



# 2016 Budget Board of Directors Planning Guidance

- Strategic Plan
  - Including 2016 Economic Assumptions
  - Corporate Resolutions
  - Governing Documents
- Board Planning Guidance

# Strategic Plan (Board Guidance)

Mission	Vision	Values	Guiding Principles	Core Competencies	Goals 2015-2020
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# Operating Budget / Capital Budget (Management)

Annual Operations	Capital Budget
Service Levels-Expenses-Rates-Revenue-Expectations	Reserve Replacement Fund New Machinery & Equipment Development Fund



Finance & General Plan Committee Review - Board Review & Approval



2016 Annual Assessment (Homeowners)

# Strategic Plan

## ▶ Tahoe Donner Mission

Tahoe Donner is a recreational oriented mountain residential community, whose mutual benefit association of 6,500 owners provides for the standards, regular operation and long term maintenance of programs, facilities and open space. Thru continuous improvement, customer service, and fiscal accountability, the Association maintains leading standards of natural resource stewardship, facilities, programs and services to benefit the owners/members. Organizational effectiveness and innovation within the Association is sustained by maintaining a highly professional board of directors, staff, and homeowner committee volunteers, while also engaging the local community in an effective and collaborative relationship.

# Strategic Plan

- ▶ **Guiding Principles**
  - Support the customer first and always
  - Sustain the foundation of Tahoe Donner programs and services
  - Encourage environmental stewardship
  - Engage positively with local community
  - Minimize annual operating assessment by allowing homeowners to pay for the amenities they desire to use
  - Responsibility to maintain, preserve, and enhance the common property

# Strategic Plan Goal #1

Execute the board approved Capital Projects on time and within budget.

- Development Fund – Based on 2030 General Plan
  - First Five Years 2010–2015 (Projects approved with final scope/budget review by board) Updated annually in budget process. GPC working on 2016–2020 recommendations.
  - Annual assessment will remain \$250 with both the building replacement and development fund combined to allow long term saving for capital projects.
  - Special Assessments are not planned or anticipated to execute Development Fund Projects. The Association values delaying projects in order to accumulate enough funds instead of funding thru special assessment or undertaking less than adequate improvements.

# Strategic Plan Goal #1 Cont.

- 2016 Development Fund Projects
  - New trails improvements as part of the trails master plan
  - Euer Nordic Cookhouse (2017) planning
  - Snowmaking (2015 & a 2016 phase)
  - Land Acquisition

# Strategic Plan Goal #1 Cont.

## ➤ Replacement Reserve Plan

- Major Projects for 2016
- Future Funding Level, board resolution 2013-3
- 2015 AA RR portion  $\$526 \times 4\% = \$21$  or  $\$547$  for 2016  
*Assessment Impact / 21 / 1800 = 1.2%*

– Land Management Plan – Reserve component

– **DISCUSSION:** 25% funded policy threshold; potentially at or above min level for 2016. Can potentially hold RR portion of AA flat or lower for 2016.

## ➤ New Machinery & Equipment

- Hold at 2013-2015 funding level.
- 2015 AA NME portion \$30 Assume \$30 for 2016  
*Assessment Impact / no change*

# Strategic Plan Goal #2

Balance operating revenue and expenses with the need to provide first class services for members, member guests, and where appropriate public.

- A. Tahoe Donner is a 501(c)4 California Corporation
  - i. “To be described in IRC 501(c)4, a homeowners’ association must primarily serve the community rather than the private interests of its members.”
- B. Value public use of Tahoe Donner public amenities
- C. Member get the best deal (Non F&B)
- D. Service levels should be maintained and not allowed to diminish to save expense.
  - Alder Creek Adventure Center
- E. New opportunities...?



