

MINUTES
TAHOE DONNER ASSOCIATION
BOARD OF DIRECTORS SPECIAL MEETING
AUGUST 24, 2009
10:00 A.M.

A special meeting of the Board of Directors of Tahoe Donner Association was held at The Lodge Restaurant Banquet Room in Truckee, California on Monday, August 24, 2009. Vice-President Ron Wulff called the meeting to order at 10:09 a.m. The following directors, staff and committee members were present:

Directors present: Ron Wulff, John Dundas & Don Berryman
Suzan Knisley via teleconference at 10:10 a.m.
Robert Burks via teleconference at 11:05 a.m.

Staff present: Robb Etnyre, General Manager
Mike Salmon, Director of Finance & Accounting
Miguel Sloane, Director of Operations
Annie Rosenfeld, Director of Human Resources/Risk Manager
Dave Drinks, Administration Manager
Michael David, Capital Projects Manager
Mary Zapponi, Recording Secretary

Finance Committee Jim Stang, Chair
Members present: Dudley Nigg

MEMBER & DIRECTOR COMMENTS

There were no comments.

TREASURER'S OVERVIEW

Ron Wulff turned the meeting over to Treasurer John Dundas. Mr. Dundas welcomed everyone to the second phase of the 2010 annual budget strategic planning workshop. He said the focus of today's meeting will be on the capital plan, which is the second component of the annual budget and ensures the long-range health of the Association's infrastructure. Mr. Dundas presented an overview of the topics to be discussed and emphasized that it is important for the Association to plan for future. He said after today's workshop, Staff should have the guidance on how to implement the capital side of the budget.

Mr. Dundas concluded by presenting a timeline of future meeting dates for the Finance and General Plan Committees and the Board of Directors relating to the budget process.

GENERAL MANAGER'S OVERVIEW

General Manager Robb Etnyre confirmed that the operating side of the budget was addressed at a prior meeting and Staff received the necessary guidance from the Board to begin work on the 2010 budget.

Mr. Etnyre's presentation was accompanied by Power Point illustrations, which are attached to and made a part of these minutes. He began by reviewing the TDA organizational chart as it relates to committees. Mr. Etnyre pointed out that the Association has a large staff compared to most homeowner associations and, therefore, we have the in-house capability and key positions to handle tasks that are often performed by committees at other organizations. In other words, the Association has to balance what Staff is paid to do with the wealth of information available in the committees.

Mr. Etnyre next reviewed the development process for the strategic plan. He said the Board gives guidance to the General Manager who in turn receives input from both Staff and the committees in preparing a draft, which will set forth where the Association is going and what our goals and objectives are for the next three to five years. Mr. Etnyre confirmed that this document will be submitted by November 15, 2009.

From the strategic plan, Staff and the General Plan Committee develop a general plan which in turn affects the operating and capital budgets. Mr. Etnyre explained that the components of the capital plan are the Replacement Reserve Fund, the New Machinery & Equipment Fund, and the Development Funds. He pointed out that although the last fund will not be discussed in detail today, it is still a critical aspect and something that should be reviewed in the future so the Association can modernize and move to a higher plateau.

CAPITAL PROJECTS REVIEW OF 30 YEAR REPLACEMENT RESERVE STUDY

Annie Rosenfeld then provided the Board with a background on reserves and what that means for a homeowners association. She explained that all three funds mentioned above have their own policies here at Tahoe Donner, but the Association also has specific requirements under the California Civil Code. Ms. Rosenfeld said our Replacement Reserve Fund is split in to two parts, one being capital and the other expense. Regarding the Development Funds, they are highly regulated and separated in to three areas: the restricted 32-acres fund which can only be used for new recreational facilities or usage, the designated building replacement fund which is our newest fund, and the regular development designated fund to address large-scale projects. She pointed out that the Association has always been fairly progressive in funding their capital projects.

She then reviewed with the Board the Civil Code section regulating reserves for common interest developments. Ms. Rosenfeld also described the procedures the Association follows in connection with their reserve plan and using the fund, and in particular she discussed the detailed reserve study which is conducted every three years. Ms. Rosenfeld explained that this study identifies all components having a useful life of less than 30 years and costing at least \$2,000. She emphasized that the study is a guideline for future planning and funding of capital items that need to be maintained and replaced, and that the Association chooses to fund their reserves on an annual basis. Ms. Rosenfeld concluded by reminding the Board that the reserve funds are the Association's savings plan.

Don Berryman inquired who performs the 3-year study. Ms. Rosenfeld responded by saying it is done in-house by our Capital Projects Manager, Michael David, but that the Association also employs a company as their outside consultant to assist and answer questions.

Michael David next gave an overview of his responsibilities as the day-to-day manager of the reserve plan. He pointed out that the Association has identified over 20 common areas that contain 1,086 capital components, which are monitored in a software program. Mr. David advised the Board that the three year study will be performed again in 2010, and it takes seven to eight months to visually inspect and evaluate every component. In addition, he performs an annual review of the items scheduled to be replaced each year in conjunction with the budget cycle. Director of Finance & Accounting Mike Salmon confirmed that, pursuant to Reserve Fund Policy Resolution 2002-8, the annual review is required to be done by September 1.

Staff then fielded questions from the Board.

FINANCE COMMITTEE REVIEW OF BUILDING REPLACEMENT RESERVE RECOMMENDATION

Mike Salmon then discussed the building replacement designated funds. He explained that buildings have a conceptual useful life beyond 30 years, and for this reason are not included in the replacement reserve study and fund. Mr. Salmon reviewed with the Board the different Development Funds established by the Association, as well the funding requirements for the four general plan projects designated by the Board as being a priority.

