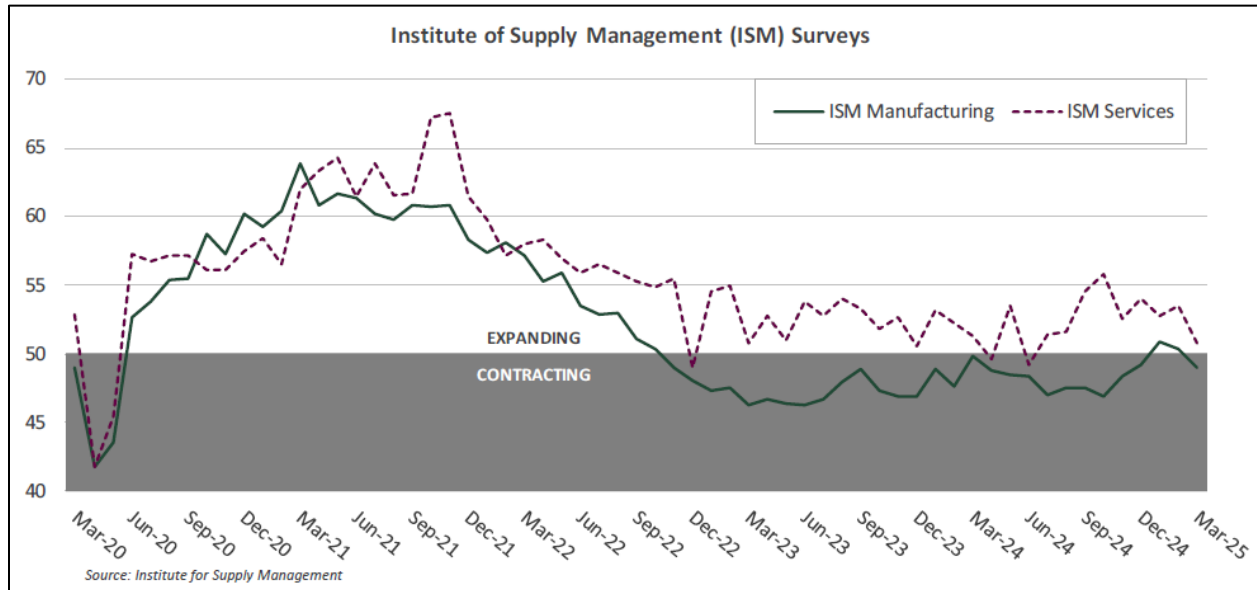
In February, the Chicago Fed National Activity Index (CFNAI) increased to +0.18, up from a revised -0.08 in January. This rise reflects stronger performance in manufacturing, business sales, and new orders.

The three-month moving average of the index also increased, from +0.07 in January to +0.15 in February, indicating that the U.S. economy is growing slightly faster than its historical average.

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. With the current average at +0.15, we remain well above that warning level, suggesting that a recession is not imminent based on this indicator.

Quarterly Financial Update – Period Ending April 30, 2025

Of course, the CFNAI is just one of many tools used to monitor economic health, but it is considered a reliable early warning signal. Right now, it points to continued moderate growth, not contraction.



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.

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 declined to 49.0 in March, down from 50.3 in February, returning to contraction territory. This means that manufacturing activity is decreasing, driven by weaker business output, rising input prices, and a notable decline in employment within the sector.
- The ISM Services Index, which reflects a broader swath of the economy including retail, health care, finance, and more, also declined—from 53.5 in February to 50.8 in March. While this still indicates slight growth, the pace has slowed significantly. The survey noted declines in new orders, employment, and supplier deliveries, all of which suggest reduced demand.

Quarterly Financial Update – Period Ending April 30, 2025

What This Means for the Economy - Together, these indicators point to a moderation in economic activity. Manufacturing is shrinking slightly, and growth in the services sector—the largest part of the U.S. economy—is barely positive. While this does not confirm a recession, it raises caution. Sustained weakness across both sectors could lead to broader economic softness. These trends will continue to be monitored closely, especially in conjunction with other indicators like employment, consumer confidence, and federal monetary policy.

The Federal Open Market Committee (FOMC) left the Federal Funds Rate unchanged at the range of 4.25 – 4.50% at its March meeting with Fed Chair Powell emphasizing increased uncertainty around the economic outlook and the need for “greater clarity” before making any changes to the interest rate policy.



The CBOE Volatility Index, 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.

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 swings 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.

As of March 31, 2025, the CBOE VIX closed at 22.28, reflecting a moderate increase from earlier in the month. This uptick indicates a rise in market expectations for short-term volatility, often associated with investor uncertainty.

Throughout March, the VIX fluctuated, reaching a peak of 27.86 on March 10 before settling at 22.28 by month's end. While these levels are elevated compared to the historical average (typically between 15 and

Quarterly Financial Update – Period Ending April 30, 2025

20), they remain below the critical threshold of 30, which is often associated with heightened market fear and potential economic downturns.

The elevated VIX levels suggest that investors are cautious, possibly due to concerns over recent economic indicators, policy uncertainties, or geopolitical events. While the VIX has risen, it has not reached levels that typically signal panic or an imminent recession. This indicates that, although there is increased uncertainty, the market is not exhibiting signs of extreme distress. The current VIX readings imply that while there is some apprehension in the markets, it does not necessarily point to a recession. However, continued monitoring is essential, as sustained increases in the VIX could indicate growing economic concerns.

