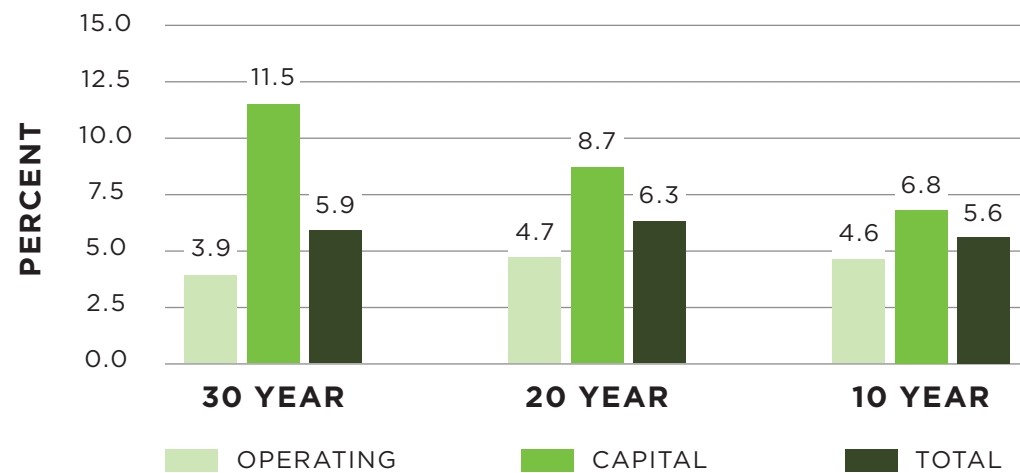


# TAHOE DONNER ASSOCIATION AND THE 2018 BUDGET

The Association's budget cycle runs August through October, as indicated on the infographic to the right. The below information provides some historical perspective of your assessment. For updates on budget meeting dates, subscribe to the Tahoe Donner Member e-blasts. A subscribe button can be found at the bottom of every page on the Tahoe Donner website. You can also visit [www.tahoedonner.com/financials](http://www.tahoedonner.com/financials) for a wealth of in-depth information.

## ANNUAL ASSESSMENT GROWTH RATE BY FUND TYPE AND TOTAL

1987 - 1997 - 2007 - 2017 BUDGET COMPOUNDED ANNUAL GROWTH RATE

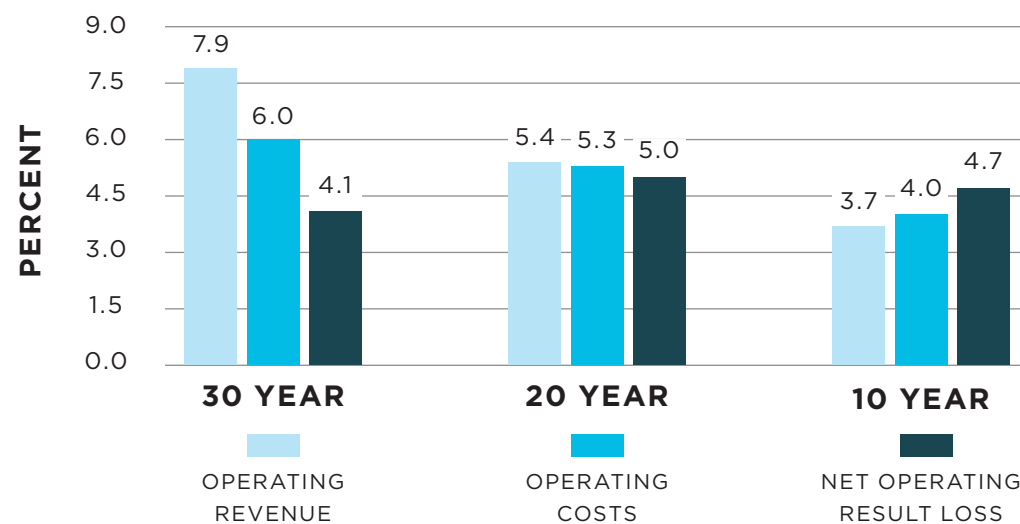


## ANNUAL ASSESSMENT NOTES

- 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

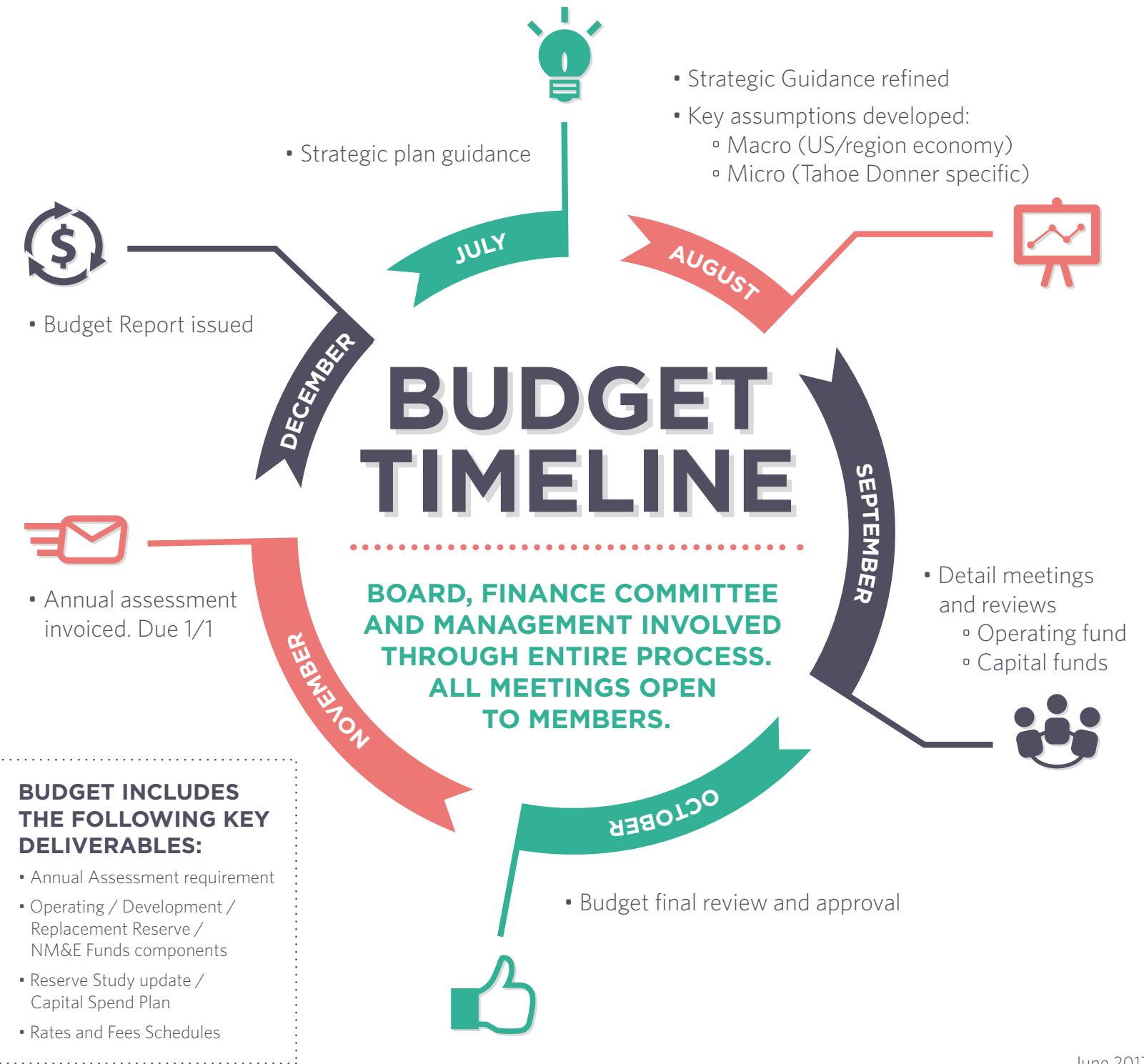


## NOTABLE AMENITY FACILITIES GROWTH

- 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 RATIO

1987	266%	1997	162%	2007	152%	2017	157%
------	------	------	------	------	------	------	------



June 2017

## RECENT CHALLENGES & OPPORTUNITIES:



Capital improvement reserve funds for aging facilities



Federal and state regulatory cost pressures (California minimum wage and sick pay mandate, federal affordable care act, workers compensation insurance)



Record revenues 2016/2017 winter and 2016 summer improve revenue estimates for 2018

