

Financial Update

Period ended March 31, 2026

Purpose

This is the quarterly financial update for the Fiscal Year 2025/26, as of March 31, 2026. 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 March 31, 2026, 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.

Quarterly Financial Update – Period Ending March 31, 2026

Summary

The Town of Truckee’s financial position remains stable through the third quarter of fiscal year 2025/26, with overall revenues generally performing at or above expectations and expenditures continuing to track below budgeted levels.

Economic conditions nationally continue to reflect slower but stable growth, with softer consumer confidence, elevated interest rates, and increased financial market volatility contributing to ongoing uncertainty. National manufacturing and services activity continued to expand during the first quarter of 2026, and California’s economy remained relatively resilient despite higher unemployment and ongoing housing affordability challenges.

Several of the Town’s major General Fund revenue sources continue to perform steadily. Property tax revenues remain strong due to continued growth in assessed property values and are now projected to exceed prior estimates slightly following receipt of the second installment payment in May 2026. Sales tax revenues have also outperformed expectations through February 2026, with quarterly collections and prepayments coming in above projections despite some softening in consumer spending trends in certain sectors. Transient Occupancy Tax (TOT) revenues for the quarter ended December 31, 2025 declined modestly compared to the prior year, reflecting softer lodging activity, fewer snow events during the winter season, and a later start to the ski season, though collections remain within anticipated ranges overall. Franchise fee revenues continue to remain stable and are trending slightly ahead of the prior fiscal year, while charges for services are lower than the previous year but remain generally consistent with current development and operational activity levels.

General Fund expenditures continue to trend favorably relative to budgeted amounts. Salaries and benefits expenditures remain below projected annual levels, reflecting continued conservative budgeting and ongoing vacancy savings in certain areas. Operating expenditures for supplies, materials, and services are also tracking below historical averages through the third quarter, supporting the Town’s efforts to maintain fiscal flexibility while continuing to provide core services.

Overall, the Town’s projected General Fund balance remains stronger than originally anticipated in the adopted fiscal year 2025/26 budget. Conservative financial planning, stable core revenues, and prudent expenditure management continue to support the Town’s long-term financial stability despite broader economic uncertainty. Staff will continue monitoring economic conditions, tourism activity, consumer spending trends, and state and national fiscal developments as part of ongoing financial planning efforts.

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:

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

Quarterly Financial Update – Period Ending March 31, 2026

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.

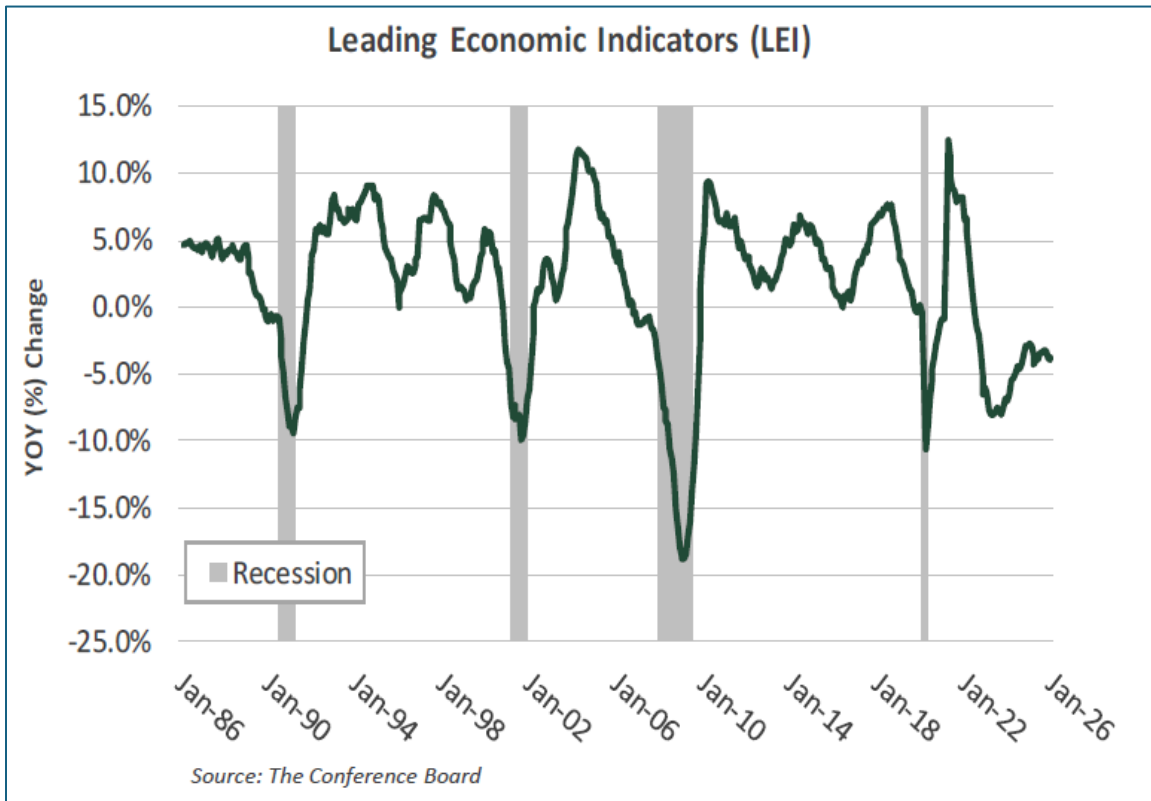


Figure 1 shows the LEI index activity from January 1986 through January 2026

The LEI declined an additional 0.1% in January 2026, following a 0.2% decline in December. Declining consumer expectations and building permits were the largest drags on the index. Not shown in the graph above, the March 2026 LEI fell to 97.3, an additional 0.2% decline. Declines in March were pushed by additional declines in consumer expectations, continued slowdowns in building permits, and stock price weakening¹. Higher oil prices and supply chain tensions will likely continue to place upward pressure on inflation continuing to decrease consumer confidence.

A declining LEI does not predict nor guarantee a recession. On a year-over-year basis, the LEI fell 3.8%, continuing to signal slower economic growth heading into 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:

¹ The Conference Board. "US Leading Indicators." The Conference Board, <https://www.conference-board.org/topics/us-leading-indicators/>. Accessed 15 May 2026.

Quarterly Financial Update – Period Ending March 31, 2026

- Production and income
- Employment, unemployment, and hours worked
- Personal consumption and housing
- Sales, orders, and inventories