Although slightly after the period of this financial update, according to the *Wall Street Journal's* April 2025 quarterly survey of 64 economists¹, the national economic outlook has weakened over the past quarter, with a consensus shift toward slower growth, higher inflation, and a greater risk of recession. This shift is largely attributed to the ongoing volatility in U.S. trade policy, particularly as it relates to President Trump's evolving tariff strategies, which many economists say has introduced significant uncertainty into forecasting.

According to the survey, the probability of a U.S. recession within the next 12 months has risen to 45%, up from earlier surveys, though still below the peaks seen in 2022 and 2023 when recession concerns exceeded 60% but ultimately did not materialize. Forecasts for real GDP growth have dropped notably. Economists expect:

- Q1 2025 growth of just 0.4% (annualized)
- Quarterly growth was under 1% through Q3
- Full-year growth of 0.8% by Q4 compared to the previous year

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.

Beacon Economics' Spring 2025 U.S. Outlook² reports that although the economy saw a slight dip in early 2025 due to a surge in imports ahead of new tariffs, consumer and business spending remain strong. The forecast sees continued growth in the coming months, with only a 30% chance of a recession in the next year. While concerns remain about rising federal debt and long-term financial imbalances, the report emphasizes that the U.S. economy still has solid momentum and is not expected to enter a recession soon.

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

¹ Santilli, P., & DeBarros, A. (2025, April 17). *Economists See Slower Growth, Rising Recession Risk*. The Wall Street Journal. <https://www.wsj.com>

² Beacon Economics, The Beacon Outlook: United States, May 2025. <https://indd.adobe.com/view/8adb5a44-e99d-4ab6-84d1-3d2f51a3c810>

Quarterly Financial Update – Period Ending April 30, 2025

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 45% of total General Fund revenues on an annual basis. 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. 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 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 year, the Town has receives 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 –

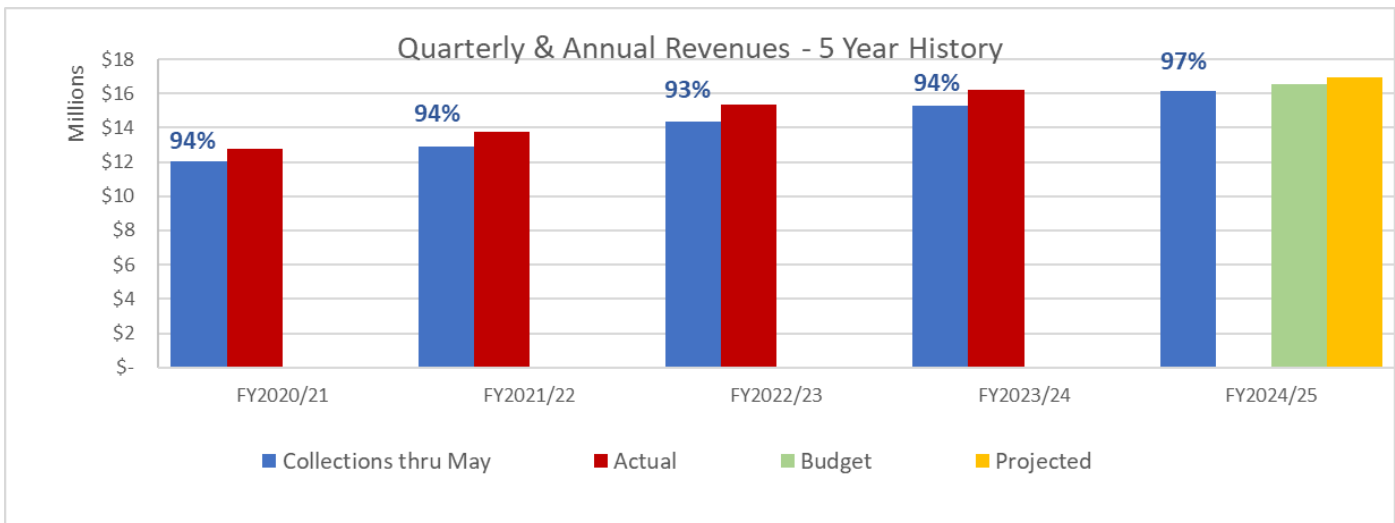
As a reminder, the assessed value upon which property tax is assessed is re-valued when a property is sold. The table below shows the average home price in Truckee provided by HdL Coren and Cone, the Town's Property Tax Analysis company. The prices have increased drastically in the past ten years, nearly doubling. The assessed value on many property sales is increasing from \$400,000 or even as low as \$100,000 to the new value, substantially increasing the assessed value and thus the property tax collections.

Quarterly Financial Update – Period Ending April 30, 2025

Year	Full Value Sales	Average Price	Median Price	Median % Change
2015	608	\$548,421	\$490,000	
2016	669	\$604,676	\$520,000	6.12%
2017	719	\$658,090	\$573,000	10.19%
2018	635	\$703,495	\$620,000	8.20%
2019	634	\$703,755	\$625,000	0.81%
2020	839	\$843,375	\$730,000	16.80%
2021	706	\$1,040,955	\$905,000	23.97%
2022	529	\$1,139,428	\$975,000	7.73%
2023	437	\$1,078,138	\$925,000	-5.13%
2024	478	\$1,196,842	\$1,026,000	10.92%
2025	67	\$1,319,657	\$1,200,000	16.96%

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 of property value after sales in fiscal year 2022/23.