# Tahoe Donner Association BUDGET 2018 Timeline

updated 8/4/2017

(A) (B) & (C) in August, see footnote

Participants	September	October	November	December
Management	9/5 to 9/8	Managers Planning Sessions (each Manager & Director) (DOF/GM to provide agenda/deliverables) drafting of Operating Fund (RBM)(Jan-Jul Actuals, Aug-Dec Forecasted) / Pricing Draft / Capital Plan / Reserve Study Update		
FC / DoF / GM / Members	docs 9/12	9/14	Reserve Study/OpFd Review-1pm - 4pm - Fin Cmt review. GPC & Member and Board invites (potentially noticed Board Workshop so all Board attend) <span style="float: right;">9/14 4pm-5 pm Regular FC mtg</span>	
Management	9/15 to 9/18	refine drafting of Operating Fund (RBM) / Capital Plan / Reserve Study Update		
BoD / FC / Mgmt / Members	9/18 all materials to Board >	23-Sep	Saturday, Budget review, part of Regular Board Mtg (2-3 hours)	
Management		27-Sep	Wednesday, Senior Team Budget Review - 1 Full Day Including linkage/sync with Strategic Plan and Board 9/23 feedback	
Management		10/1 to 10/31	detail by account by day budget spreads (revenue, payroll, expenses)	
FC / DoF / GM / Members	docs 10/9	12-Oct	Finance Committee Review (3 hours) - Open to Members/Board (notice may be required) <span style="float: right;">10/12 4pm-5 pm Regular FC mtg</span>	
BoD / FC / Mgmt / Members	docs 10/20	28-Oct	Regular Board Meeting, Budget Review & Approval (30 min) <b>NEED BOARD APPROVAL no later than this date</b>	
DoF/Treasurer/GM		Budget Report & Member Letter Content Drafted		
ComDep / DoF		Budget Report Graphic Design/Publication		
Finance & Accounting		Annual Assessment Invoice and Letter to Members post-marked/mailed		15-Nov < ON THIS DAY (not before or after) (2 week lead to process)
ComDep		Budget Report Published/Mailed in TDNews and posted to WWW		22-Nov
Finance & Accounting		Budget Detail by Account QC and Load into Accounting System (G/L) and Flash Daily Reporting System		target by 12/20

**Overall Notes:**

A focused, compact, approximately 45 day Budget cycle. Process/tools/logistics are in place.

Schedule places budget work cycle in management off-peak periods of Sept/Oct.

When/if start sooner, have less 2017 actuals info, plans still developing, impacts busy summer ops period, and simply extends the entire budget cycle.

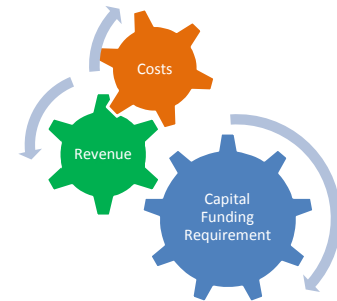
Items/analysis requiring more lead time, resources would start sooner than September by Management.

Budget includes the following key deliverables:

- Annual Assessment requirement
- Operating / Development / Replacement Reserve / NM&E Funds components
- Reserve Study update / Capital Spend Plan
- Rates and Fees Schedules

**August Regular Board meeting, key Budget related agenda items:**

- (A) Winter season pass and program rates Sept 2 board approval - Launch pre-season pass sales 9/5
- (B) Health insurance plan renewal of existing contract or new contract/provider
- (C) Strategic Guidance Budget document reviewed with Board (July 29 & Sept 2 meetings)





2018 Budget  
Board of Directors  
Planning Guidance

*8/25/2017 Draft for Board Meeting 9/2/2017*

- **Strategic Plan**
  - **Including 2018 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)

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



Member Feedback, Finance & General Plan Committee Review - Board Review & Approval



2018 Annual Assessment (Homeowners)

# Strategic Plan

- **Tahoe Donner Vision**

Tahoe Donner is a vibrant and desirable mountain community, providing attractive and well-maintained facilities, events, programs, and leading customer service to its members, guests, and public, all while maintaining accessible and healthy natural surroundings.

- **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
  - *Focus on Member / Customer Engagement*
- Sustain the foundation of Tahoe Donner programs and services
  - *Focus on Continuous Process Improvement and membership engagement*
- Encourage environmental stewardship
  - *Work with agencies to identify wildlife habitats and migration patterns in order to make the community more aware*
  - *Continue best practices and community communications about these*
- Engage positively with local community
  - *Special Districts*
  - *Regional Housing*
  - *Chamber of Commerce: Truckee Tomorrow – Phase II Initiatives*
- Minimize annual operating assessment by allowing homeowners to pay for the amenities they desire to use
  - *Maintain ratio of assessed revenue to operating revenue while seeking ways to decrease assessed revenue requirements*
- Responsibility to maintain, preserve, and enhance the common property
  - *Address Winter 2016/2017 Forest Damage for forest health*

# Strategic Plan Goal #1

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

- Development Fund – Based on the Bylaws and Association Master Plan guidance
  - Annual assessment portion will remain a minimum of \$300, driving long term savings for member and board validated capital reinvestment projects at existing amenities.
  - 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.
  - Once Association Master Plan is completed. Focus on first Five+ Years 2018-2022 (Projects approved with final scope/budget review by board) updated annually in budget process. GPC working with staff on 2018-2022 member validated priority recommendations to the Board.
  - The 2018 Expenditures are the only approved projects by Board with Budget approval. And prior to expenditures over \$50,000, the board must approve the specific project spend. All out years, 2019+ are for capital planning purposes only.
  - See next page for 2018 Expenditures

# Strategic Plan Goal #1 Cont.

## ➤ 2018 Development Fund Projects

### • FUTURE CAPITAL PROJECTS UNDER REVIEW (PIP)

- Association Wide Cluster Mailbox Consolidation with Overhead Roof Structure (2 stations)
- Association Wide Expanded parking at Glacier Way Trailhead
- Association Wide Employee Housing
- Association Wide Association Master Plan *(completed, needs Board review and approval)*
- Downhill Ski Area Base Area master planning, including planning for new building
- Trout Creek Recreation Center Major Remodel

GPC is in process of prioritizing the spend list for 2018 recommendation to be provided to the Board. Above is current draft.



# Strategic Plan Goal #1 Cont.

## ➤ Replacement Reserve Fund (RRF)

- Board resolution 2013-3
- Reserve Study is being updated for 2018 Budget, to be reviewed in September
- Major Projects for 2018
  - Two snowcats up for replacement (1 downhill, 1 cross country) (in 2017 reserve study for 2018)
  - Snowbird chairlift replacement (to be advanced in reserve study for 2018)
- In 2017, the Board bolstered the reserves funding level by \$1.5 million, via transfer in from operating fund surplus equity. This was done specifically to address the Snowbird chairlift replacement
- Trout Creek Rec Ctr - Major Remodel
  - A \$1 million acceleration/addition to 2018, potential impact of ~1.0% on % funded level.
    - Probable impact is less than 1%
- For 2017 Annual Assessment RRF portion  $\$595 \times 6473 = \$3,852,000$  funding level
- An increase of 4% in RR portion equates to \$24 increase and amounts to \$155,000  
*Assessment Impact |  $24 / 1900 = 1.3\%$*
- **25% funded policy threshold; estimate in the 23-25% range for 2018 to 2020.**
  - Both the numerator and denominator are subject to change during budget cycle.
  - This funding level included 10% increases in 2018, 2019 and 2020 to RRF portion of annual assessment, thereafter no increases to hold in the 25% range out to 2033
  - Can potentially hold RR portion of AA flat and or transfer Operating Fund members' equity funds.
  - *By not increasing RR portion, loose momentum in improving RR % Funded level*
  - *Decrease RRF Spend in 2018 by more aggressively deferring scheduled RRF replacements / maintenance*

# Strategic Plan Goal #1 Cont.

## ➤ **New Machinery & Equipment (NME)**

- 2013 to 2017, consistent funding level
- 2017 AA NME portion \$30 (\$194,000 in funding)
- 2018 AA, assume no change @ \$30  
*Assessment Impact | no change*
- *12/31/2017 projected ending balance is \$64,000*
- *2018 Expenditures prioritization is under development*
  - to be reviewed in September
- **Potential Equipment items include:**
  - Industrial grade/robust public wifi and cell signal booster for Alder Creek Adventure Center building
  - Bear-proof storage boxes for camp sites at the campground

## 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 Social Welfare Organization & a California Mutual Benefit 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
- D. Service levels should be maintained and not allowed to diminish to save expense.
- E. New opportunities....
- F. Areas of Concern.....

