



Tahoe Donner Association 2018 Budget - notes & discussion items

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For Board Meeting 9/23/2017

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Finance Committee / Board / Management

9.14 Meeting Action Items/Next Steps

The 9.14 1st draft of 2018 Budget was balanced, with no changes in annual assessment (in total or by fund). Below are key note directional items identified during the 9.14 meeting.

- 1) Finance Committee to recommend to Board 3-5 departments for in-depth financial analysis via new Task Force working groups:
 - Consider: Equestrian, Golf, ASO
 - 6-9 month project, FC Goals item
- 2) ASO. Fee structure changes goal is net revenue neutral. Refine budget estimate
- 3) Refine WorkComp and Health Insurance budget estimates. Other areas of refinement +/-, if possible....lower Operating Fund portion to achieve:
 - Priority A. +\$? / \$? in AA to Replacement Reserve Fund
 - Priority B. +\$? / \$? in AA to Development Fund
- 4) The Lodge – Pavilion Tent Financials (see 9.23 agenda item S.) Decision potentially impacts pricing in item 5, lodge menu pricing, and other pricing recommendations
- 5) Pricing. Guest card w/o Member present – drop the \$16 to \$10 or \$12; also consider raising RecFee \$270, also consider raising Member \$6 and Guest \$8 daily entry rates.
- 6) Analyze employee housing costs versus increasing instructor rate of pay
- 7) Covenants enforcement additional resources for noxious/other bad behaviors – develop costs estimates

Additional Notes Slides

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Additional information slides in this G01 document are presented as follows:

Page 4 – Assessment growth rates

Page 5 – Operating Fund growth rates

Page 6 – Ten Years combined totals info slide

Page 7 – Payroll Burden by Component – 11 years perspective

Page 8 – 401k Savings Plan recommended changes

Page 9 – California Minimum Wage changes

Pages 10/11 – Zero Based Budgeting information

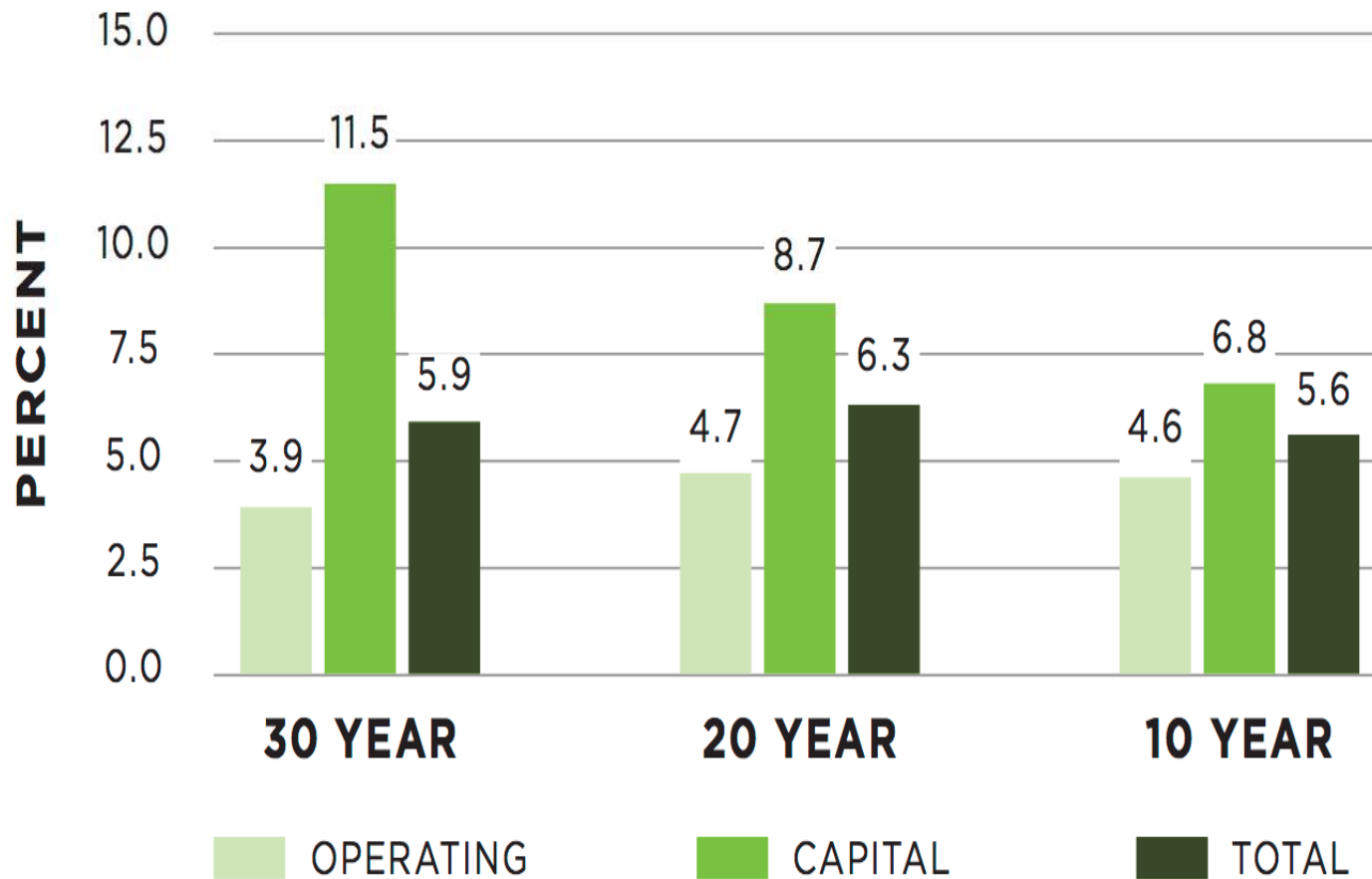
Page 12 – placeholder for notes/direction from 9/23 Board meeting