For FY 24/25 the Town included a 9.8 % budget-to-budget revenue increase for secured, unsecured, and supplemental property tax from \$15.0 million to \$16.5 million in the budget. The \$16.5 million budgeted estimated to be collected represented a 10.1% increase over the fiscal year 2023/24 amended budget.



Although slightly outside the reporting period for this update, staff wanted to include the most up-to-date information available, thus this report includes the property tax installation received at the beginning of May. Based on the Town's second property tax installment from the county, staff have updated their projection from approximately \$350,000 more than originally budgeted, to \$380,000. The adopted budget includes \$16 million in secured property tax revenue. Following the first remittance, the Town's updated projection for secured property tax revenue is \$16.367 million.

The expected increase has been factored into the General Fund balance analysis included in this report.

Quarterly Financial Update – Period Ending April 30, 2025

Sales Tax

Sales tax generates approximately 17.5% of revenues, 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. The allocation of sales tax is shown below. The budget for sales tax for fiscal year 2024/25 is \$6.60 million. This means that approximately \$725 million worth of taxable goods will need to be sold within the Town or delivered to properties within Truckee.

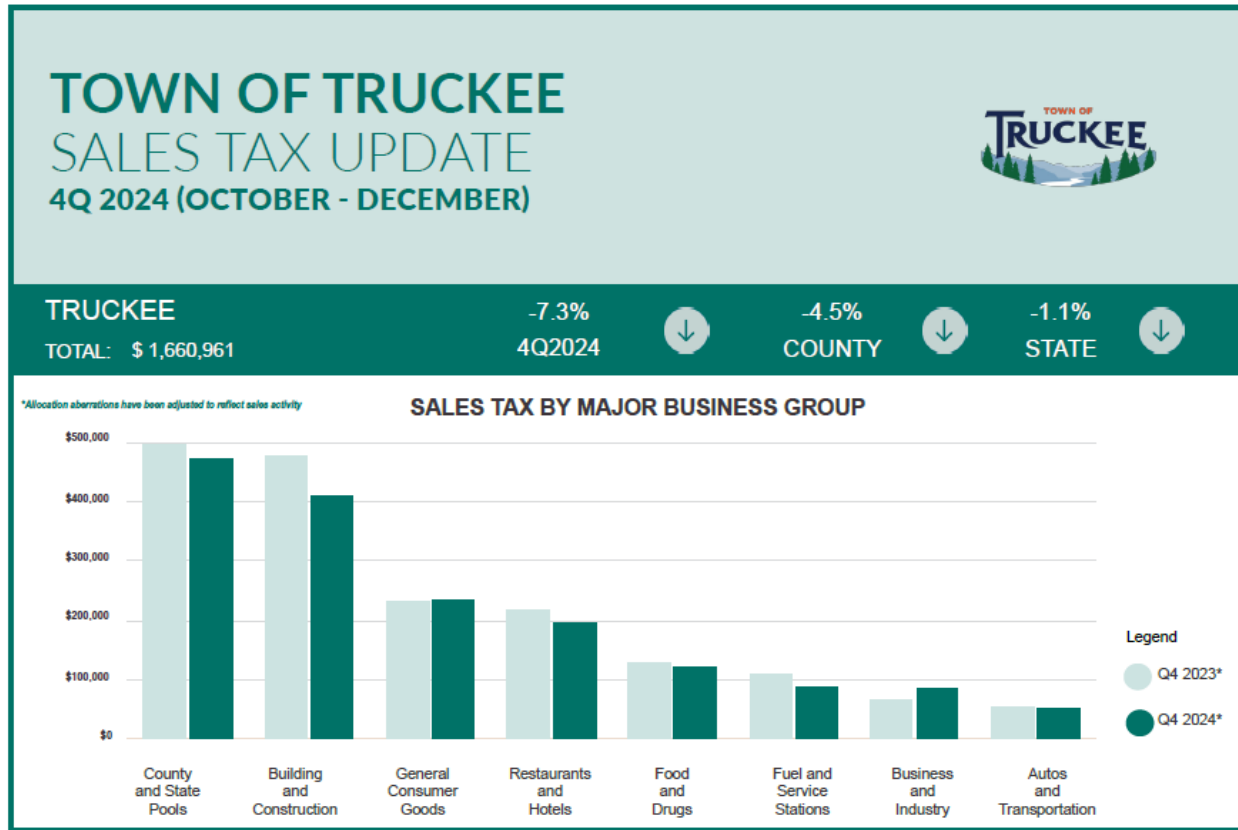


Figure 1 shows the allocation of \$100 of sales tax in California

Analysis –

Quarter ended December 31, 2024 - HDL (the Town's sales tax auditors) analyzed the actual collections for the quarter ending December 31, 2024. HDL reported that the Town was allocated approximately \$1,660,961 for the quarter ending December 31, 2024, as compared to \$1,791,159 for the same quarter in fiscal year 2023/24, a 7.3% decrease.

Quarterly Financial Update – Period Ending April 30, 2025



There were decreases in almost every sector, with the biggest decreases in the building and construction sector and the state and county pools. It is likely that uncertainties regarding the election results as well as speculation regarding the Fed rate contributed to the losses.