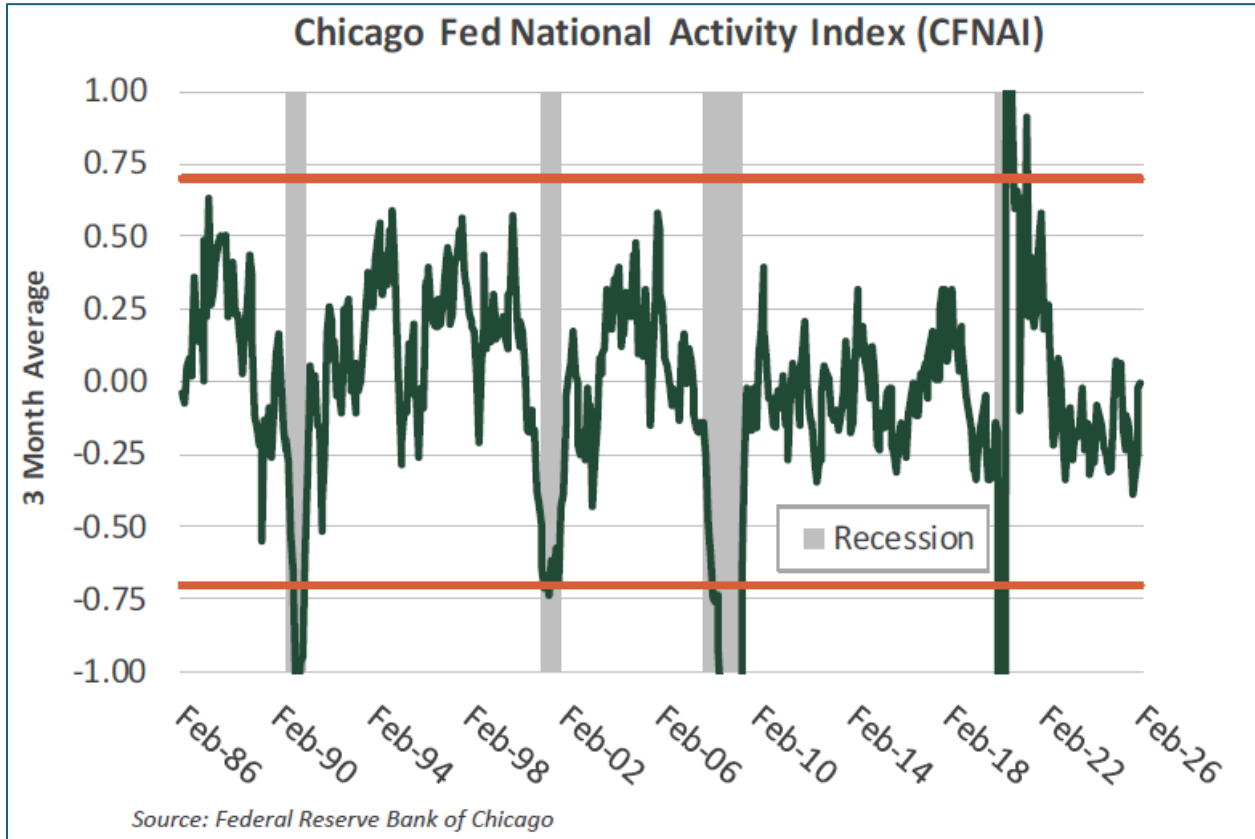


Figure 2 shows the CFNAI from February 1986 through February 2026

The latest CFNAI² report suggests that U.S. economic activity weakened in March 2026, with the index falling to -0.20 from $+0.03$ in February, indicating growth slowed to below its historical trend rate. There were declines in production, sales, and housing-related indicators.

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. This three-month average is called the CFNAI Diffusion Index. The three-month moving average declined to -0.12 in March 2026, indicating that fewer sectors of the economy were contributing positively to growth, though the reading remained above recession-warning thresholds.

² 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 15 May 2026.

Quarterly Financial Update – Period Ending March 31, 2026

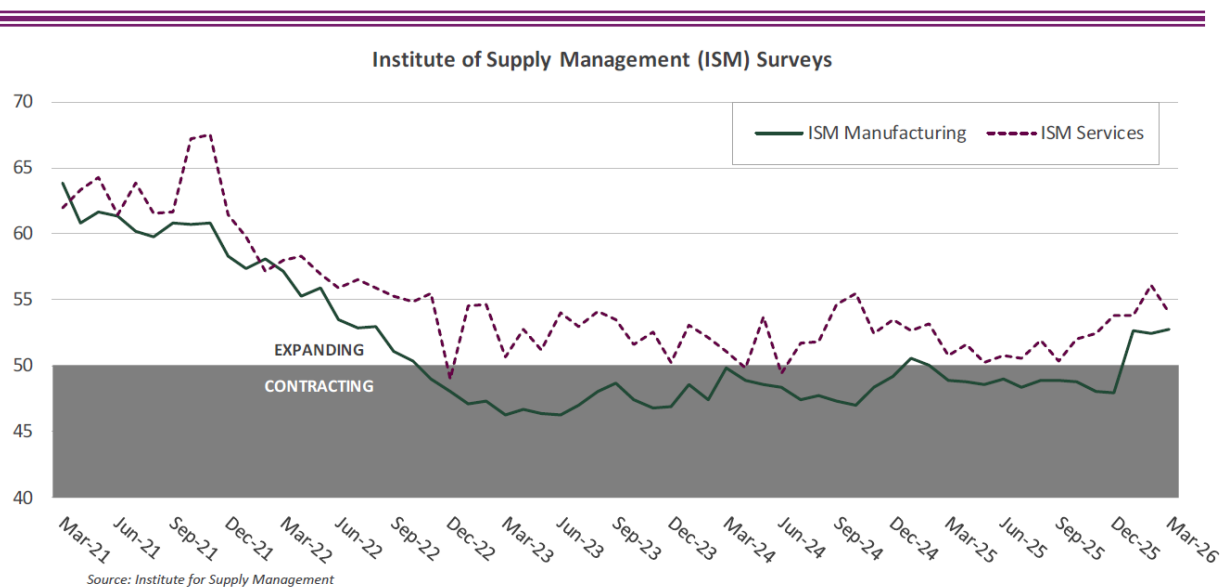


Figure 3 shows the Institute for Supply Management Index from March 2021 through March 2026 at quarterly intervals. There is a separate line for ISM Manufacturing and ISM Services.

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.

The March 2026 ISM report suggests that the U.S. economy continued to expand across the manufacturing and services sectors, though growth appeared uneven and accompanied by rising cost pressures and softer employment conditions.

- The ISM manufacturing index³ rose to 52.7% in March 2026, marking a third consecutive month of expansion and indicating continued growth in factory activity, supported by gains in production and new orders despite ongoing contraction in manufacturing employment.

³ Institute for Supply Management. "Manufacturing PMI® at 52.7%; March 2026 ISM® Manufacturing PMI® Report." ISM, 1 Apr. 2026, <https://www.ismworld.org/supply-management-news-and-reports/reports/ism-pmi-reports/pmi/march/>. Accessed 15 May 2026.

Quarterly Financial Update – Period Ending March 31, 2026

- The ISM Services index⁴ registered **54.0% in March 2026**, reflecting continued expansion in the services sector for the twenty-first straight month, although business activity and employment softened from February levels.

In its April 29, 2026 policy statement⁵, the **Federal Open Market Committee** announced that it would keep the federal funds rate unchanged at a target range of 3.5% to 3.75%, citing continued economic growth alongside elevated inflation and heightened geopolitical uncertainty tied to rising global energy prices. The statement suggested that while the economy remains resilient overall, Federal Reserve officials are taking a cautious approach as they monitor inflation, labor market conditions, and broader economic risks before making future interest rate adjustments.

Recent reporting⁶ on Jerome Powell's replacement indicates that incoming Federal Reserve Chair Kevin Warsh is viewed as more open to lowering interest rates than Powell, though analysts note that persistent inflation and internal Federal Reserve resistance could limit how quickly rates decline. The article suggests that while financial markets expect Warsh to support a somewhat more accommodative monetary policy stance, major rate cuts are still likely to depend on inflation trends and broader economic conditions rather than political pressure alone.

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 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.

⁴ Institute for Supply Management. “Services PMI® at 54.0%; March 2026 ISM® Services PMI® Report.” ISM, 3 Apr. 2026, <https://www.ismworld.org/supply-management-news-and-reports/reports/ism-pmi-reports/services/march/>. Accessed 15 May 2026.

⁵ Board of Governors of the Federal Reserve System. “Federal Reserve Issues FOMC Statement.” Federal Reserve, 29 Apr. 2026, <https://www.federalreserve.gov/newsevents/pressreleases/monetary20260429a.htm>. Accessed 15 May 2026.