# Strategic Plan Goal 2.1

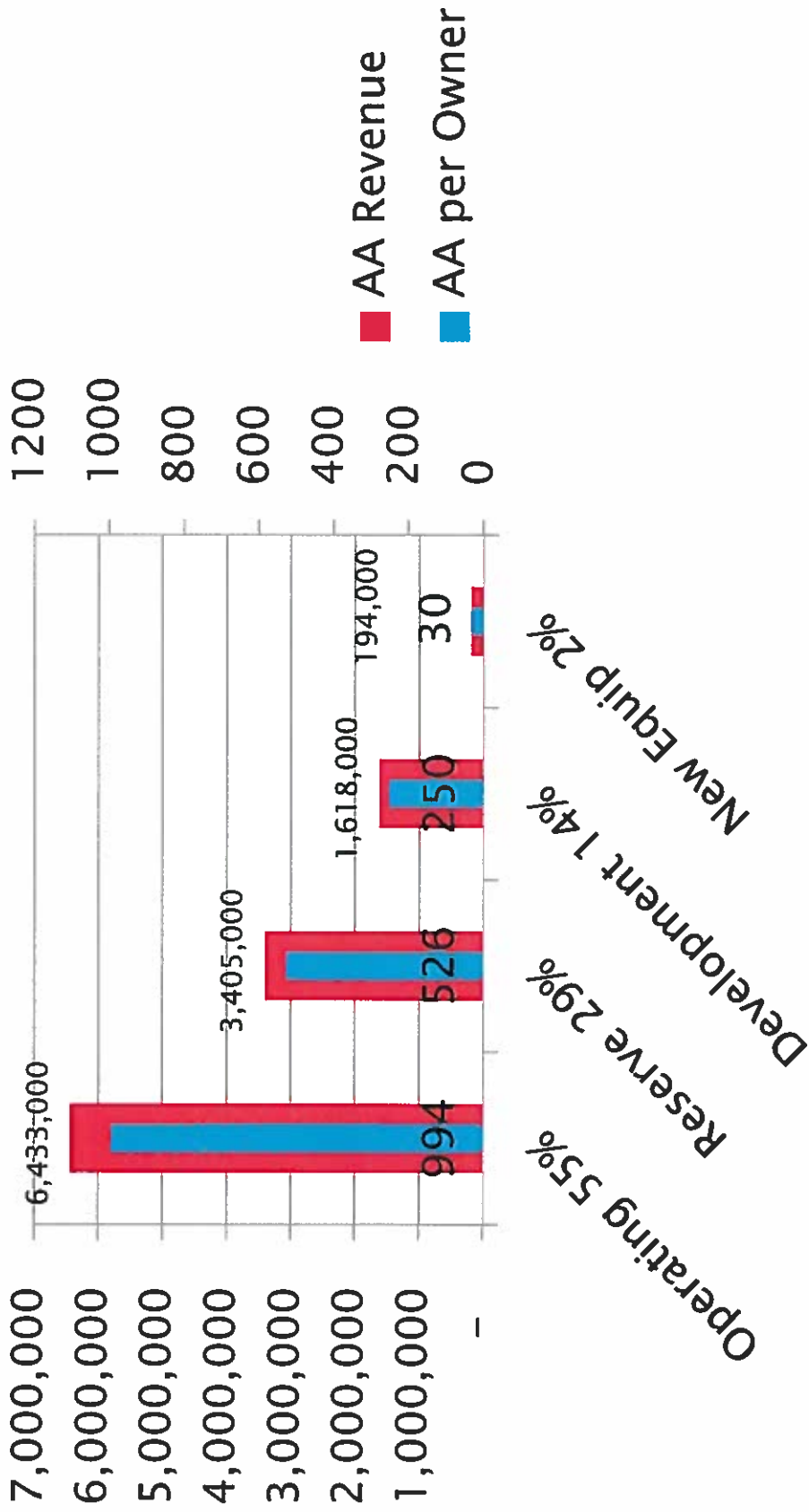
Maintain an equitable relationship between Operating Revenue and Assessed Revenue while not sacrificing membership service level expectations

- Revenue Requirement in 2015 was \$20.9 million
  - met via 55% Annual Assessment and 45% Operating Revenue
- Operating revenue budget will be challenged due to another year of drought
- Operating costs budget will be challenged due to significant regulatory impacts
- Assessment increased \$200 or 12.5% in 2015, due primarily to drought and workers comp costs increase
- Service level expectations remain the same or better