Without the pool allocations and looking at just point of sales receipts, the Town was allocated \$1,222,455, for the quarter ending December 31, 2024, as compared to \$1,442,826 for the same quarter in fiscal year 2023/24, a 15.3% decrease. Point of sales receipts determines the Town's allocation of Countywide Pool. The Town was down more than other areas in the County (namely Grass Valley), and the allocation percentage decreased from 37% for the same quarter in fiscal year 2023/24, to 34%. This contributed to the Town's decrease in collections for the quarter.

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.

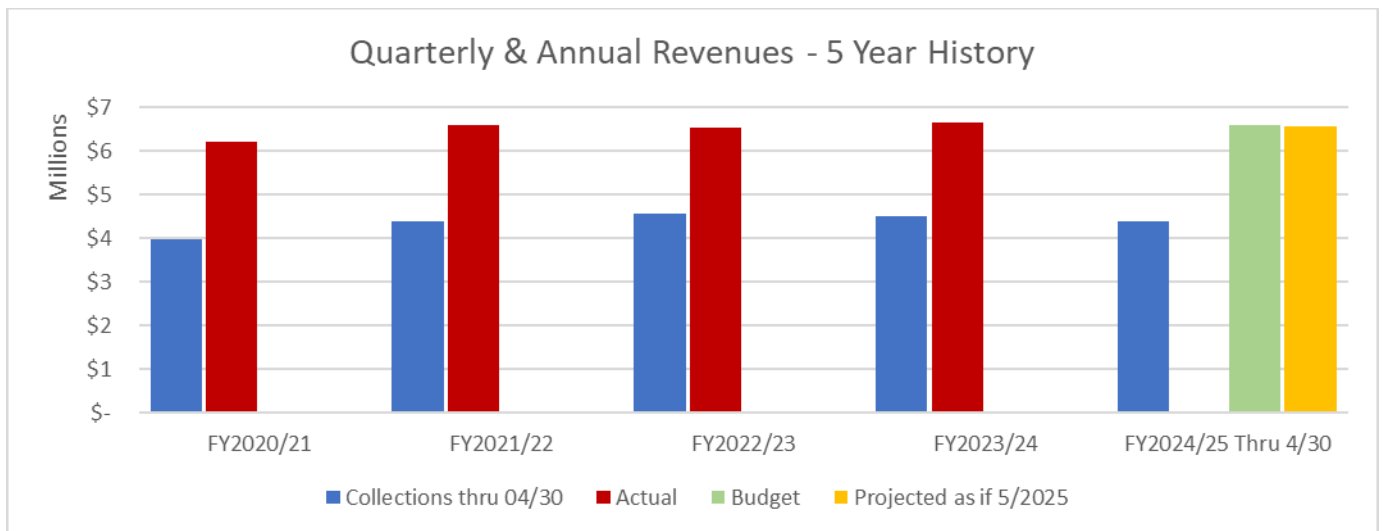
Based on HDL's analysis, updated sales tax projections were provided to the Town for both FY24/25 and the four-year projection horizon. This decrease in FY24/25 was primarily related to a lower expectation of taxes from Fuel & Service Stations, General Consumer Goods, and Food & Drugs sectors, in addition to adjustments to the amounts expected from specific businesses.

Quarterly Financial Update – Period Ending April 30, 2025

The updated projections have been factored into the General Fund balance analysis included in this report. These figures are all lower than the projections provided by HdL as part of their January 2025 analysis.

	FY24/25	FY25/26	FY26/27	FY27/28	FY28/29
Projected Sales Tax in FY24/25					
Budget	6,599,451	6,844,967	7,067,967	7,295,467	7,530,967
HDL Updated Projections - May 2025					
Analysis	6,563,912	6,594,666	6,773,111	7,010,046	7,285,644
in Projection	(35,539)	(250,301)	(294,856)	(285,421)	(245,323)

By April each year, the Town has typically received between 65% and 70% of the sales tax it will receive for the year. For fiscal year 2024/25, the Town has received 67% of HdL's estimated sales tax for fiscal year 2024/25. Collections for the quarter ending March 31, 2025 have not been analyzed as the State's filing deadline just recently passed and the data is being released for analysis.



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 plane 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 – Period Ending April 30, 2025