⁶ Horsley, Scott. “Senate Confirms Kevin Warsh as Next Chair of the Federal Reserve.” NPR, 13 May 2026, <https://www.npr.org/2026/05/13/nx-s1-5816235/kevin-warsh-federal-reserve-chair-jerome-powell>. Accessed 15 May 2026.

Quarterly Financial Update – Period Ending March 31, 2026

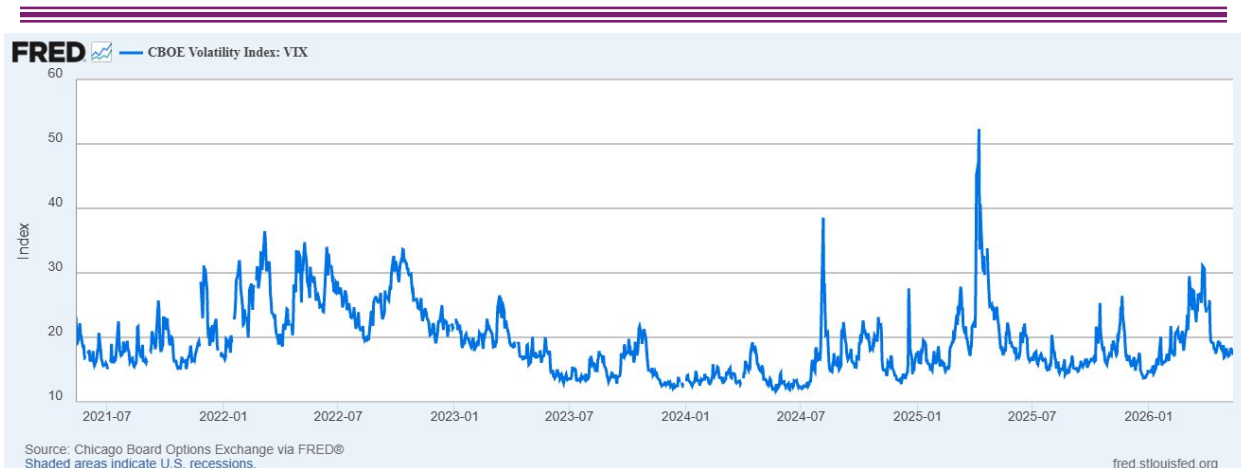


Figure 4 shows the Cboe Volatility Index from July 2021 through March 2026.

The March 2026 Cboe Index Insights report⁷ highlighted elevated market volatility during the month, with the VIX Index rising sharply as investors reacted to geopolitical tensions, inflation concerns, and uncertainty surrounding interest rate policy. During the month, the VIX briefly surged above 30 and reached intraday highs near 35, signaling periods of heightened market stress and increased demand for portfolio hedging, though generally sat in the 20s. Sustained VIX readings above historical norms reflect heightened investor caution and increased demand for hedging strategies, even as equity markets remained relatively resilient overall.

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 (Spring 2026)*⁸, the authors suggest continued economic uncertainty entering 2026, driven by slowing consumer demand, elevated interest rates, persistent inflation pressures, and weakening business investment activity. Labor markets remained relatively stable, but concerns over housing affordability, commercial real estate weakness, and cautious consumer spending pointed to slower overall economic growth, while financial markets continued to react to uncertainty surrounding Federal Reserve policy and global trade conditions.

⁷ Cboe Global Markets. "Index Insights: March 2026." Cboe, <https://www.cboe.com/insights/posts/index-insights-march-2026/>. Accessed 15 May 2026.

⁸ Thornberg, Christopher, and Stafford Nichols. *The Beacon Outlook: California Spring 2026*. Beacon Economics, Apr. 2026, https://beaconecon.com/wp-content/uploads/2026/04/Beacon_Outlook_CA_Spring_Apr26.pdf. Accessed 15 May 2026.

Quarterly Financial Update – Period Ending March 31, 2026

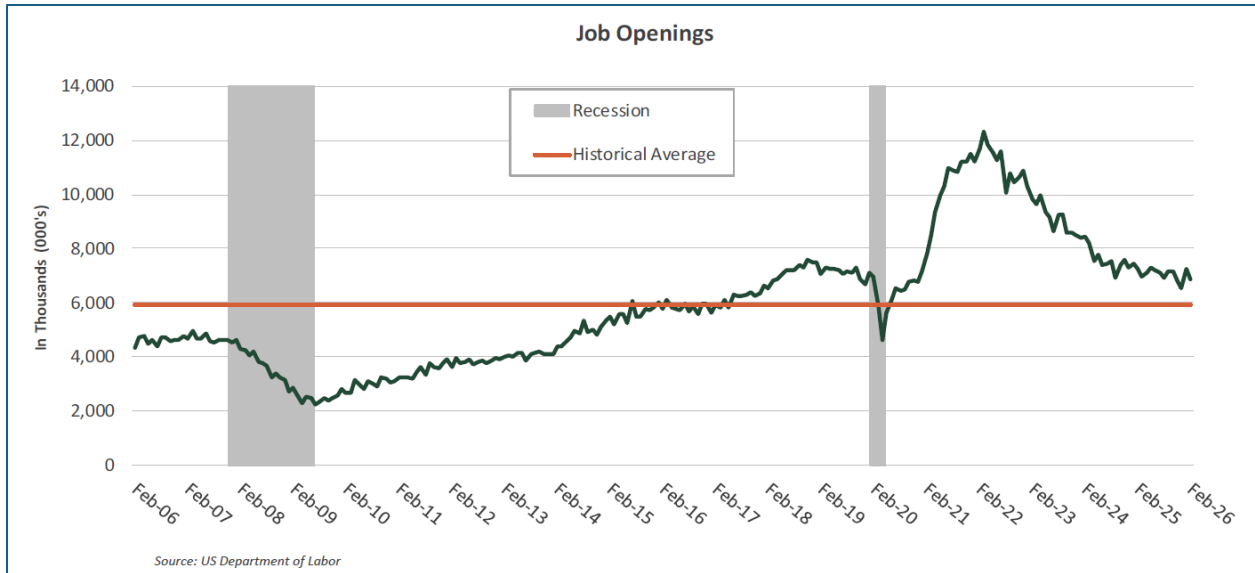


Figure 5 shows job openings as reported by the US Department of Labor on a yearly basis starting in February 2006 through February 2026.