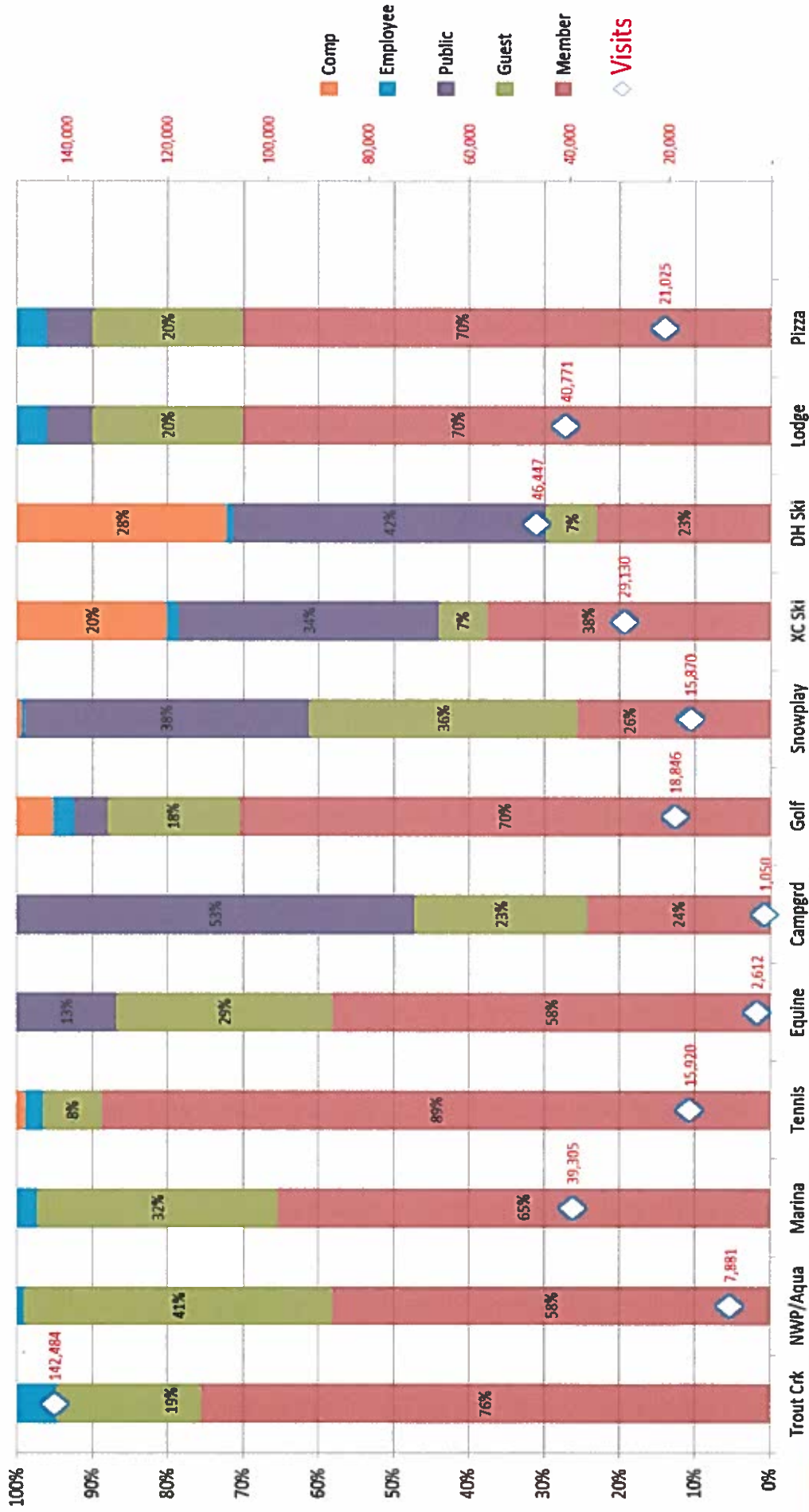
# 2015 Annual Assessment by Fund

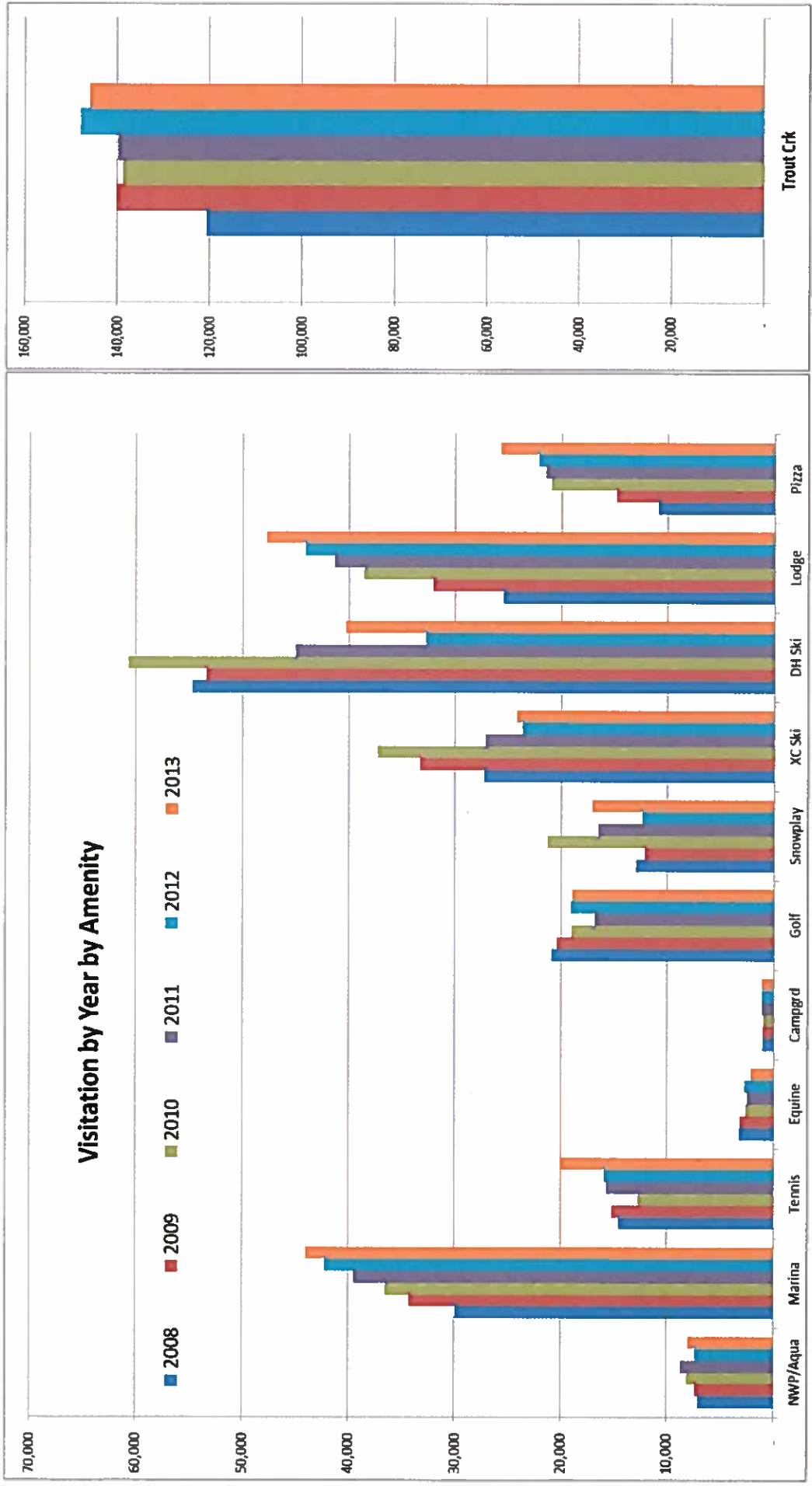
\$20,860,00 total revenue requirement

\$11,650,000 or 56% via Annual Assessment (\$1800 per owner)