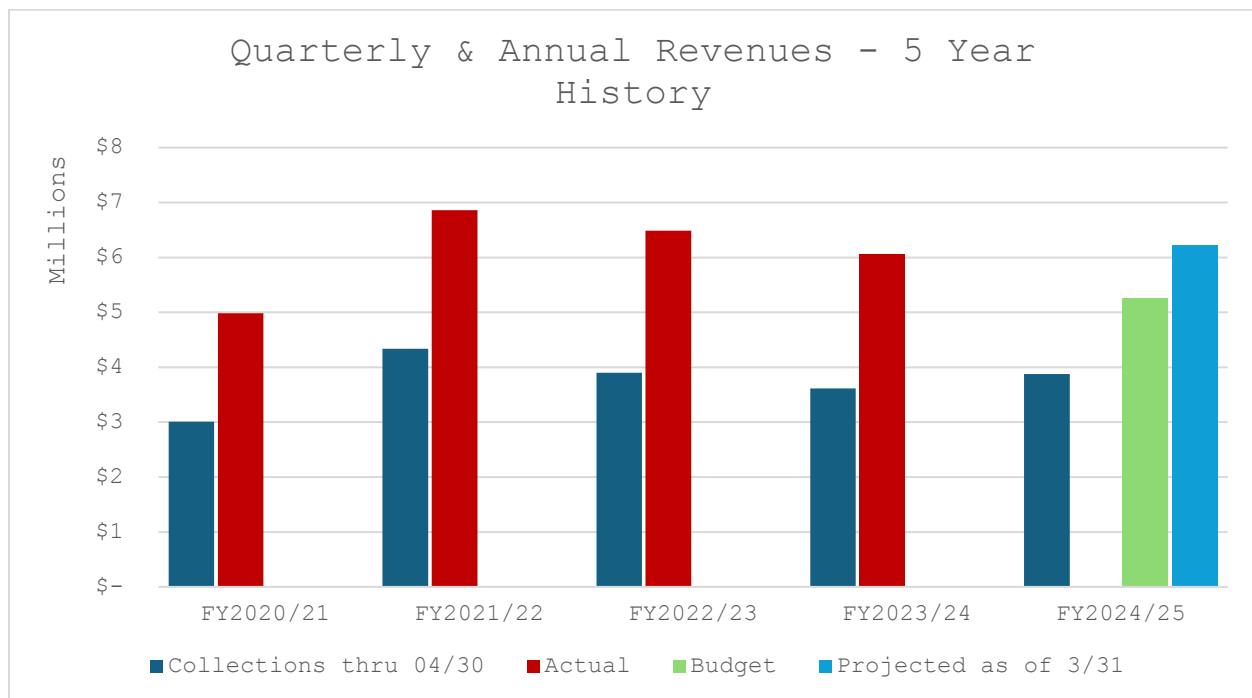


Analysis –

The Town's filing deadline for the quarter ending March 31, 2025 was May 1, 2025. As such, staff has not had enough time to complete an in-depth analysis.

By April each year, the Town has typically received around 60% of its annual collections. Through April 2025, the Town has received \$3,879,059, or 62% of the estimated \$6,220,000.

Staff are not recommending any updates to the projection for transient occupancy tax.



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 2024/25.

Quarterly Financial Update – Period Ending April 30, 2025

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.³ Under the state franchise, holders of state franchises must pay franchise fees in the amount of 5% of gross revenues.

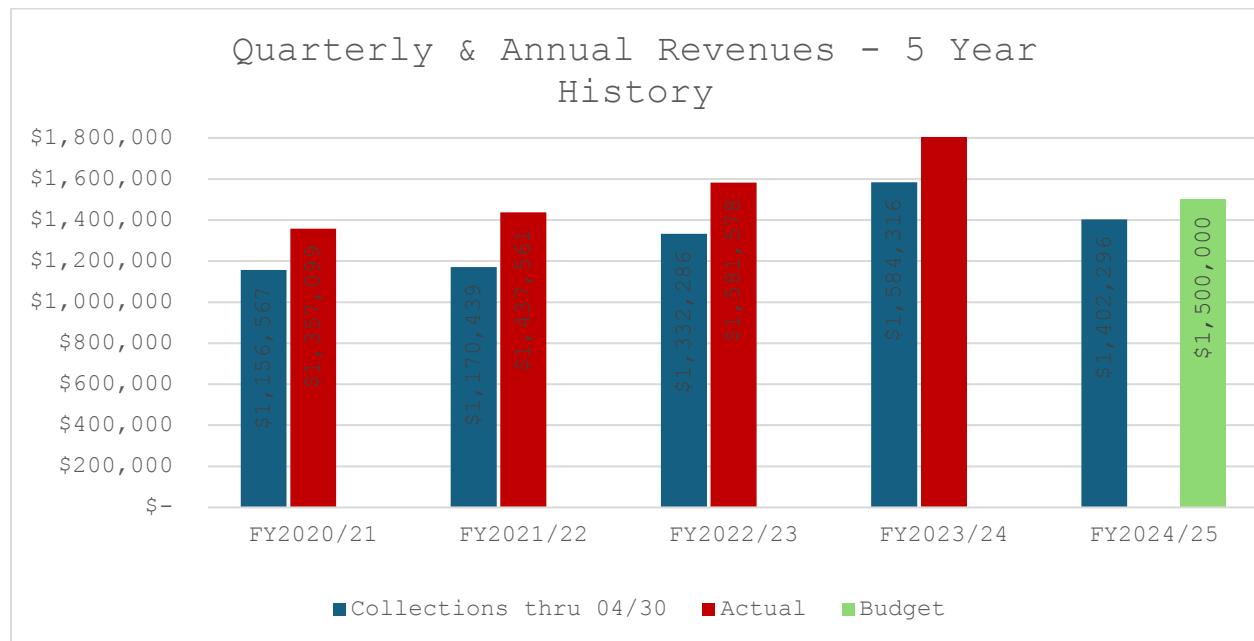
Solid Waste Franchises – The California Integrated Waste Management Act gives cities broad authority of solid waste matters and cities may provide these services by means of exclusive franchises, contracts, or otherwise. The collection of franchise fees from solid waste management franchisees is in the form of a “rent” or “toll” for the use of the streets and rights-of-way of the city. There are no statutory limits on the amount that a city may charge for a solid waste franchisee.⁴ Franchise fees are separate from the refuse collection fee charged to each property that is governed under Proposition 218.