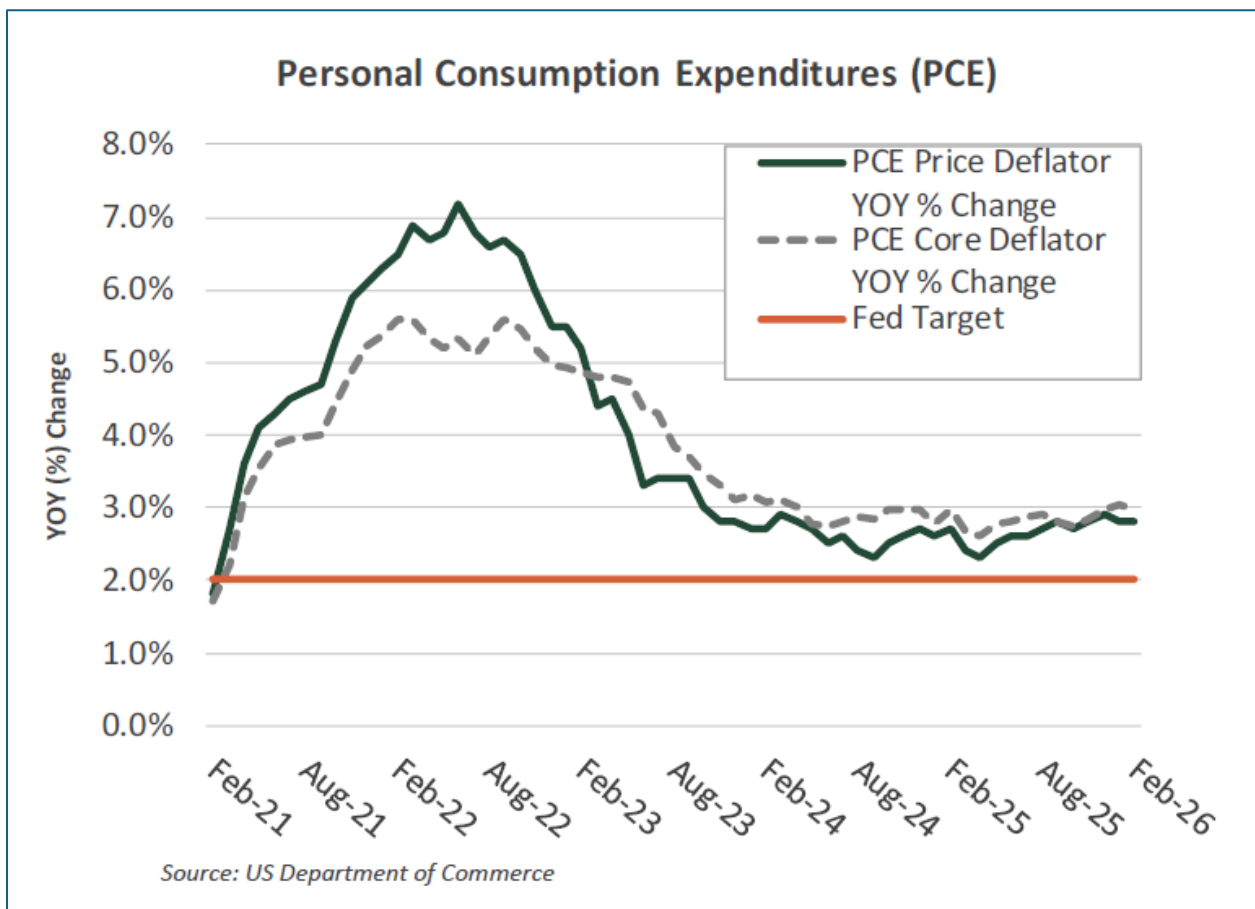


Figure 6 shows the Personal Consumption Expenditures (PCE) as reported by the US Department of Commerce from February 2021 through February 2026.

Quarterly Financial Update – Period Ending March 31, 2026

In the *Beacon Outlook: California (Spring 2026)*⁹, the authors reported that California’s economy continued to outperform the national economy in overall growth, supported by strong consumer spending and expansion in high-income industries such as technology and information services. At the same time, the state’s labor market weakened noticeably, with California recording the highest unemployment rate in the nation at approximately 5.5% and experiencing declines in overall job growth. Housing affordability, slowing population growth, and ongoing policy uncertainty continued to create challenges for long-term economic stability, while the state’s increasing reliance on high-earning sectors and capital-gains-driven revenues contributed to concerns about fiscal volatility if financial markets soften.

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 of property tax revenues upfront, even if some property owners have not yet paid. In return, the county

⁹ 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.

Quarterly Financial Update – Period Ending March 31, 2026

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 –

Although slightly outside the period of this report, the Town received its second installment of property tax for the year in May 2026. Based on this payment, the Town anticipates receiving \$19,220 more in property tax than is currently included in estimated actuals in the draft budget presented as a separate item at tonight's Council meeting. Staff have included in this overage in the five-year roll forward projection included at the end of this report.

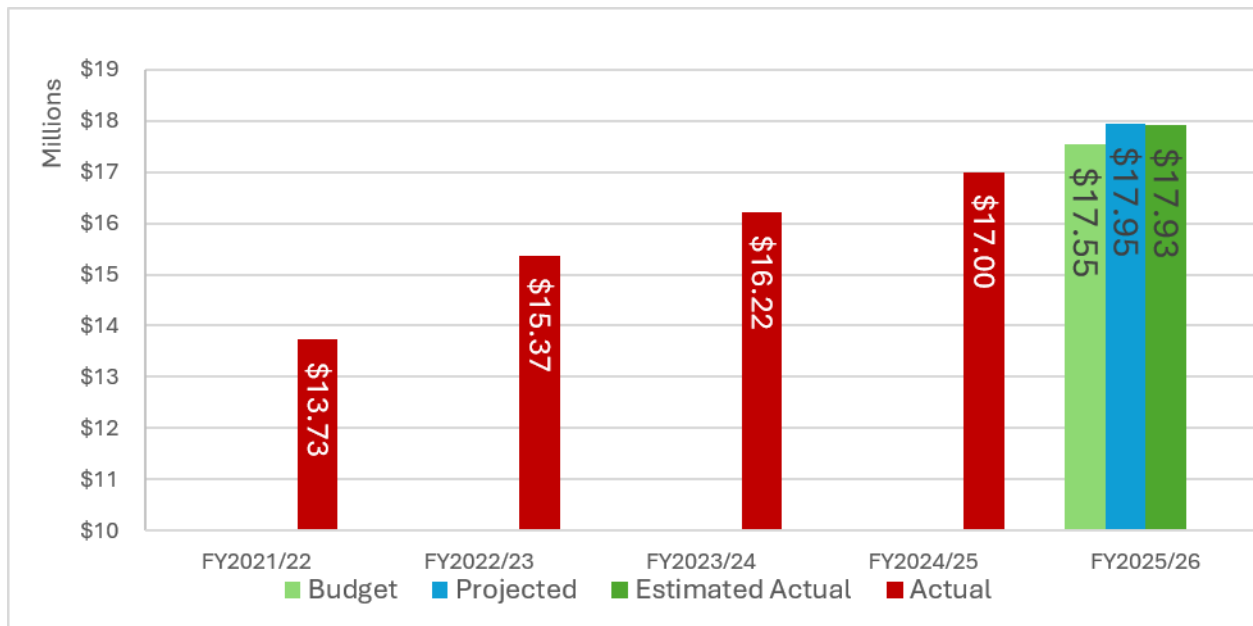


Figure 7 shows property tax collections for the past five years. For fiscal year 2025/26, it shows the budgeted collections, the amount included in the draft budget as estimated actuals, and the amount projected based on the receipt that occurred in May

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.