# Visitation Mix and Total Visitation - 5 Year Averages (2009 to 2013)



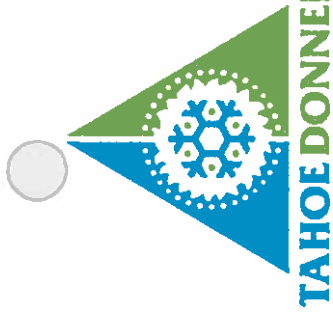


# Other Key Operating Assumptions

- ▶ 2015 Operating Fund NOR Results and resulting Members' Equity (ME) Balance
  - Currently YTD June NOR is off \$300,000 (prelim)
    - Which places ME @ 815,000
  - Minimum \$500,000 balance, per policy
    - 2015 can miss budget by another \$315,000 and be at 500k
    - December is large weather wild-card
  - At minimum, but not at target 10% of Revenues or \$962,000..... $462,000/6471 = \$71$
- ▶ ACAC Building Impacts on 2016 operating budget— estimate favorable NOR impacts
- ▶ Equestrian operating budget
- ▶ Forestry Programs and operating budget, any increase
  - – any reserve eligibility?

# KEY Economic Operating Assumptions

1. Federal, California, and regional economic trends continue, consistent with 2015
2. Inflation forecast in the 1% – 3% range
3. Compensation merit Increase cap of 3.0% (\$220,000 or \$34 per owner)
4. CA Min Wage increases from 9.00 to 10.00 eff. 1/1/2016, an increase of \$1.00 or 11%. (\$100,000 or \$15 per owner)
5. CA Sick Pay entitlement law (\$95,000 or \$15 per owner)
6. Health Care Insurance: 10% Increase (\$80,000 or \$12 per owner)
7. FED Affordable Care Act: mandates ~10+ benefit employees (\$100,000 or \$15 per owner) *Potentially only 4<sup>th</sup> quarter impact*
8. FED DOL Overtime Regs change (pending legislation): changes Overtime exemption cap up to \$50,440, versus in CA for 2016 \$41,600 (impacts ~ 17 exempt employees, difficult to estimate \$ impact, probable \$50,000 or \$8 per owner)
9. Workers Compensation Insurance: 30% Increase (\$270,000 or \$42 per owner)
10. Winter 2014/2015 drought generates more downward pressure on operating revenues, generating offsetting increase pressure on Annual Assessment – *see next page*
11. Rates and Fees – increase to mitigate cost pressures across the company, thereby lowering impact on Annual Assessment  
Equestrian, ACAC and Snowmaking will be net positive impacts in Budget



# Drought Impact on Total Operating Revenues

Year	Operating Revenues (\$ thousands)	Operating Revenues (\$ thousands)	Gap to 2015 B	Gap / 6472
2010	8,862	8,506	704	\$ 109
2011	8,277	8,263	947	\$ 146
2012	8,205	8,712	498	\$ 77
2013	9,505	8,417	794	\$ 123
2014	7,679	8,260	950	\$ 147
2015 F	7,650	8,463	747	\$ 115
5yr average (2010 to 2014)		8,506	704	\$ 109
5yr average (2011 to 2015F)		8,263	947	\$ 146
4yr average (2010 to 2013)		8,712	498	\$ 77
4yr average (2011 to 2014)		8,417	794	\$ 123
4yr average (2012 to 2015F)		8,260	950	\$ 147
3yr average (2012 to 2014)		8,463	747	\$ 115
3yr average (2013 to 2015F)		8,278	932	\$ 144

This is raw overall revenues, in detail calc the impact will be less due to some cost reductions. For Example 70% of \$144 is \$100

2015 B 9,210

2014 B 9,620

# Strategic Plan Goal 2.2

Establish outstanding year-around Association programs and special events to benefit the membership.