A discussion ensued regarding the Euer Valley bridge project. Suzan Knisley pointed out that the reason this project was put ahead of schedule is due to the fact that the Association will have to renegotiate its contract with John Euer in 2017, so there is a risk factor associated with this matter. Robb Etnyre confirmed that he will review the Board's decisions regarding the timing of all four projects.

DIRECTOR OF FINANCE REVIEW OF 2010 CAPITAL BUDGET ASSUPTIONS

Mike Salmon next presented Staff's capital assumptions and recommendations regarding the 2010 budget. He pointed out that reserve expenditures made during the year do not directly impact the assessment funding level for that year because the money is already in the account; however, what does impact the Association's budget and thus the members is the funding level for the capital portion of the annual assessment.

Mr. Salmon stated that his recommendation is for the capital portion contribution of the 2010 annual assessment increase by \$100 over the 2009 level, to \$605 per assessed unit. He explained that the \$100 increase will go entirely to capital and would be broken down as follows: \$14 (total of \$348) to the Replacement Reserve Funds and \$86 (total of \$232) to the Development Funds, with no change in the amount going to the New Machinery & Equipment Funds (\$25). In connection with the Development Funds, \$165 would go to the designated building Replacement Fund and the remaining \$67 to the regular Development Fund. Mr. Salmon pointed out that the \$232 total contribution going to the Development Funds gets the Association to the funding level needed to finance the four priority projects.

Mr. Salmon advised the Board that the Replacement Reserve Fund has a minimum balance requirement of \$800,000. He then reviewed the dollar amounts that will be contributed to each capital fund in 2010 based on the above figures.

BOARD OF DIRECTOR 2010 CAPITAL BUDGET GUIDANCE

Robb Etnyre asked the Board if they had any additional assumptions or guidance they want to give Staff. By consensus, the Board provided Staff with broad guidance for the development of a draft 2010 capital budget and specific guidance to review the funding model to account for the currently scheduled 5-year and 20-year capital plan. In addition, the Board set a limit for the capital fund contribution of the 2010 annual assessment to not exceed \$605 per unit.

Dudley Nigg inquired and asked for confirmation that Staff is working on a budget that will not increase the operating fund portion of the annual assessment. He stated it is important for the membership to know that the Association is keeping their operating costs level but that the capital side has been underfunded over the years and needs to be addressed. A discussion ensued on how to convey this information to the property owners. The Board agreed that the membership needs to understand that capital funding is a line item that will be added to the overall budget going forward, and it is especially important now that the Association is older and needs to replace some of its aging assets.

A discussion also ensued regarding the \$100 increase and whether this additional contribution on an annual basis will be adequate to fund the Association's long term projects.

REVIEW AND CONFIRM FUTURE BUDGET WORKSHOP DATES

Mike Salmon confirmed that the next regular Board meeting will be held on September 19, 2009, at which time Staff hopes to obtain approval of the 2010 budget. He stated that another budget workshop/special Board meeting will be held on September 14, at which time both the operating and capital sides will be addressed and any issues “flushed out”.

FINANCE COMMITTEE 95-8 RESOLUTION RECOMMENDATION

Mike Salmon thanked Finance Committee members Jim Stang and Dudley Nigg for attending today’s meeting. He stated that Resolution 95-8 “Adopting User Fee Policy” currently exists and sets forth cost recovery indices for the Association’s public and private amenities, but he recommends that the policy temporarily be put on hold.

A discussion ensued regarding the policy, whether it should be rescinded, and when it should be revised. Robb Etnyre pointed out that he is bound to operate under and uphold the resolutions that have been passed by the Board. He suggested that the Board rescind this policy and address it again before next year’s budget cycle.

Following additional discussion, Director Dundas made a motion and Director Berryman seconded to rescind Resolution 95-8 for one year. Motion passed 3-1 (Director Wulff no, Director Knisley temporarily absent).

STAFF IN PROGRESS REVIEW OF 2010 OPERATING BUDGET

Robb Etnyre advised that he will propose a fee schedule in conjunction with the draft 2010 budget at the September 14 meeting. He confirmed that the Board’s guidance was to attempt to hold the annual recreation pass and daily amenity access fees at the 2009 levels, and Staff is trying to adhere to that as much as possible.

DOWNHILL SKI AREA REMODEL

The Board was provided with a Decision Paper concerning the ski area construction project. Robb Etnyre pointed out that this document sets forth the high-end threshold amount for Board approval now that all of the bids have been received, and confirmed that nothing has changed in the plans. He stated that the funds will come out of the Reserve Replacement and Development Funds.

A discussion ensued regarding a non-performance clause. Michael David advised the Board that the completion date is November 1, 2009, so that gives the Association more than a month to prepare for opening day.

Following discussion, Director Berryman made a motion and Director Knisley seconded to approve a not to exceed budget of \$700,000 to complete the remodel of the Downhill Ski Lodge first floor area, as presented. Motion passed 5-0.

ADJOURNMENT

Director Berryman made a motion and Director Dundas seconded to adjourn the meeting at 12:05 p.m. Motion passed 5-0.

Submitted by:

Mary Zapponi, Recording Secretary

SECRETARY'S CERTIFICATE

I, Donald E. Berryman, Secretary of Tahoe Donner Association, do hereby certify that the foregoing is a true and correct copy of the minutes of the Tahoe Donner Association Board of Directors special meeting held on August 24, 2009, as approved by the Board members in attendance and constituting a quorum at a duly convened subsequent meeting of the Board.

Donald E. Berryman, Secretary

Date