Quarterly Financial Update – Period Ending March 31, 2026

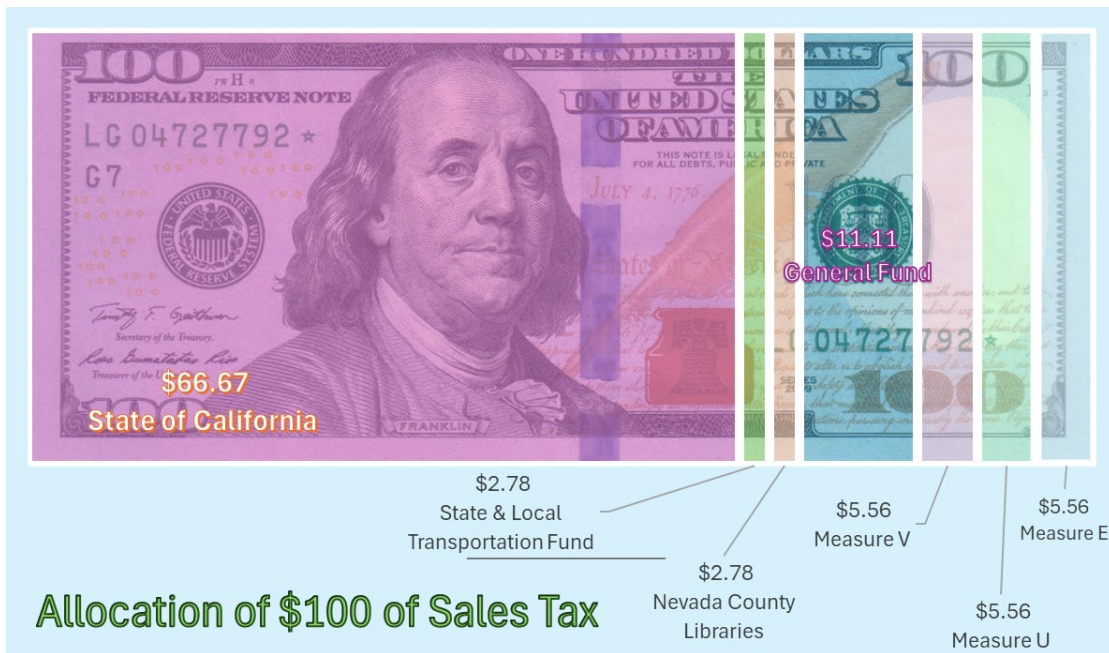


Figure 8 shows the allocation of \$100 of sales tax in California

Analysis –

Quarter ended December 31, 2025 - HDL (the Town's sales tax auditors) analyzed the actual collections for the quarter ending December 31, 2025. HDL reported that the Town was allocated approximately \$1,680,008 for the quarter, as compared to \$1,663,201 for the same quarter in fiscal year 2024/25, a 1.0% increase. Gains in Building and Construction, were offset by declines in General Consumer Goods and Business and Industry.

The Town's percentage share of the County pool decreased by 1%, to 33.5%. As a reminder, the County pool is where the sales tax from internet sales is allocated. It is allocated back to the various jurisdictions within the county based on proportionate share of brick-and-mortar sales. Despite the decline in the Town's share, State and County pools contributed a \$47 thousand increase over the same quarter in FY2024/25.

As of March 31, the Town typically receives about 28% of its annual total. As of March 31, 2026, the Town has received \$2,016,587, which is 31% of the estimated actual of \$6,558,372.

Quarterly Financial Update – Period Ending March 31, 2026

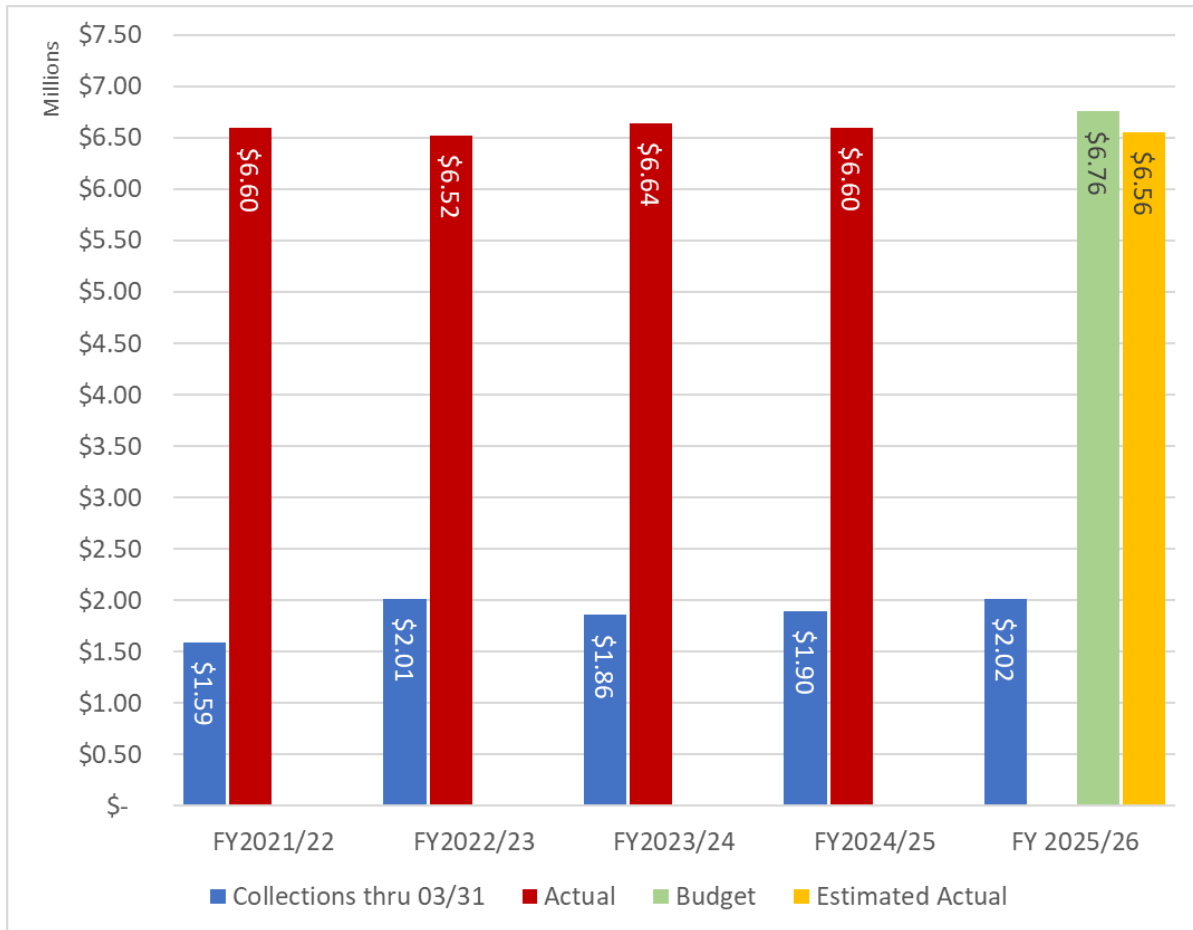


Figure 9 shows Sales Tax collections over the past 5 years. For fiscal year 2025/26, it shows the budgeted amount and the estimated actual which is included in the draft budget.

Quarter ended March 31, 2026 - The filing deadline for the quarter ending March 30, 2026, was April 30, but the data for that period has not been analyzed as of yet. The Town has received the prepayments for January and February 2026. It was projected that the Town would receive \$406,401 and \$377,267 in prepayments respectively, and received \$420,029 and \$451,078 respectively, 11% more than expected. If the Town receives the expected prepayment for March, the Town will receive 6% more than expected for the quarter. The Town will continue to monitor and will report actual results with the next quarterly update.

Transient Occupancy Tax

Transient Occupancy Tax (TOT) accounts for 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.

Quarterly Financial Update – Period Ending March 31, 2026

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 TTBD amounts are remitted to Visit Truckee Tahoe for administration.



Figure 10 is the Town's previous logo for the Short-Term Rental Division.

Analysis –

The Town has received and analyzed filings for the quarter ending December 31, 2025. TOT revenues came in at \$1.15 million, representing a 3.2% decrease compared to the same quarter last year.