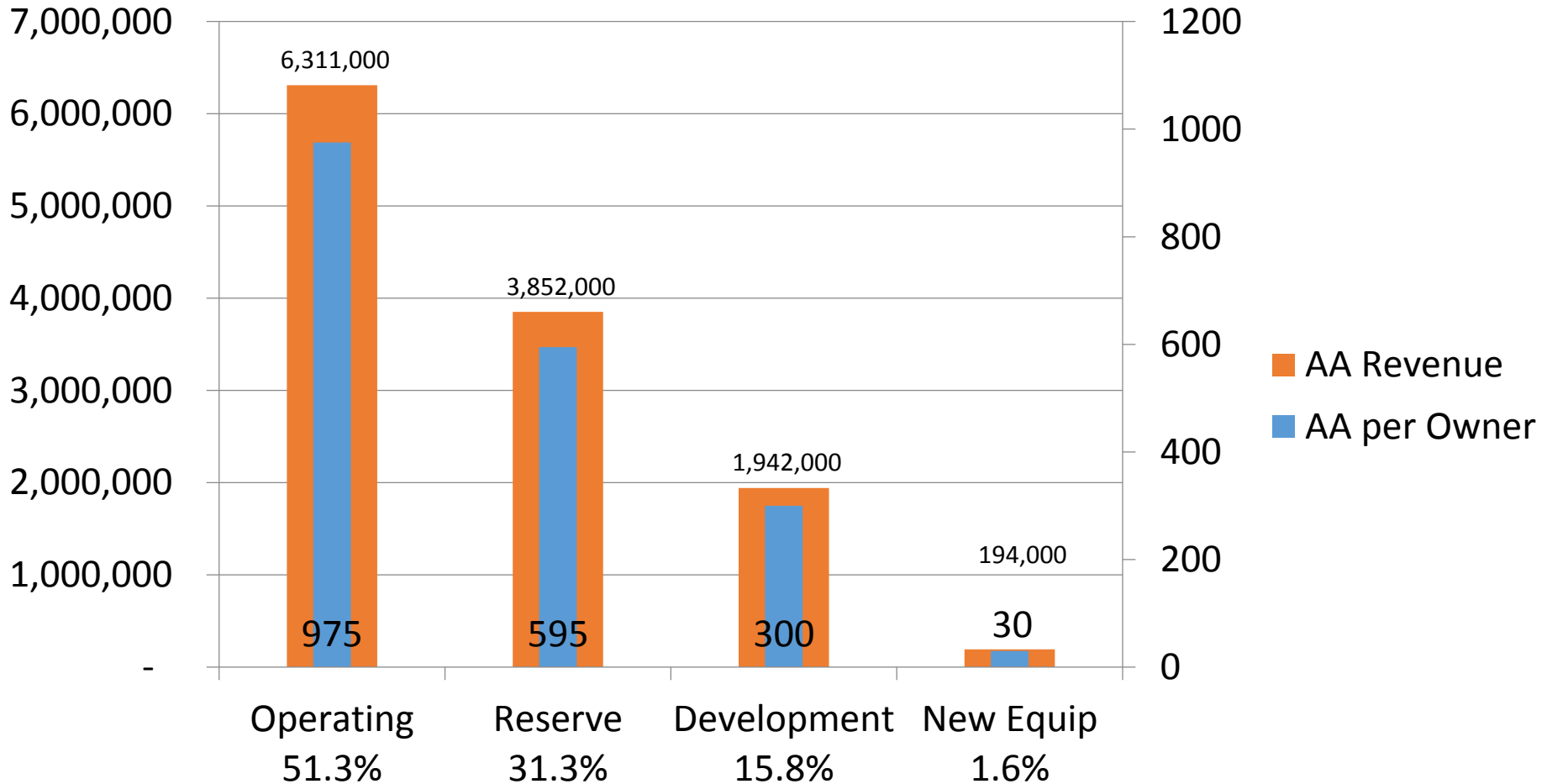
# Strategic Plan Goal 2.1

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

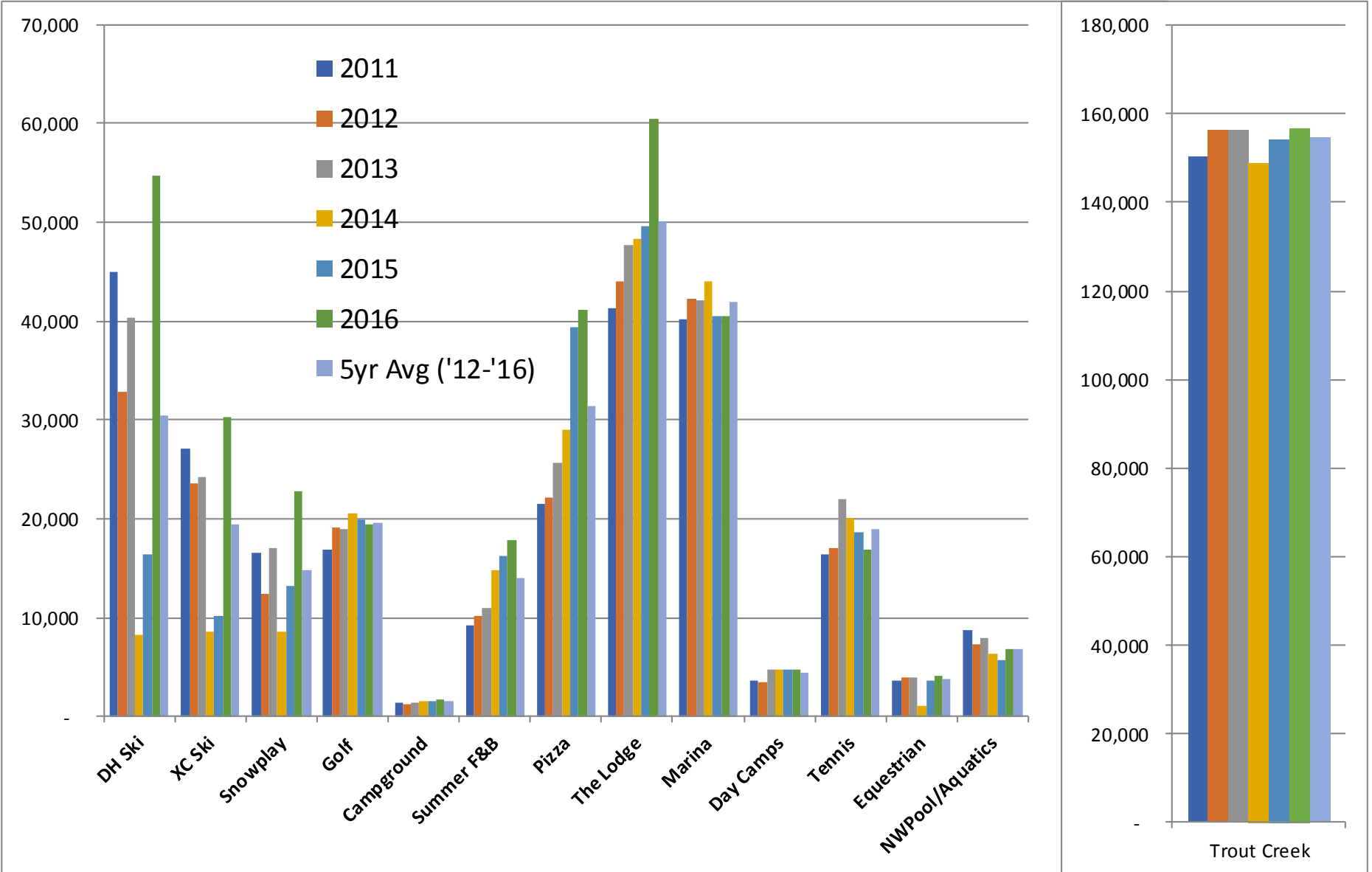
- Operating Fund Revenue Requirement (Costs), past two budget years:
  - In 2017, \$17.311 million, via 36% Annual Assessment and 64% Operating Revenue
  - In 2016, \$16.151 million, via 43% Annual Assessment and 57% Operating Revenue
- Operating Costs to Operating Revenues Ratio, past two budget years.
  - In 2017, 1.57 *lower ratio means more costs recovered via operating revenue* OpRev/OpCost – 64%
  - In 2016, 1.75 *higher ratio means more costs recovered via assessment* OpRev/OpCost – 57%
  - In 2007, 1.52 *10 years ago, for historical perspective* OpRev/OpCost – 66%
- Operating revenue 3-year average (2015,2016,2017) includes one winter drought season and two record winters
- Operating costs budget will be challenged due to significant regulatory impacts
- Service level expectations remain the same or better
- Assessment increased \$200 or 12.5% in 2015, reserve funding increase \$48, operating increased \$152 due primarily to drought and workers comp costs increase
- Assessment increased \$100 or 5.5% in 2016, reserve funding increase \$20, operating increased \$80 due primarily to drought and regulatory cost increases
- Assessment no increase in 2017, reserve funding increased \$49, development funding increased \$50, and operating Decreased (\$99) with revenue growth more than offset costs growth