- 2015 Special / Recreation Programs Continue in 2016
- New programs are assumed to have a 3 year development period before hitting a target to break even
- Farmers Market and/or Farm to Table Event
- Two Major Concerts
- Fall Festival
- Running / Mountain Bike Event or Series (Member/Guest Only)





## Strategic Plan Goal 2.3

- ▶ **Employ and retain knowledgeable and dedicated full-time and seasonal employees who are willing to serve member needs.**
  - Maintain 70 Full-time positions authorized
  - Continue to review healthcare legislation impacts on annual budget and health care renewal options.
    - FED Overtime law change (pending)
    - FED Affordable Care Act
    - CA sick pay law
    - CA minimum wage increase
    - CA workers compensation insurance

## Strategic Plan Goal 2.4

- ▶ Continue to improve information technology services to support and integrate resort and member operations.
  - Expand On-line product mix and better integration of the OneStore – Capital Funding
  - Gift card full Integration
  - Website refresh
  - Winter / Summer Trails Applications for mobile devices – Capital Funding

## Strategic Plan Goal 2.5

- ▶ Ensure employee and customer health and safety are first and foremost in our planning and operations, while encouraging individual responsibility given inherent assumptions of risk in resort activities.
  - General liability insurance
  - Workers compensation insurance
  - Injury prevention and safety training
  - Loss prevention

# Strategic Plan Goal #3

- ▶ Execute effective approaches to maintaining the Association's architectural, covenants, and communication standards.
  - 3.1 next page
  - 3.2 Continue to improve communication channels to membership
  - 3.3 Update governing documents
    - Replacement reserve expenditure

## Strategic Plan Goal #3.1

- ▶ Execute the long term architectural standards homeowner inspection program as approved by the board of directors.
    - Architectural Standards Inspection Program
      - Grid System 250 homes per year
      - Transfer / Voluntary Inspections
- Effective volume is closed to 750 per year

# Strategic Plan Goal #4

- ▶ Establish a proactive approach to maintaining the health of our natural resources and defensible space.
  - 4.1 Implement the 10 year forest management plan
  - 4.2 Home Lots Defensible space program 8yr cycle continues
  - 4.3 see next page
  - 4.4 Develop an association-wide recycling program for amenities
  - 4.5 Land Management Plan
  - 4.6 Trails Master Plan

## Strategic Plan Goal 4.3

- ▶ Promote efficiencies in energy and water use for greater self-reliance and energy independence while properly maintaining our amenities.
  - Water – **28% reduction law**
  - Power
  - Fuel
  - Recycling
  - Solid Waste
  - Solar
  - Membership Mass Transportation

# Corporate Resolutions

- ▶ **Capital Fund Policies**
  - Development Fund – Resolution 2012–01
  - New Machinery & Equipment – Fall 2013
  - Replacement Reserve – Resolution 2013–3
  