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 April 30, 2025, the Town has received \$1,402,296 in franchise fees, representing an 11% decrease compared to the same period in FY 2023/24. This variance is primarily due to one of the Town’s gas and electric franchise fee. Remittances from these franchisees were down 20% when compared to fiscal year 2023/24. In addition, the Franchise fees from the Town’s cable television providers are down 5%, and fees from the solid waste provider are down 6% compared to the same period last year.

The Town received its gas and electric franchise payments, which totaled \$750,000 for fiscal year 2024/25, compared to \$940,000 in fiscal year 2023/24.

Despite these fluctuations, staff believe the Town remains on track to meet the budgeted franchise fee revenue of \$1.5 million for the fiscal year.



³ League of California Cities – “The California Municipal Revenue Sources Handbook, Fifth Addition”

⁴ League of California Cities – “The California Municipal Revenue Sources Handbook, Fifth Addition”

Quarterly Financial Update – Period Ending April 30, 2025

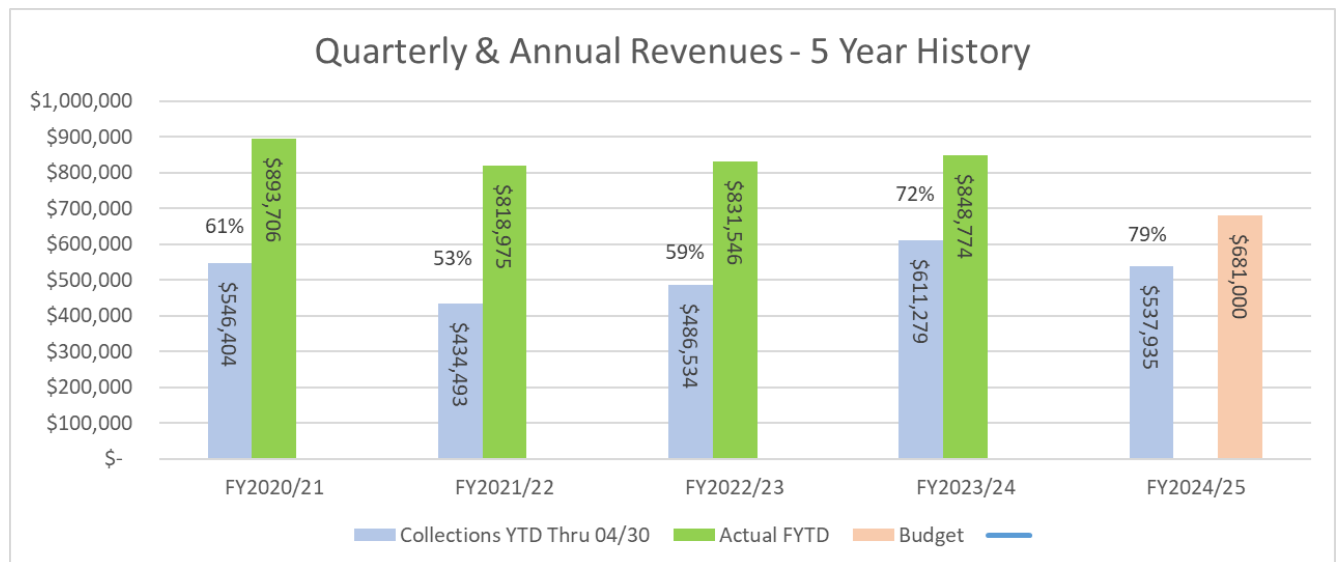
Charges for Services

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 were calculated based on recovery formulas, which reflect approximate costs of providing these services.

Analysis – The Town has received \$537,935 through April 30, a 12% decrease from the same period in fiscal year 2023/24 where the Town received \$611,279. The majority of this decrease is due to a decrease in fees that were previously collected for animal shelter operations including animal licenses and contract fees from the Town’s partner agencies, Placer County and Sierra County. Because the Human Society has taken over full operation, they are now the sole service providers and are collecting the fees associated with providing those services. The impact of these lost revenue sources has been factored into the General Fund balance analysis included in this report.

Last year, the Town received its pre-payments from Nevada County by April for the snow removal work that the Town completes on the behalf of Placer and Nevada County on roads that can only be accessed from Truckee. The counties pay \$40,000 and \$65,000 each year before the end of the fiscal year. After the Town closes it’s books for the year around August, a balance bill is sent to each county for any remaining costs. With that payment, the Town would only be down 1.0% from fiscal year 2023/24.

Despite these declines, staff believe the Town is on track to receive the remaining projected revenue.



General Fund – Key Expenditure Analysis

The following discussion provides a status of significant General Fund expenditures as of April 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.