ANNUAL ASSESSMENT GROWTH RATE

BY FUND TYPE AND TOTAL

1987 - 1997 - 2007 - 2017 BUDGET

COMPOUNDED ANNUAL GROWTH RATE



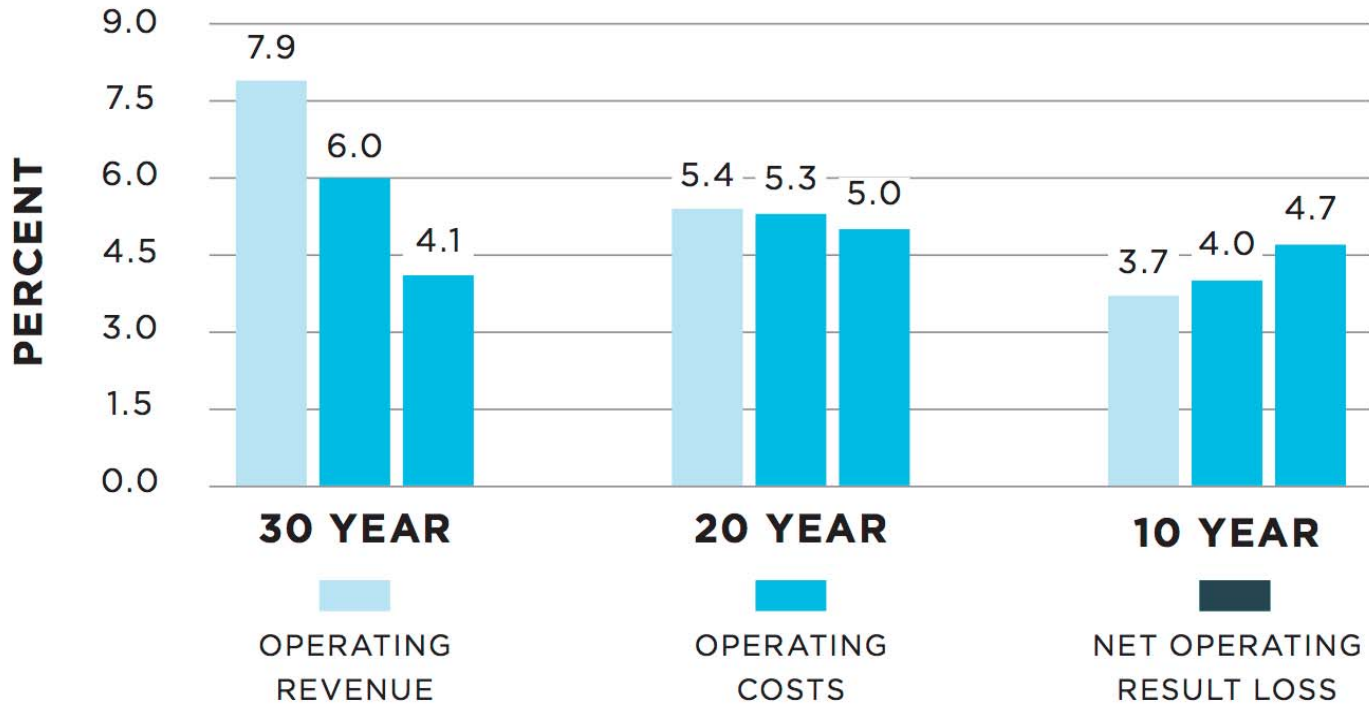
ANNUAL ASSESSMENT NOTES

- In 2017, the \$1,900 total annual assessment was the same as 2016.
- From 2009 to 2012 (four consecutive years), the operating portion of annual assessment was held flat at \$695.
- Over the past 20 years (1996 to 2016), the association's replacement reserve fund balance has improved by over \$6 million, addressing past underfunding and an aging infrastructure of this now 45 year old association.