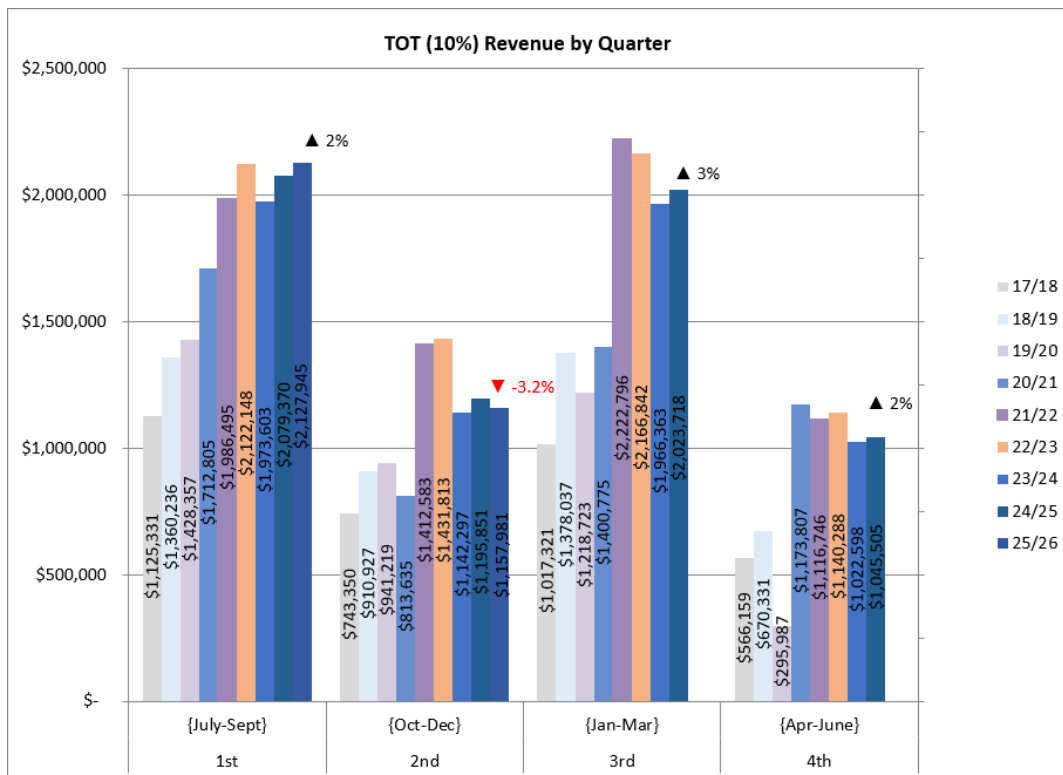


Figure 11 shows the transient occupancy tax revenue receipts by fiscal year, broken out by quarter.

Quarterly Financial Update – Period Ending March 31, 2026

If we assume the Town receives the same amount it received in prior years for the remaining two quarters of the year, collections will be between \$6.35 million and \$6.4 million. No adjustment has been made to the five-year projection due to the uncertainty of collections for the quarter ending March 31, 2026, which saw less snow events than average years (although one strong storm did keep snow fall levels consistent with averages) and an early end to the ski season.

Hotel-generated TOT declined 10% year-over-year and accounted for 37% of total quarterly revenue, the largest source. Independently operated rentals showed modest growth of 2% year-over-year. The share of properties reporting any rental activity remained stable at 64%. However, average nightly rates declined by 3%, suggesting some pricing pressure despite steady utilization. Lastly, properties managed by property managers increased as well – up 1% from the same quarter last year. However, the percentage of active (revenue-generating) properties declined to 70% of total property managed properties, down 9 percentage points. Among those that did not rent, performance was stronger, with average nights rented up 4% and average daily rates up 2%.

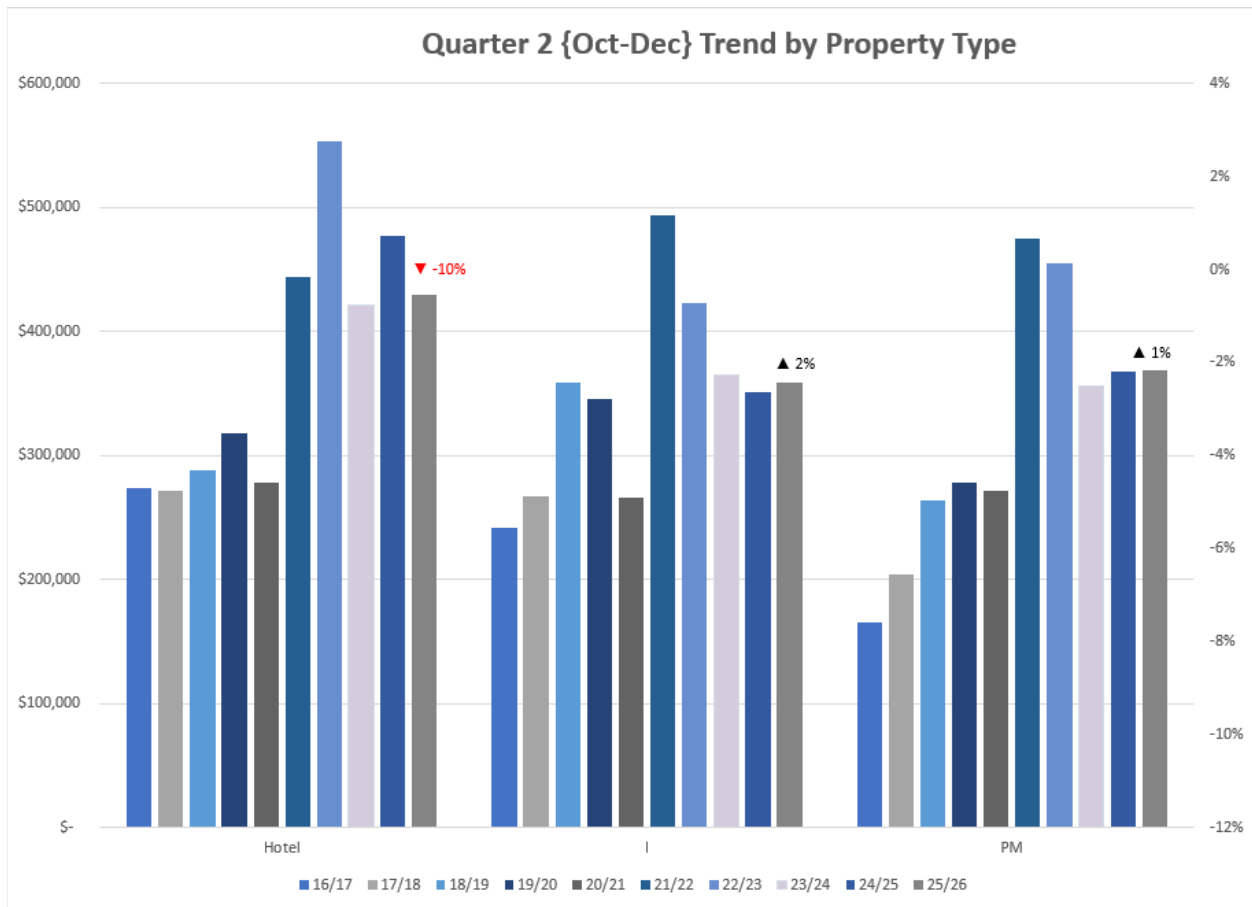


Figure 12 shows the TOT collections by property type for fiscal years 16/17 through 25/26.

Quarter ending March 31, 2026 –

Visit Truckee Tahoe (VTT) published data showing preliminary activity for the quarter as well as projections for into the future as part of their April 16, 2026 agenda packet. These projections were created by KeyData. KeyData is a third-party lodging analytics provider that aggregates anonymized, real-time

Quarterly Financial Update – Period Ending March 31, 2026

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.

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.¹⁰ 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 March 31, 2026, the Town has collected \$505,874 in franchise fees, 3% more than had been collected during the same time period in fiscal year 2024/25. As of April 30, 2028, the Town has collected \$1,445,264. This is 3% more than the same time period in fiscal year 2024/25, but 9% less than the same time period in fiscal year 2023/24. Cable franchises are down, but other franchises are up.

The Town included \$1,630,211 as the estimated actual for franchise fees in the draft budget. Given collections through April, staff feel this is appropriate.