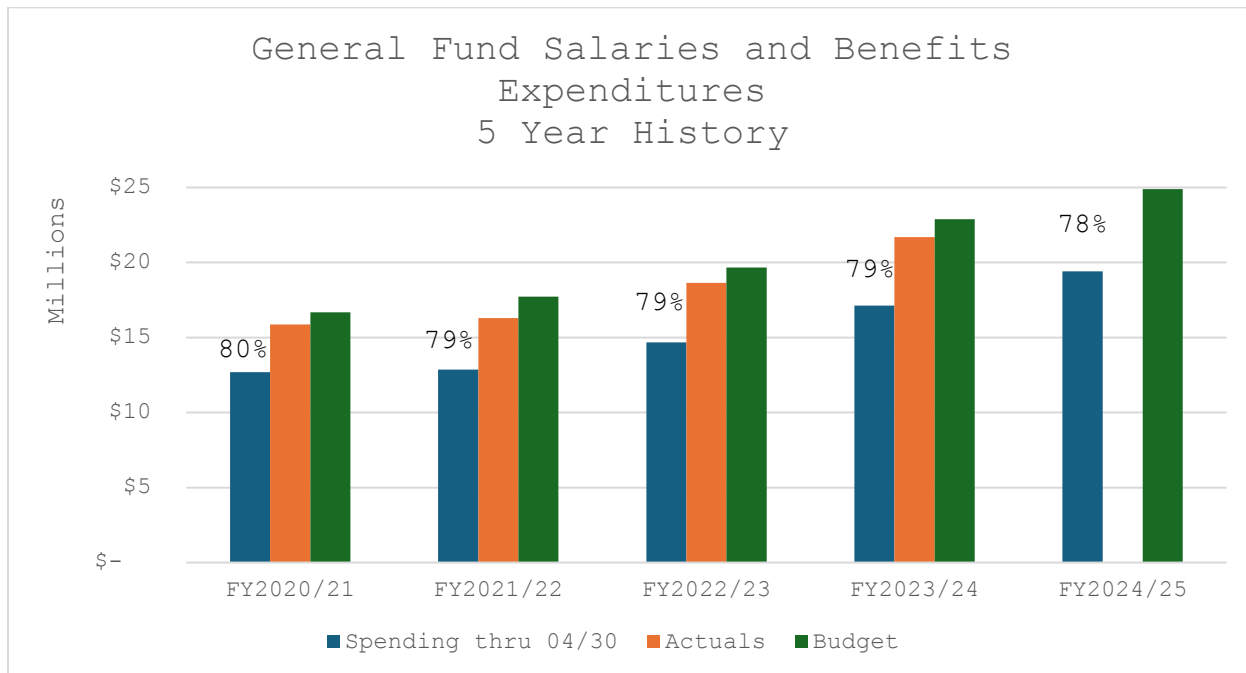
Quarterly Financial Update – Period Ending April 30, 2025

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.

Analysis – The Town has used around 78% of its General Fund budget for salaries and benefits through April 30, 2025. This is about the same time period in fiscal year 2023/24 but still below the 83% General Fund budgeted amount for the first eight months of the fiscal year.

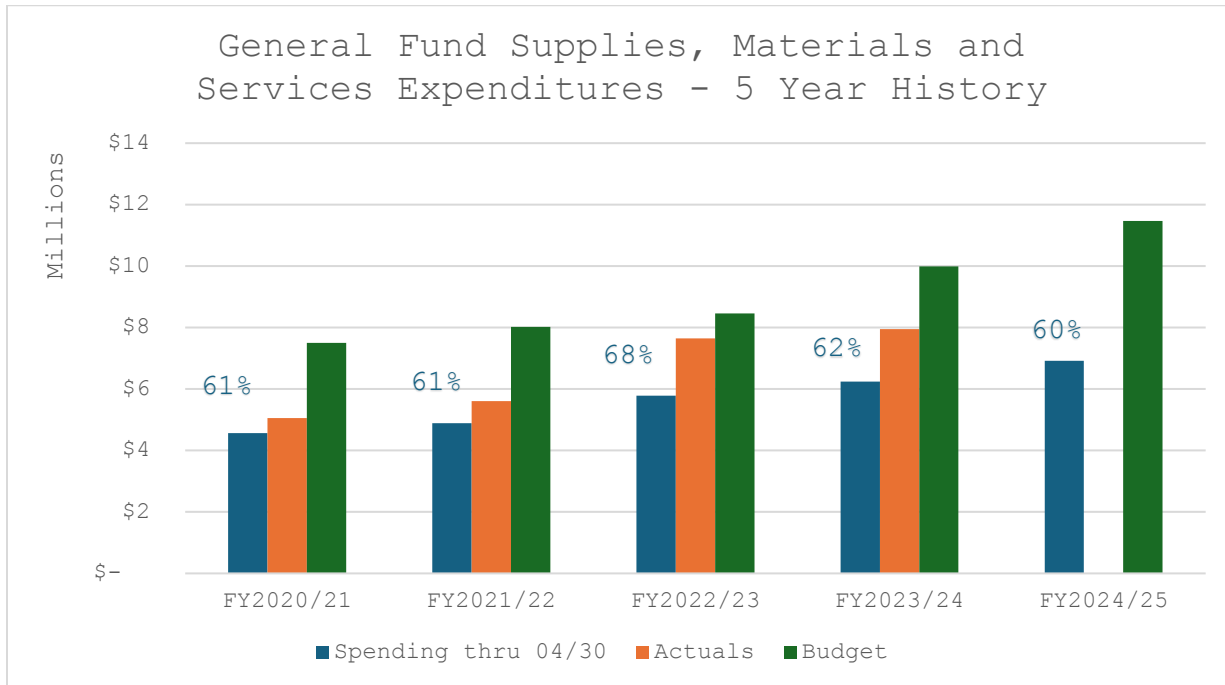


Supplies, Materials, & Services

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 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.