OPERATING FUND GROWTH RATE BY COMPONENT

1987 - 1997 - 2007 - 2017 BUDGET

COMPOUNDED ANNUAL GROWTH RATE



NOTABLE AMENITY FACILITIES GROWTH

- The Lodge Restaurant & Pub built in 2005
- Trout Creek Recreation Center built in 1994, expanded in 2005
- Alder Creek Adventure Center built in 2015
- Euer Valley, Trails, Bikeworks
- Cross Country Skiing added
- Concerts changed from outsourced to in-house production
- Number of Improved Lots has increased (fewer vacant lots now)

OPERATING COSTS TO OPERATING REVENUE			
1987	266%	1997	162%
2007	152%	2017	157%



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10 Year Totals (2007 to 2016)

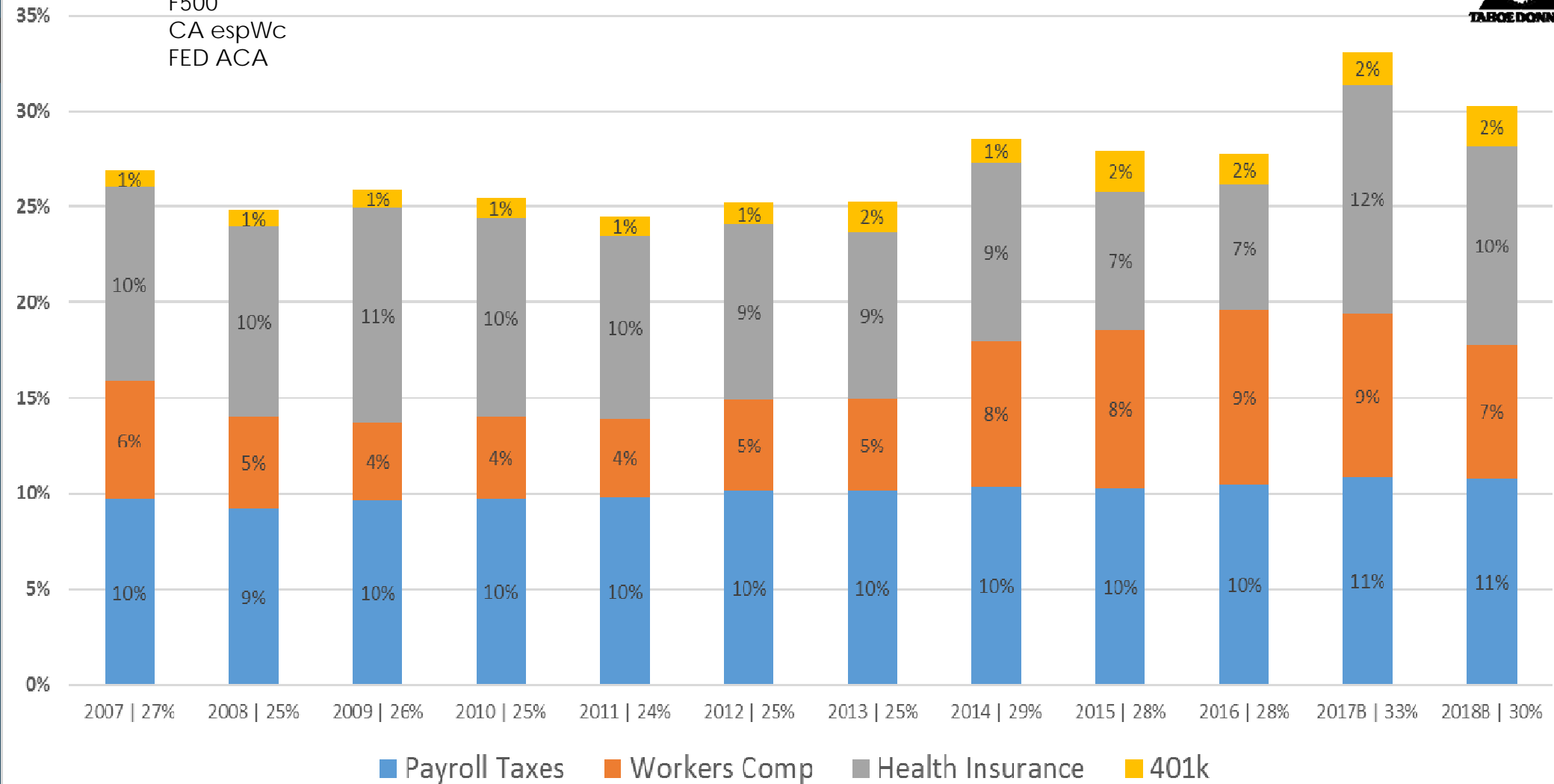
	REV	TOC	NOR
Downhill Ski	20,586,263	(18,318,713)	2,267,550
XC Ski	6,379,505	(5,197,664)	1,181,841
Pizza on the Hill	2,807,522	(3,331,642)	(524,121)
The Lodge	16,029,024	(16,870,543)	(841,519)
Equestrian	1,379,337	(2,479,740)	(1,100,403)
Golf	11,081,337	(13,115,273)	(2,033,937)