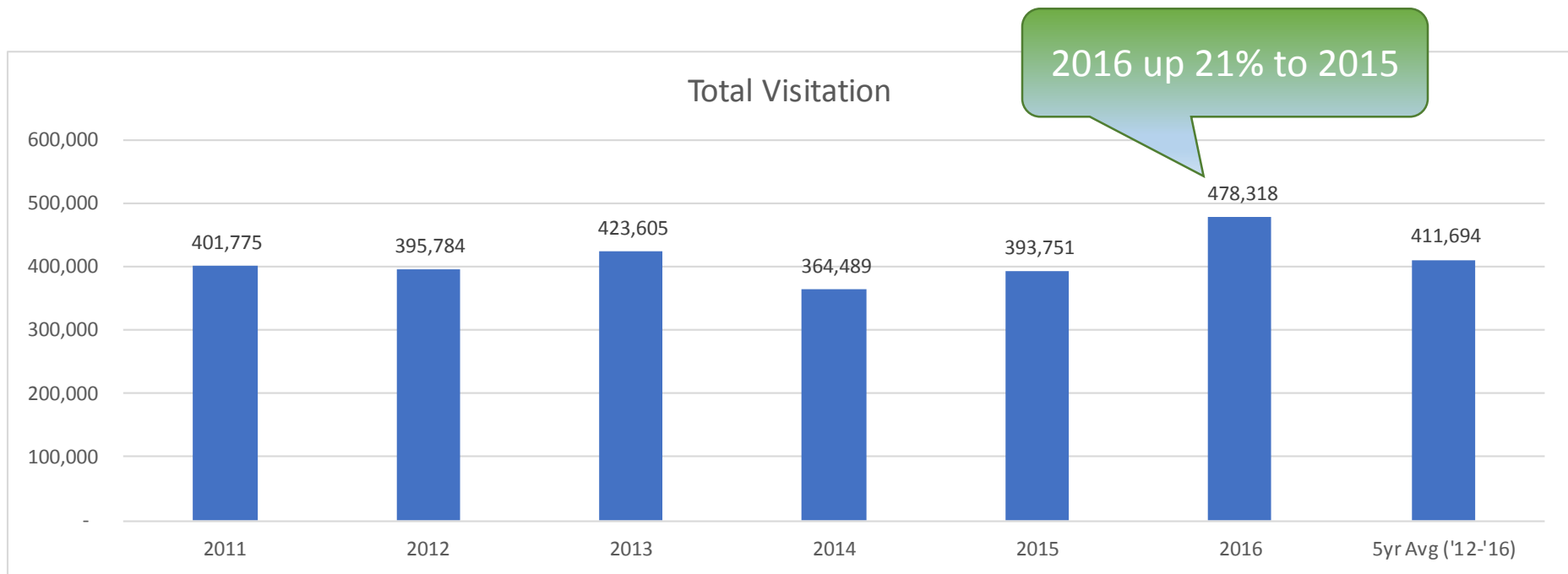
# 2017 Annual Assessment by Fund

\$23,299,000 total revenue requirement  
\$12,299,000 or 53% via Annual Assessment (\$1900 per owner)  
(\$1900 total same as 2016, mix changed)



# Historical Visitations





**Above is totals for the 14 amenities/activities listed on prior page chart.**

Visitations not in the above #s, include the following:

Summer concerts (~5,000)

Trails utilization

Alder Creek Café diners

Achitectural Standards office transactions

Member Services guest service, phone calls, transactions

Board, Committee, Town Hall meetings

*Services within an amenity (F&B covers at Marina, Lessons at Ski Schools, etc), as this would double count visitations.*