Quarterly Financial Update – Period Ending April 30, 2025

Analysis - The Town has utilized approximately 60% of its General Fund Supplies, Materials, and Services budgets for the fiscal year 2024/25 through April 30, 2025. At this time last year, the Town utilized 62% of its budget.



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 audited balance from fiscal year 2023/24.

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 2024/25 annual operating budget. Although these numbers are expected to change as the Town embarks on the fiscal year 2025/26 annual operating budget process, these numbers provide a good starting point to benchmark the Town's current and projected financial position.

Adjustments were added under the Revenues section to show updated property tax, sales revenues, and transient occupancy tax revenue projections, as described above or in previous updates. The additional property tax is expected to add an additional \$380,000 per fiscal year, for a total of \$1.75 million over the five-year planning horizon. A downward adjustment was made following the discontinuation of the Animal Services revenues that the Town is no longer responsible for collecting.

Quarterly Financial Update – Period Ending April 30, 2025

Fiscal Year	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
	Unaudited Balance	Updated Projected	Updated Projected	Updated Projected	Updated Projected	Updated Projected
Beginning Balance	55,709,624	60,039,863	47,744,355	46,380,911	45,484,106	43,744,307
Revenues & Transfers In	44,734,272	40,770,405	41,369,850	42,545,942	43,470,056	44,417,874
Updated Revenue Estimates						
Property Tax		380,000	380,000	380,000	380,000	380,000
Sales Tax from HDL		(35,539)	(250,301)	(294,856)	(285,421)	(245,323)
Transient Occupancy Tax		970,000	750,000	750,000	750,000	750,000
Remove Animal Services Rev		(26,027)	(51,500)	(53,045)	(54,106)	(55,189)
Less: Expenditures	(30,982,328)	(36,091,390)	(37,094,127)	(38,684,995)	(39,897,073)	(41,157,221)
Budget Amendments - Expenses						
Council Healthcare		(36,000)	(139,000)	(139,000)	(139,000)	(139,000)
Property Tax Auditing			(18,650)	(19,116)	(19,594)	(20,084)
General Liability Premiums						
CDF Wildfire Insurance		(88,033)	(90,674)	(93,394)	(96,196)	(99,082)
AS/HSTT Agreement		(13,006)	(80,000)	(88,000)	(96,800)	(106,480)
Daycare Access Contract		(12,500)	(75,375)	(77,636)	(79,965)	(82,364)
Net Operating Revenue/(Expense)	13,751,943	5,817,910	4,700,223	4,225,899	3,931,900	3,643,131
Less: Debt Service	(930,449)	(951,397)	(943,710)	(949,307)	(948,593)	(943,601)
Repayment of Loans	-	100,000	100,000	100,000	100,000	100,000
Capital Transfers	(4,892,315)	(11,580,034)	(2,809,957)	(1,978,107)	(2,768,107)	(10,577,066)
Designation Spending	(3,598,941)	(4,463,326)	(2,410,000)	(2,295,290)	(2,055,000)	(2,055,000)
Budget Amendments - Capital Transfers & Designation Spending						
Catchup for Parking Loan Reimbursement		200,000				
C1811 - Fleet Add - Sustainability		50,000				
C2014 - THAP - General Fund		(1,885,000)				
C2406 - Mobility Hub - General Fund		(125,611)				
C2406 - Mobility Hub - Sustainability		(138,050)				
1510 - Weatherization - Sustainability		305,000	(144,800)	(163,200)	200,000	
C2502 - 2025 Paving and Drainage - Road Maintenance Reserve		375,000	375,000			
Net Change	4,330,239	(12,295,508)	(1,363,444)	(896,805)	(1,739,800)	(9,832,536)
Total Ending Fund Balance	60,039,863	47,744,355	46,380,911	45,484,106	43,744,307	33,911,771
		Updated Designation Balances based on FY23/24 Ending Balances				
Less: Nonspendable	433,906	433,906	433,906	433,906	433,906	433,906
<i>Budget Stabilization Designation</i>	1,700,000	1,700,000	1,700,000	1,700,000	1,700,000	1,700,000
Less: Assigned	24,661,819	21,360,443	20,226,315	19,686,317	19,255,963	18,835,090
Less: Restricted	231,390	225,000	225,000	225,000	225,000	225,000
Total Undesignated (Cash Available)	33,012,748	24,025,006	23,795,690	23,438,884	22,129,438	12,717,775
<i>Projection in FY2024/25 Budget</i>	28,627,597	17,925,181	17,275,288	16,579,134	14,910,771	5,116,629
Increase in Undesignated Balance from Budget Projections	4,385,151	6,099,825	6,520,402	6,859,750	7,218,667	7,601,146

Quarterly Financial Update – Period Ending April 30, 2025

Council has also approved several budget amendments since the beginning of the fiscal year. The impacts of those amendments have been included as adjustments to the expenditures and designation spending sections.

Based on these changes, combined with the audited, actual results from the fiscal year 2023/24, the updated projection for Cash Available (undesignated balance), is projected to be \$24,025,006 for fiscal year 2024/25, \$6,099,825 more than the projected balance. The projected Cash Available (undesignated balance) in fiscal year 2028/29 increased from \$5,116,629 to \$12,717,775, an increase of \$7,601,146.