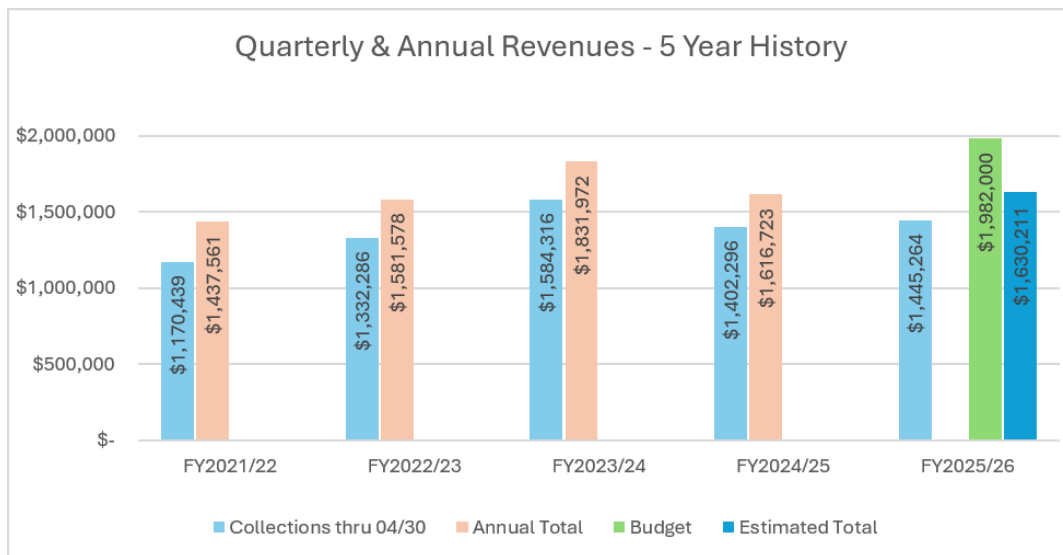


Figure 13 shows the collections of Franchise Fees for the past five years. For fiscal year 2025/26, the graph shows the budgeted collections, actual collections through 04/30, and the estimated collections for the year.

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

Quarterly Financial Update – Period Ending March 31, 2026

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 \$418,102 through March 31 for the fiscal year 2025/26. For the same period in fiscal year 2024/25 the Town had recorded \$519,036 in revenue. The Town typically collects about 54% of its annual revenue by March each year and the \$418,102 would be 61% of the estimated actuals for fees for services for fiscal year 2025/26.

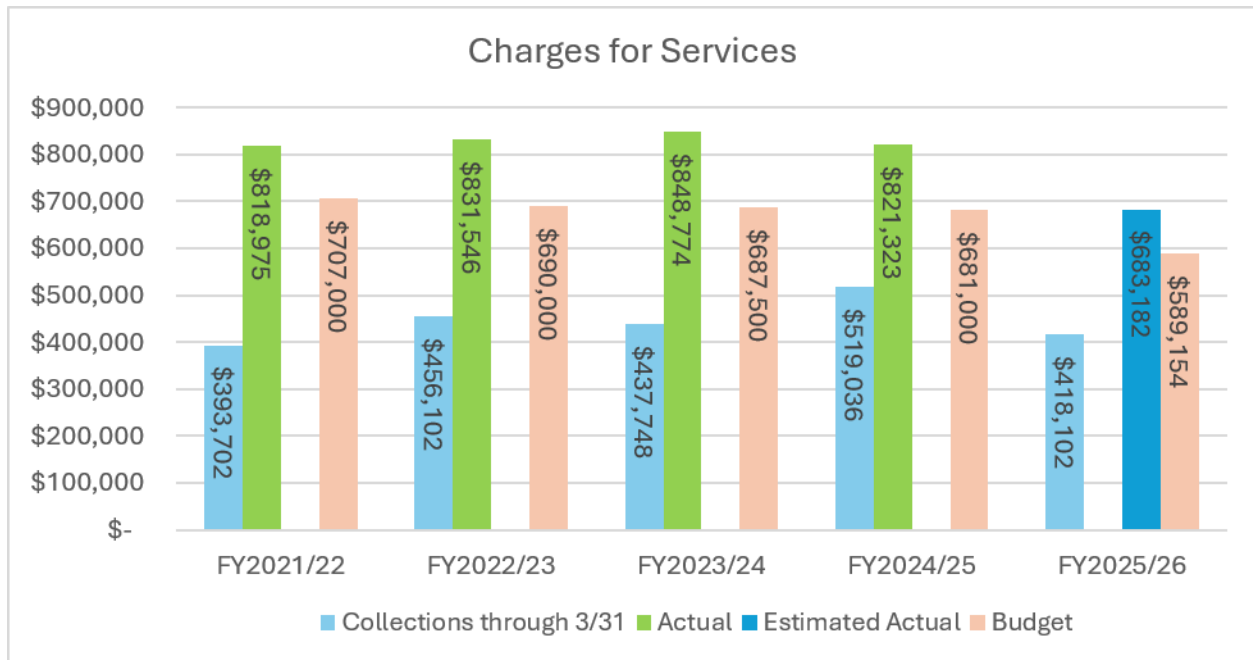


Figure 14 shows the collections of charges for services for the last five years. For fiscal year 2025/26, it shows the estimated actuals.

General Fund – Key Expenditure Analysis

The following discussion provides a status of significant General Fund expenditures as of March 31, 2026. 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.

Quarterly Financial Update – Period Ending March 31, 2026

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 – On average, the Town expends about 72% of its annual General Fund salaries and benefits by March 31 each year. The Town has spent 70% of the fiscal year 2025/26 estimated actuals as of March 31, 2026. The budget for fiscal year 2025/26 is \$27.9 million and the estimated actuals are \$27.1 million.

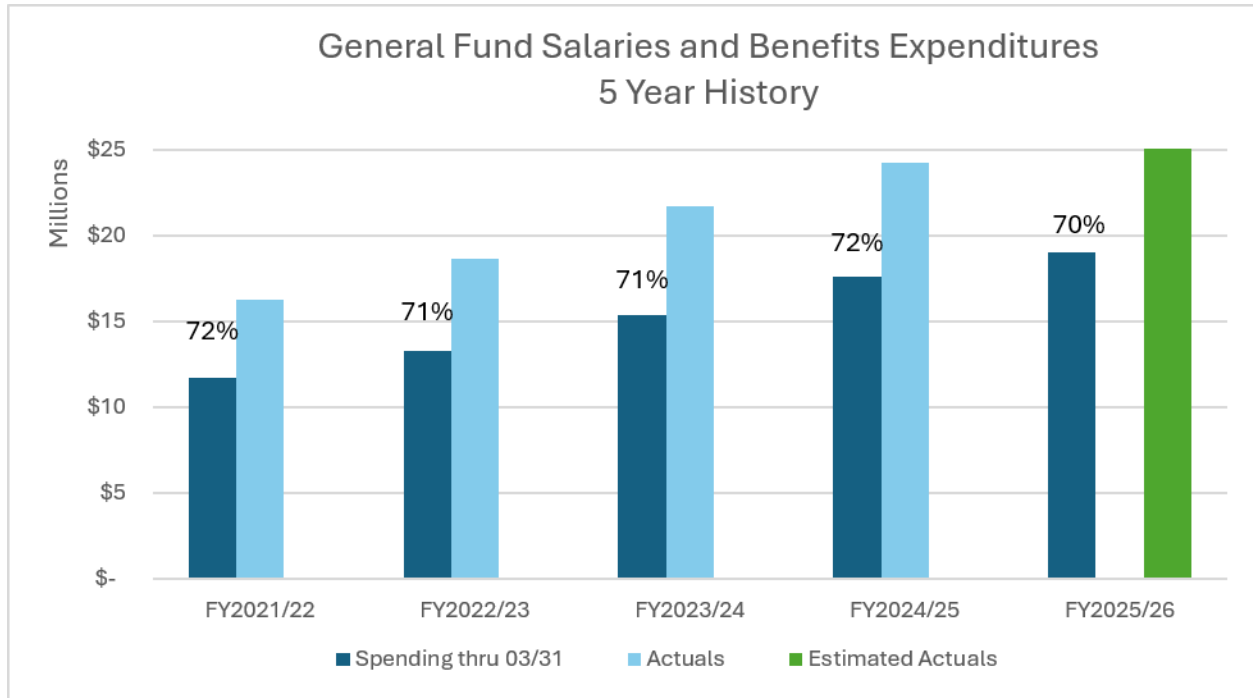


Figure 15 shows the General Fund Salaries and Benefits Expenditures over the last five years. For fiscal year 2025/26, it shows the estimated actual total in lieu of the annual actuals.