Club activities

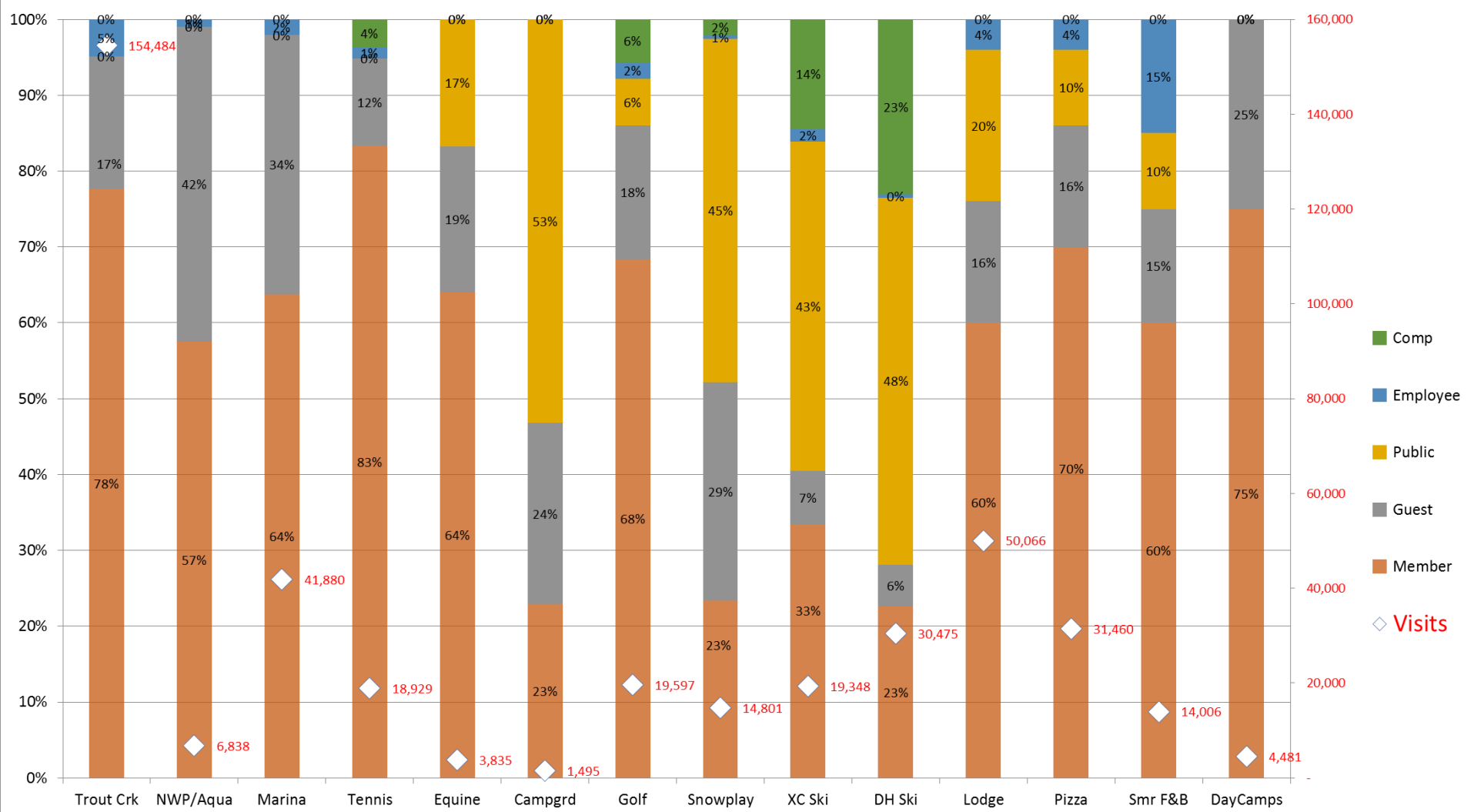
Northwoods clubhouse utilization

Recreation activities

Forestry inspections, interactions, transactions

Acg/Admin member interactions, transactions

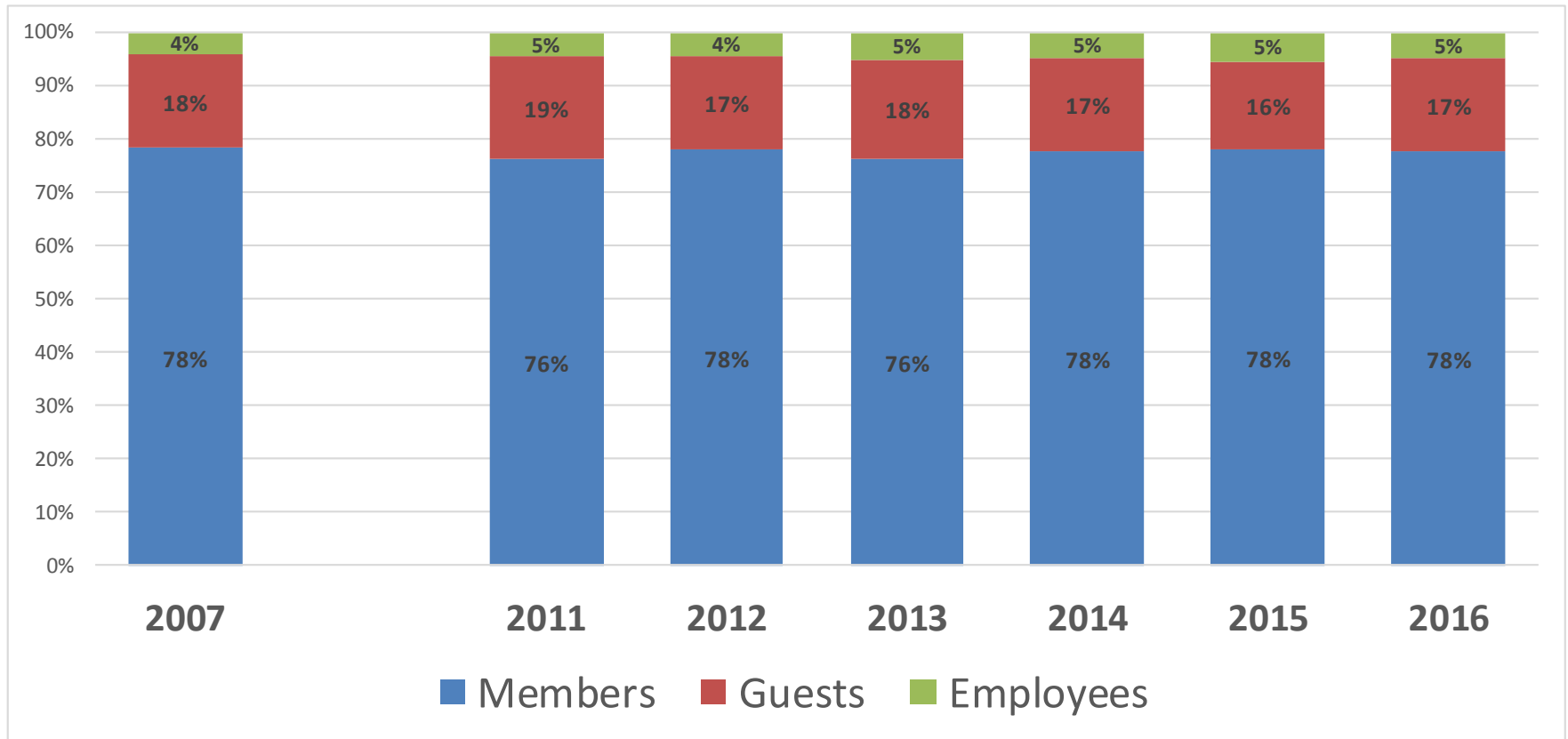
## Visitation Mix and Total Visitation - 5 Year Averages (2012 to 2016)





# Historical Visitation Mix – Trout Creek Recreation Center

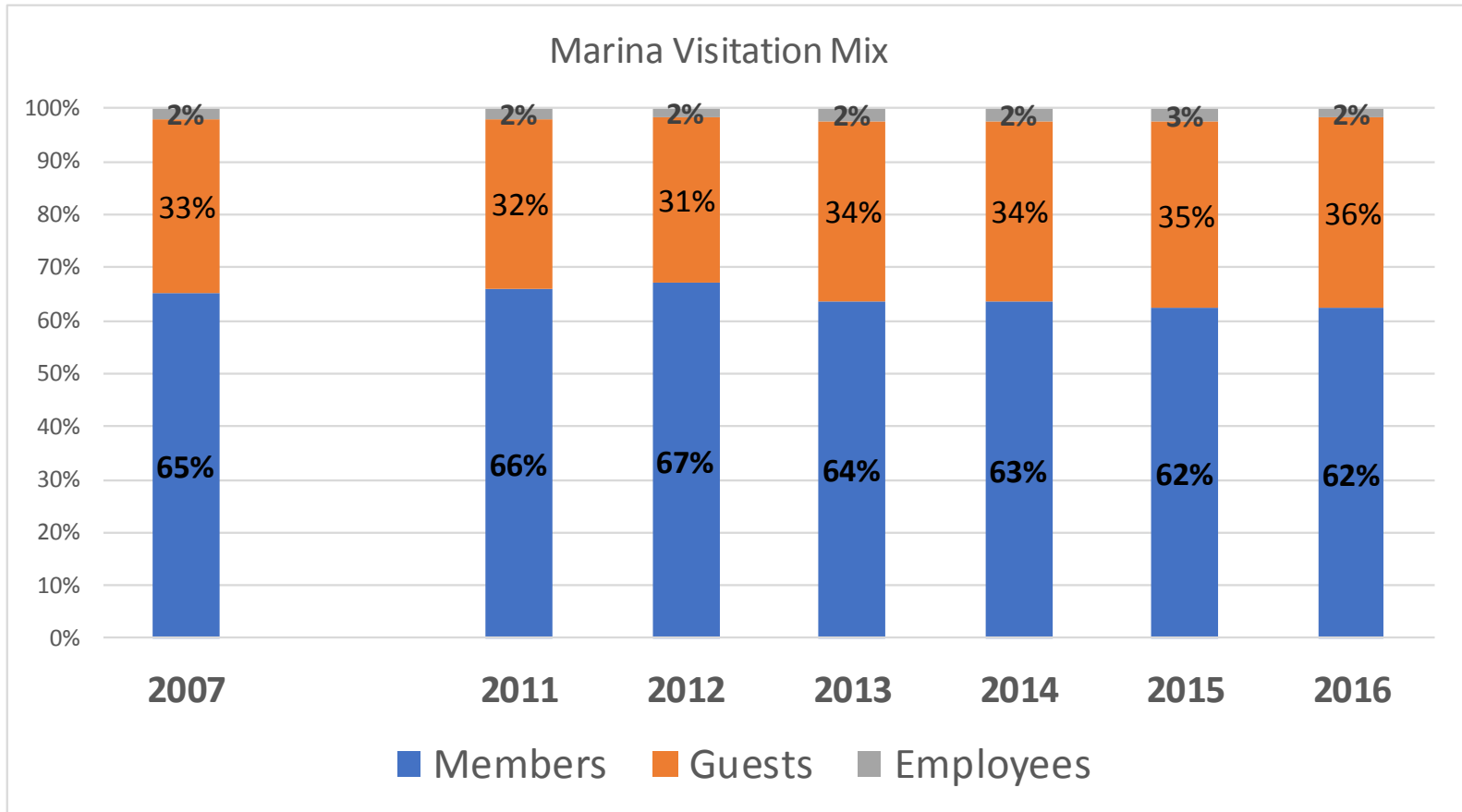
No real change in mix over last six years or to 10 years ago



9 year CAGR 2007 to 2016 – 3.7% - 113,437 to 156,870 or average 311/day to 430/day

# Historical Visitation Mix – Beach Club Marina

Modest uptick in Guest visitation mix %



Marina - visitation from 2007 to 2016, 5.1% CAGR (2007 to 2016), from 25,835 to 50,504

Marina - Member - visitation from 2007 to 2016, 4.6% CAGR (2007 to 2016), from 16,858 to 25,218

Marina - Guest - visitation from 2007 to 2016, 6.2% CAGR (2007 to 2016), from 8,454 to 14,582