Above Operating Only,
ie before capital costs

[G12](#) provides 10 years historical, all operating departments

Talking Points
 HC %
 F500
 CA espWc
 FED ACA

Payroll Burden as a % of Payroll Direct



2018 Budget – 401k Plan changes proposed



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- Current plan 50% up to 6% Match, Vesting Tiered until 6th Year 100%
- Recommendation – modify to Safe Harbor provisions plan
- 100% Deferrals up to 4% of Compensation & Immediate Vesting
- For all employees participating (currently ~ 52 active)
- Increases match costs by approximately \$55,000 per year
- Eliminates key employee HCE test requirement and potential limit test 'refund' caps
- Enhances plan, improves overall benefits package
 - Retention
 - Recruitment
- Recommend Benefits Consultant presentation



2018 Budget - California Minimum Wage

Change eff Date	Change To	Change From	Change	% Change	
1/1/2007	7.50	6.75	0.75	11.1%	
1/1/2008	8.00	7.50	0.50	6.7%	
7/1/2014	9.00	8.00	1.00	12.5%	
1/1/2016	10.00	9.00	1.00	11.1%	
1/1/2017	10.50	10.00	0.50	5.0%	
1/1/2018	11.00	10.50	0.50	4.8%	2018 Budget Year Driver

below are future approved, not in effect yet

1/1/2019	12.00	11.00	1.00	9.1%
1/1/2020	13.00	12.00	1.00	8.3%
1/1/2021	14.00	13.00	1.00	7.7%
1/1/2022	15.00	14.00	1.00	7.1%

2018 Budget - Zero Based Budgeting



- Zero-based budgeting (ZBB) is a method of budgeting in which all expenses must be justified for each new period. Zero-based budgeting starts from a "zero base," and every function within an organization is analyzed for its needs and costs. Budgets are then built around what is needed for the upcoming period, regardless of whether the budget is higher or lower than the previous one. <http://www.investopedia.com/terms/z/zbb.asp>
- Zero-based budgeting (ZBB) is a budgeting process that allocates funding based on program efficiency and necessity rather than budget history.¹ As opposed to traditional budgeting, no item is automatically included in the next budget. ² In ZBB, budgeters review every program and expenditure at the beginning of each budget cycle and must justify each line item in order to receive funding. Budgeters can apply ZBB to any type of cost: capital expenditures; operating expenses; sales, general, and administrative costs; marketing costs; variable distribution; or cost of goods sold. ³ When successful, ZBB produces radical savings and liberates organizations from entrenched departments and methodologies. ⁴ When unsuccessful, the costs to an organization can be considerable.

<https://www2.deloitte.com/us/en/pages/operations/articles/zero-based-budgeting.html>

2018 Budget - Zero Based Budgeting



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PRO

- Useful post-Merger/Acquisition
- Stops 'Budget Inflation'
- Reduction of redundant activities
- Weeds out stale, ineffective and counterproductive activities

CON

- Resource Intensive
- Time-Consuming
- Careful what you ask for
- TDA has NOT been taking an overall Budget plus x% approach
- TDA has been taking a focused review by department drivers approach
 - Utilizing 3 year averages plus/minus anomalies and know changes
- Direction of Focus on specific departments with new resources welcomed

Hundreds of Pro and Con articles/discussions/debates.

Finance Committee discussed in 2016 and ZBB not recommended conclusion.

What is wrong with current Budget process, what ways can we improve, what's the Objectives

Board / Other Action Items/Next Steps from 9/23 Meeting