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 72% of the annual amount by March 31 each year. The Town has used 67% of the supplies budget for fiscal year 2025/26 through March 31, 2026.

Quarterly Financial Update – Period Ending March 31, 2026

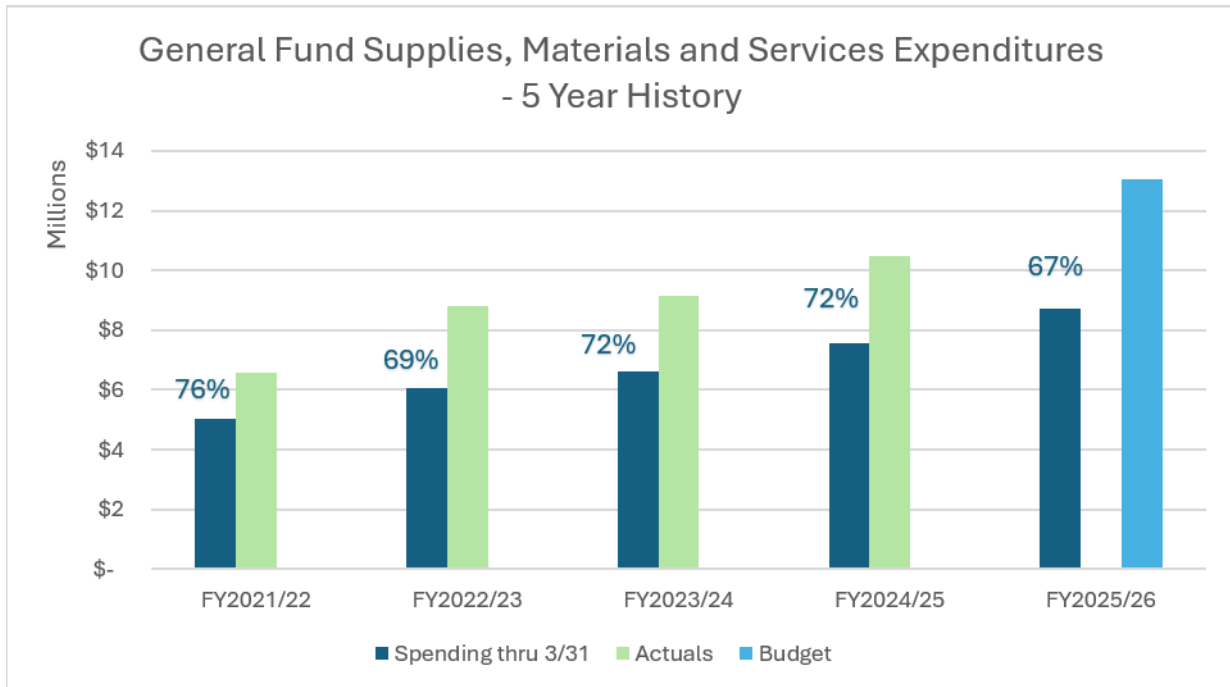


Figure 16 shows the expenditures on Supplies, Services, and materials for the past five fiscal years. For fiscal year 2025/26, it shows the budgeted amount of expenditures.

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 estimated actuals and proposed amounts from the draft annual operating budget for fiscal year 2026/27, 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 draft fiscal year 2026/27 annual operating budget, as well.

Adjustments were added under the Revenues section to show updated property tax as described previously in this report. The Town expects to collect \$19,220 more in property tax annually based on the second installment for fiscal year 2025/26.

Quarterly Financial Update – Period Ending March 31, 2026

Fiscal Year	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30
	Audited Actuals	Draft Estimated Actual	Updated Projected	Updated Projected	Updated Projected	Updated Projected
Beginning Balance	60,039,863	61,351,963	64,130,652	48,820,350	43,638,398	41,016,391
Revenues & Transfers In	46,349,231	47,793,459	47,145,595	48,329,246	49,962,563	51,449,974
Updated Revenue Estimates						
Property Tax		19,220	19,220	19,220	19,220	19,220
Less: Expenditures	(34,564,547)	(38,586,063)	(44,173,479)	(44,963,748)	(46,660,426)	(48,303,050)
Net Operating Revenue/(Expense)	11,784,685	9,226,616	2,991,336	3,384,718	3,321,357	3,166,144
Less: Debt Service	(928,838)	(951,344)	(945,390)	(943,601)	(936,864)	(937,748)
Capital Transfers	(7,125,307)	(3,897,710)	(14,404,610)	(6,858,267)	(4,754,500)	(3,717,000)
Designation Spending -						
Road Maintenance	(1,453,096)	(1,250,000)	(1,150,000)	-	-	(1,500,000)
Economic Development	(631,353)	-	-	-	-	-
Sustainability	(184,838)	(245,202)	(867,834)	(614,802)	(102,000)	(80,000)
Streetscape	-	-	(500,000)	-	-	-
Railyard	-	-	(250,000)	(50,000)	(50,000)	(50,000)
Housing	(149,153)	-	-	-	-	-
Public Art	-	(103,671)	(183,804)	(100,000)	(100,000)	(100,000)
Designation Spending	(2,418,440)	(1,598,873)	(2,951,638)	(764,802)	(252,000)	(1,730,000)
Net Change	1,312,100	2,778,689	(15,310,302)	(5,181,952)	(2,622,007)	(3,218,604)
Total Ending Fund Balance	61,351,963	64,130,652	48,820,350	43,638,398	41,016,391	37,797,787
Updated Designation Balances based on FY23/24 Ending Balances & Estimated Actuals from Draft Budget						
Less: Nonspendable	672,482	672,482	672,482	672,482	672,482	672,482
Less: Assigned	25,351,547	27,905,150	25,553,512	26,915,499	28,896,014	29,446,805
Less: Restricted	229,690	229,690	229,690	229,690	229,690	229,690
Total Undesignated (Cash Available)	35,098,244	35,323,330	22,364,666	15,820,727	11,218,205	7,448,810
<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/(Decrease) in Undesignated Balance from Budget Projections	2,475,023	8,801,688	(3,588,022)	(4,654,553)	(3,737,088)	2,377,852

Figure 17 shows the five year projection for the General Fund including revenues, expenditures, capital transfers and estimated cash available balance.

Based on these changes, the updated estimated actual for Cash Available (undesignated balance), is \$35,323,330 for fiscal year 2025/26, \$8,801,688 more than the projected balance in the fiscal year 2025/26 budget. The updated estimated cash available in fiscal year 2029/30, the fifth year of the projection period is estimated to be \$2,377,852 more than the cash balance projected as part of the fiscal year 2025/26 budget.