# Other Key Operating Assumptions

- 2017 Operating Fund NOR Results and resulting Members' Equity (ME) Balance
  - Transfer out in June'17 of \$3.3 million was for 2016 year-ending surplus.
  - Currently YTD June NOR is favorable \$1.058 million
    - Which places ME balance at \$2.161 million
  - Minimum \$500,000 balance, per policy
    - 2017 Summer is underperforming to an aggressive budget
    - 2017 December performance to budget is subject to weather volatility
  - Currently ME is above target 10% of Revenues(\$1,100,000) by \$1,061,000  
/ 6473 = \$164 per owner Budget 2018 Revenues amount will change 10% target amount
- 2018 Operating Fund Budget- notable NOR impacts include
  - Membership outreach enhancements
  - Video broadcast of BoD meetings
  - Housing solutions for winter and summer seasonal employees
  - Labor market and CA minimum wage increase
  - Federal Affordable Care act
  - Renewals: Health Insurance Policy, Insurance (property, liability, D&O), and Workers Compensation Insurance
  - Macro and Micro economic and regulatory impacts, see next page
  - Potentials change in 401k match to address competitive employment market and retain valued team members

# KEY Economic & Regulatory Operating Assumptions

## Reminder of some of the 2016 items....

1. 2016 compensation merit Increase cap of 3.0% (\$220,000 or \$34 per owner)
2. 2016 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) **Actual impact closer to \$150,000**
3. 2016 CA Sick Pay entitlement law (\$95,000 or \$15 per owner)
4. 2016 Health Care Insurance: 10% Increase (\$80,000 or \$12 per owner)  
- renewal is coming in at 8% (\$70,000 or \$11 per owner)
5. 2016 FED Affordable Care Act: mandates ~10+ benefit employees (\$100,000 or \$15 per owner) *Potentially only 4<sup>th</sup> quarter impact. Q4 only = \$25,000 or \$4 per owner*
6. 2016 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)
7. 2016 Workers Compensation Insurance: 30% Increase (\$270,000 or \$42 per owner)
8. 2016 Winter 2014/2015 drought generates more downward pressure on operating revenues, generating offsetting increase pressure on Annual Assessment -
9. 2016 Rates and Fees – strategically increase to mitigate cost pressures across the company, thereby lowering impact on Annual Assessment
10. 2016 Equestrian, ACAC and Snowmaking will be net positive impacts in Budget

## Reminder - 2017 KEY Economic & Regulatory Operating Assumptions

1. Federal, California, and regional economic trends continue, consistent with 2016  
- resulting in continued tightening of labor / housing market - \$50,000 to @100,000 Range impact
2. Inflation forecast in the 1% - 3% range - (\$40,000 to \$120,000 range, or \$6 to \$18 per owner)
3. Compensation merit Increase cap of 3.0% (\$240,000 or \$37 per owner)
4. CA Min Wage increases from 10.00 to 10.50 eff. 1/1/2017, an increase of \$0.50 or 5%. (\$75,000 or \$12 per owner, potentially greater impact due to compression, local/regionally) (\$9.00 to \$10.00 1/1/2016)
5. Health Care Insurance: 10% Increase (\$90,000 to \$130,000 or \$14po to \$20po) - 10% per renewal quote
6. FED Affordable Care Act: mandates ~10+ benefit employees, \$125,000 impact (\$19po) however Q4'2016 was factored in Budget 2015, therefore ~\$90,000 (\$14po) impact Budget 2018  
+ 21 per current ACA calculations – however, fewer will enroll due to various reasons (turnover, on spouse plan, etc)
7. FED DOL Overtime Regs change effective 12/1/2016: changes Overtime exemption cap up to \$47,476, versus in CA for 2018 \$43,680 (impacts ~ 15 employees, estimated impact \$40,000 or \$6 per owner)
8. Workers Compensation Insurance: 1% - 5% Increase (\$8,000 to \$40,000 range, \$1po to \$6po) Property  
Casualty , General Liability, and D&O 1% - 5% Increase (\$4,000 to \$20,000 range, \$1po to \$6po)
9. While the Winter 2013/2014 and Winter 2014/2015 drought generate downward pressure on operating revenues, the Winter 2015/2016 record revenues and Summer 2016 record revenues aid in offsetting the drought impacts and ease pressure on Annual Assessment - *see next page*
10. Rates and Fees – strategically increase to mitigate cost pressures across the company, thereby lowering impact on Annual Assessment. Focus on Public where practical and competitive, minimize Member increases where practical
11. Equestrian, Snowmaking will be net positive impacts in Budget; ACAC minimize negative impact

**Sum TOTAL of items quantified, see grid 2 pages further.**

# 2018 KEY Economic & Regulatory Operating Assumptions

1. Federal, California, and regional economic trends continue, consistent with 2017  
- resulting in continued tightening of labor / housing market - \$50,000 to @100,000 Range impact
2. Inflation forecast in the 1% - 3% range - (\$40,000 to \$120,000 range, or \$6 to \$18 per owner)
3. Compensation merit Increase cap of 3.0% (\$255,000 or \$39 per owner)
4. CA Min Wage increases from 10.50 to 11.00 eff. 1/1/2018, an increase of \$0.50 or 5%. Impact estimated \$85,000 or \$13 per owner, potentially greater impact due to compression, local/regionally) CA Min wage (\$9.00 to \$10.00 1/1/2016, \$10.00 to \$10.50 1/1/2017, \$10.50 to 11.00 1/1/2018, and + \$1.00 each year through 2022 to achieve \$15.00 )
5. Health Care Insurance: 7% Increase (\$65,000 to \$90,000 or \$10po to \$14po) - renewal in process for 10/1 plan year
6. FED Affordable Care Act: mandates ~10+ benefit employees, \$125,000 impact. Factored in Budget 2017, will factor again in 2018 + 21 per current ACA calculations – however, fewer will enroll due to various reasons (turnover, on spouse plan, etc)
7. Workers Compensation Insurance: Great news here, our experience mod is decreasing significantly due to favorable recent years trend in claims. Current estimate is 2% - 3% Decrease (\$150,000 to \$225,000 range, \$23po to \$35po decrease)
8. Property Casualty , General Liability, and D&O 1% - 5% Increase (\$4,000 to \$20,000 range, \$1po to \$6po)
9. 401k Employer Match - Safe Harbor plan modifications (\$50,000 to \$100,000 range, \$8po to \$15po)
10. While the Winter 2013/2014 and Winter 2014/2015 drought generate downward pressure on operating revenues, the Winter 2015/2016 record revenues and Winter 2016/2017 record revenues and Summer 2016 record revenues aid in offsetting the drought impacts and ease pressure on Annual Assessment - [see next page](#)
11. Rates and Fees – strategically increase to mitigate cost pressures across the company, thereby lowering impact on Annual Assessment. Aggressively focus on Public where practical excess capacity exist and competitive, mindful of supply/demand and capacity constraints, increased Guest rates where practical and competitive, and minimize Member increases where practical
12. Control costs

Sum TOTAL of items quantified, see grid 2 pages further.



# Total Operating Revenues – Overall Assumption

Year	Operating Revenues (\$ thousands)		<u>Operating Revenues (\$ thousands)</u>	<u>\$ Gap to 2017 B</u>	<u>\$ Gap / 6473</u>	
2010	8,862		5yr average (2012 to 2016)	9,368	(1,632)	(252)
2011	8,277		<u>5yr average (2013 to 2017F)</u>	<u>10,327</u>	<u>(673)</u>	<u>(104)</u>
2012	8,205					
2013	9,505		4yr average (2013 to 2016)	9,659	(1,341)	(207)
2014	7,679		<u>4yr average (2014 to 2017F)</u>	<u>10,533</u>	<u>(467)</u>	<u>(72)</u>
2015	8,681					
2016	12,771		3yr average (2014 to 2016)	9,710	(1,290)	(199)
2017 F	<b>13,000</b>		<b>3yr average (2015 to 2017F)</b>	<b>11,484</b>	<b>484</b>	<b>75</b>
2017 B	11,000					
2016 B	9,200					
2015 B	9,210					
2014 B	9,620					

**recommended option - baseline revenue assumption - \$11.50 to \$11.75 million range**

**Note, this is overall direction for revenue assumption. The details vary by department. Some offset in COGS & Payroll costs.**