- ▶ **Operating Fund Policies**
  - Resolution 2013–4



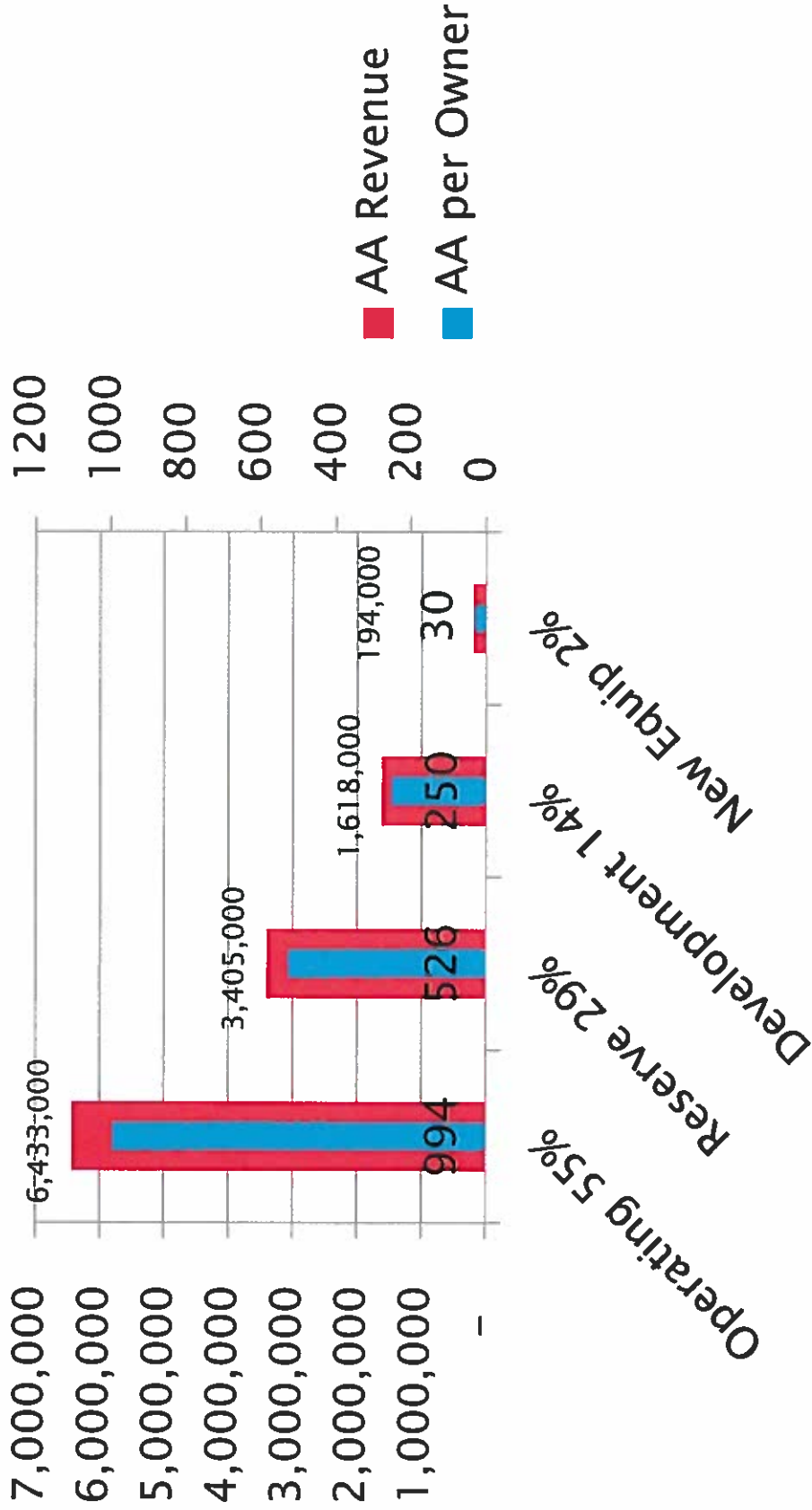
# Governing Documents

- ▶ **Davis–Sterling**
  - California Civil Code Section 1365
    - 1365(a) – requires Annual Assessment, Budget, and other information to be communicated to owners between 30 and 90 days prior to start of fiscal year (1/1/20xx). *TDA’s C&R/Bylaws more stringent, see below.*
- ▶ **TDA C&R, Article IV, Section 2(a)**
  - Requires new year’s Regular Annual Assessment to be ‘mailed’ to owners between 45 and 60 days prior to start of new fiscal year (1/1/20xx)
- ▶ **TDA By–Laws, Article XII, Section 5**
  - Requires new year’s Budget to be ‘distributed’ to owners between 45 and 60 days prior to start of new fiscal year (1/1/20xx)
- ▶ **Annual Budget Publication / Invoice**
  - Invoice production cycle lead time to meet Nov 15
  - TDNews Budget Report production cycle lead time to meet Nov 15

# 2015 Annual Assessment by Fund

\$20,860,00 total revenue requirement

\$11,650,000 or 56% via Annual Assessment (\$1800 per owner)



# Board Planning Guidance

1. No greater than 5% or \$90 Assessment Increase
2. With 25% Funded Reserve, have Replacement Reserve portion of AA adjustment potential
3. Continued to be conservative on operating revenue assumptions
4. Don't bank on snowmaking until proven
5. Strategic plan priorities are still valid
6. Development Fund values time over increasing funding level
7. Target Replacement Reserve major improvement plans for Board validation

8.

9.

10.