**New operations, such as Alder Creek Café, current trends, and pricing changes trend revenue target slighter over the straight 3yr average.**

# KEY Economic & Regulatory Operating Assumptions- SUMMARY

for 2018	Dollar Range		\$ per owner Range		
	Low	High	Low	High	
1 economy/regulatory	50,000	100,000	7.7	15.5	
2 Expense inflation	40,000	120,000	6.2	18.5	
3 Compensation merit	255,000	255,000	39.4	39.4	
4 CA Minimum wage	80,000	90,000	12.4	13.9	
5 Health Insurance	65,000	90,000	10.0	13.9	
6 FED Affordable Care Act	15,000	30,000	2.3	4.6	over 2017 level
7 Workers Compensation	(150,000)	(225,000)	(23.2)	(34.8)	
8 Insurance (WC, PC/GL/DO)	12,000	60,000	1.9	9.3	
9 401k Savings Plan-Safe Harbor	50,000	100,000	7.7	15.5	
sub total	<b>417,000</b>	<b>620,000</b>	<b>64</b>	<b>96</b>	
10 op rev 3yr avg pick-up	(500,000)	(750,000)	(77.3)	(115.9)	see prior page
cogs/payroll/expense for volume	300,000	450,000	46.4	69.5	est @ 60%
11 2018 user rate increases	(100,000)	(150,000)	(15.5)	(23.2)	
12 Misc noted items, net 0	-	-	-	-	
13 tbd	-	-	-	-	
<b>Total</b>	<b>117,000</b>	<b>170,000</b>	<b>18</b>	<b>26</b>	

**These items present a net significant balancing of budget, particularly if focused solely on cost reductions in other areas to offset these economic and regulatory driven pressures.**



## Strategic Plan Goal 2.2

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

- New programs are assumed to have a 3 year development period before hitting a target to break even
- Continue existing programs and specials events
- New Ideas or Concepts?

## Strategic Plan Goal 2.3

- **Employ and retain knowledgeable and dedicated full-time and seasonal employees who are willing to serve member needs.**
  - Maintain ~91 Full-time positions authorized (actual number determined by Federal Affordable Care Act)
  - Continue to review healthcare legislation impacts on annual budget and health care renewal options.
    - FED Affordable Care Act
    - CA sick pay law
    - CA minimum wage increase
    - CA workers compensation insurance
    - Complete compensation study
    - Consider 401k Safe Harbor change

## 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
  - Improved scanning functionality – Downhill and Cross Country
  - Integrated liability release system
  - Cyber Security Risk – perform an overall assessment and periodic testing  
*(need \$ cost estimate to understand cost impact)*

## 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 improvements

# 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 InspectionsEffective volume is on average 500 per year
  - Office automation and streamlining member permit processes
    - Forms
    - Payment
    - POS system
  - DONE - Eliminate small change to existing project fees
    - Paint, hot tub, door and window changes, bear can enclosures, etc.
    - Reduces revenue ~\$6000 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
  - Power
  - Fuel
  - Recycling
  - Solid Waste
  - Solar
  - Membership Mass Transportation



# Strategic – Food and Beverage

## Continue with maintaining and improving Food & Beverage levels of standard

- Staying on trend with current culinary and beverage choices in and out of area
- Continued staff training on points of service, product knowledge and enthusiastic, helpful attitude
- Awareness and incorporation of competitive pricing in local food and beverage industry
- Incorporating quality products, perceived value, desired atmosphere and great friendly service

## Member and Guest Offerings

- Create a spectrum of different styles of food and beverage locations that accommodate different tastes, needs, styles and price brackets
- Offer additional discounts and incentives to membership
- Create new and exciting promotions and events to promote fun and increase attendance
- Continue to research membership interest and desires on locations and offerings
- Review and respond to all membership feedback
- Continue investing in our brand of member ownership, pride and tradition
- Targeting keeping members on the hill

# Strategic – Food and Beverage

## Promotions and Media

- Investment in new and developing forms of social media
- Continued production of TD Dining Guide E-blast
- Work with Comdept to explore new ways of reaching all demographics
- Continue with establishing next generation interest

## Facilities, Equipment and Staffing

- Appearance- continued improvement, cleanliness and updating of our dining facilities
- Investment in the longevity of our employees
- Proper training and certification of staff
- Updating/replacement of necessary equipment
- Maintaining and following all workplace safety regulations

## Group Sales

- Establishing improved and consistent offering for members and guests at all our amenities
- Offering events, meeting space, club activities /events as well as several different activities ie. skiing, golfing, equestrian etc. options to choose from
- Updating contracts, media, staff communication and offering packages
- Working with banquet manager and amenity management to seamlessly execute event and activity operations

# Strategic – Food and Beverage

## The Lodge

- Examination of current specials and events over the last 3 years to measure attendance and success with intent of creating new ones and improving existing ones.
- Hosting more free product tastings for member and guests

## Pizza on the Hill

- Analyzing options to stay open 7 days a week or offer lunch on weekends, year round
- Install carpet to dull down inside noise during winter business
- Install booths and better table and chairs that are a better fit for demographic

## Alder Creek Café

- Continue to adjust hours and offerings based on business and seasonal demands
- Increase banquet bookings

# Strategic – Food and Beverage

## Downhill Ski Cafeteria

- Creating new brand with logo, name with improved website and marketing representation
- Creating larger drink list options
- More interesting specials
- Better BBQ service and improved BBQ area

## Marina Grill

- Creating new brand with logo, name with improved website and marketing representation
- Improved beach cocktail service
- Develop a better adult beverage program
- Hosting several live music on the beach events

# Corporate Resolutions

- Capital Fund Policies
  - Development Fund – Resolution 2012-01
  - New Machinery & Equipment – Resolution 2012-05
  - Replacement Reserve – Resolution 2013-3
- Operating Fund Policies
  - Resolution 2013-4



# Budget oversight

- Governance
  - Federal State Local agencies
    - Laws and regulations
    - Sales tax audits, property tax audits, income tax audits
  - Governing Documents
  - [Fiduciary Duty](#)
    - DUTY OF CARE (Due Diligence; Duty to Investigate)
    - DUTY OF LOYALTY (No Self-Dealing)
- Board
- Finance Committee
- Members
- Management
- Internal Controls
  - Authorization Levels
- Financial Reporting
  - Daily Weekly Monthly
  - Annual Report and Annual Audit



# Governance

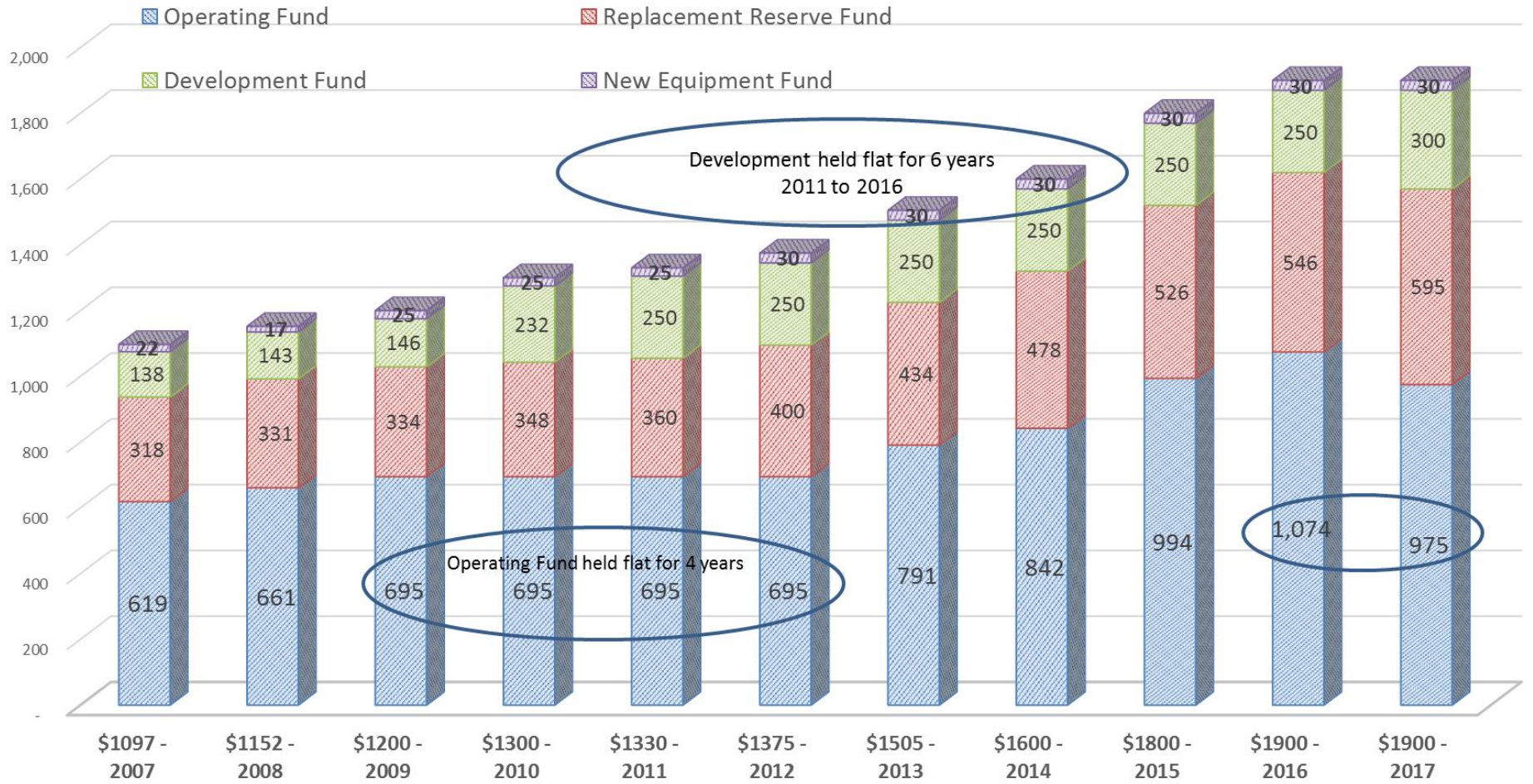
- California's Davis-Sterling Act laws that address reserves require Disclosures and a Reserve Study to be performed every 3 years, updated annually. No specific funding levels or fund balances are required by law. However, the law does require the Board to act with **Fiduciary Duty**.
- **Fiduciary Duty**. The director must remain focused on the best interests of the corporation. Loyalty to the corporation means subordinating personal objectives and needs to the financial requirements of the association. In this regard, Civil Code Section 1366 explicitly provides that the homeowners association shall levy regular and special assessments sufficient to perform its obligations under the governing documents and the Davis-Stirling Act, California Civil Code Section 1350.
- Budget must be communicated to members not less than 45 days and no more than 60 days prior to start of new year (DSA & ByLaws XII, Section 5).

# Governing Documents

- Davis-Stirling
  - 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



# Annual Assessment - Historical





# Annual Assessment per owner

## Compounded Annual Growth Rates (CAGR)

	<u>5 Year</u> 2012>2017	<u>10 Year</u> 2007>2017	<u>15 Year</u> 2002>2017	<u>20 Year</u> 1997>2017
<u>Total AA</u>	6.7%	5.6%	7.9%	6.3%
Operating	7.0%	4.6%	4.6%	4.7%
Reserve	8.3%	6.5%	11.7%	7.2%
Development	3.7%	8.1%	19.9%	na
New Equipment	0.0%	3.2%	2.7%	0.7%

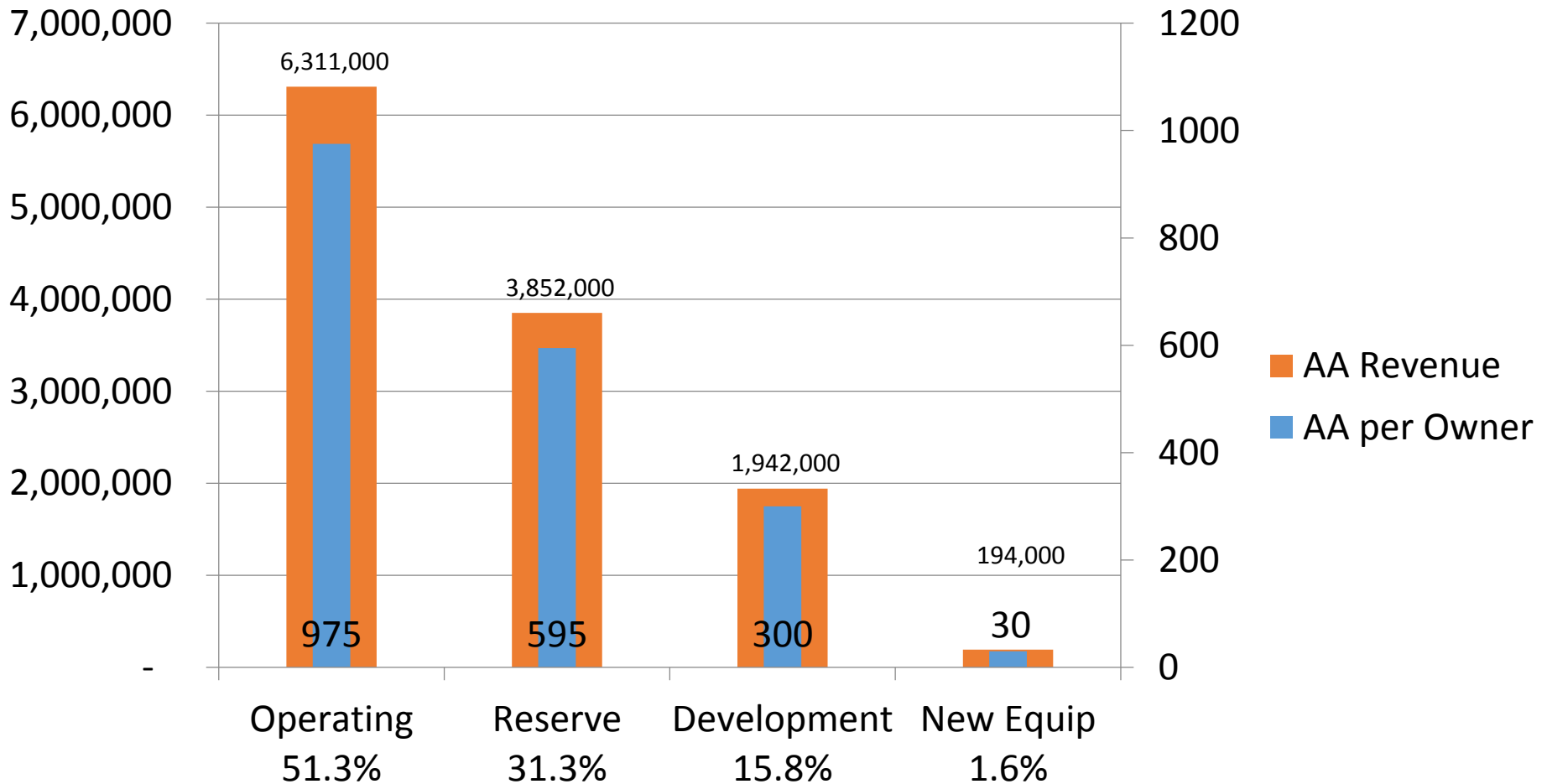
### Talking Points:

Looking long term, under-funding of reserves and more operations

Looking near term, drought impacts and regulatory cost pressures

# 2017 Annual Assessment by Fund

\$23,299,000 total revenue requirement  
\$12,299,000 or 53% via Annual Assessment (\$1900 per owner)  
(\$1900 total same as 2016, mix changed)



# 2018 Budget - Board Planning Guidance

1. In December 2017, as part of 2018 Budget Assumptions:
  - a. Transfer Operating Funds of \$\_\_\_\_\_ to Replacement Reserve Fund
  - b. Transfer Operating Funds of \$\_\_\_\_\_ to Development Fund
  - c. Hold in Operating Fund \$\_\_\_\_\_ or Decrease 2018 OPFd AA
2. No increase in 2018 Annual Assessment (AA), which may require more aggressive revenue assumptions and or cost control service level impacts
3. With ~25% Funded Reserve, hold Replacement Reserve portion of AA
4. Strategic plan priorities reviewed, refined, validated
5. Development Fund values time over increasing funding level
6. Identify Replacement Reserve major improvement plans for Board validation and consider delaying reserve projects longer than normally scheduled
7. Review, may change for 2018: Transfer Fee, Recreation Fee, or Daily Guest \$8  
(no change in Member \$6 daily entry fee)
8. Public Amenities – target Public prices for greater increases, minimize Member prices increases where practical
9. Private Amenities – minimize Member price increases where practical