

MINUTES
TAHOE DONNER ASSOCIATION
REGULAR BOARD OF DIRECTORS MEETING

Northwoods Clubhouse
October 7, 2016
9:00 a.m.

A regularly scheduled meeting of the Board of Directors of Tahoe Donner Association was held that the Northwoods Clubhouse 11509 Northwoods Blvd., Truckee, California on Saturday, October 7, 2016. President Jeff Bonzon called the meeting to order at 9:03 a.m. The following Directors were in attendance, thus constituting a quorum of the authorized number of Directors of the Association:

Directors Present: Jeff Bonzon, President
Ron Wulff, Vice President
Steve Miller, Treasurer
Jeff Schwerdtfeger, Secretary
Darius Brooks, Director

Directors Absent: none

Staff Present: Robb Etnyre, General Manager
Forrest Huisman, Director of Capital Projects
Miguel Sloane, Director of Operations
Mike Salmon, Director of Finance & Accounting
Annie Rosenfeld, Director of Facilities & Risk
Brinn Talbot, Director of Marketing
Megan Rodman, Recording Secretary and Executive Assistant

I. CALL TO ORDER 00:00

II. MEMBER & DIRECTOR COMMENTS 00:58

Board President, Jeff Bonzon, recognized members to comment on agenda items as they occurred. But, opened the meeting addressing the following topics that were not on the agenda but perceived as important to address and potential items to be placed on future board meeting agendas.

- Jeff Bonzon, provided the membership with information regarding transfer fees charged to process new ownership deeds. The Tahoe Donner Association currently charges \$385 to cover its cost in the transfer of ownership of member properties for fees that may include the processing of new deeds, providing copies of governing documents, etc. The Transfer Fees are charged in accordance with the provisions of the Davis–Stirling Common Interest Development Act. Some Association members have inquired as to whether the Association could also charge a fee to new members as part of the original transfer fee in order to have the new members “buy in” to the capital investment the Association has already made (e.g. reserve replacement and the development fund). No. California Civil Code §4575 and §4530, read together, prohibit the Association from charging new members a Capital Fee to “buy in” to capital investments. These two provisions forbid assessments, penalties, and fees in connection with a transfer of title, other than excepted administration fees.

Members may submit additional comments by email to the Board (board@tahoedonner.com).

III.

A. **ACTION: APPROVAL OF MINUTES**

05:40

The Board received the preliminary minutes of the following for consideration:

- September 3, 2016 Regular Meeting Minutes

Director Darius Brooks moved and Director Jeff Schwerdtfeger seconded to approve the September 3 meeting minutes as presented. Motion passed: 5 – 0 .

- September 28, 2016 Special Meeting Minutes

After a correction was made to the September 28 meeting minutes, Director Darius Brooks moved and Director Jeff Schwerdtfeger seconded to approve the meeting minutes as presented. Motion passed: 4 – 0 . (1 Abstained)

IV.

B. **DISCUSSION: COMMITTEE MANAGEMENT**
(Committee Chairs)

11:25

- **Architectural Standards** – The Board was provided with the Architectural Standards and Covenants Board of Directors Monthly Summary for August 2016. The Board was also provided with the committee’s July 27, August 10, and August 24, 2016 meeting minutes.
 - Rod Whitten, Chairman of the Architectural Standards committee reported that four new houses were started this month, and that the committee has finished a draft of the coverage policy, which will hopefully be presented to the Board for review in November.
- **Covenants** – The Board was provided with the Architectural Standards and Covenants Board of Directors Monthly Summary for August 2016. The Board

was provided with the committee's July 14, August 11, and September 8, 2016 meeting minutes.

- **Election** – No report.
- **Finance** – The Board was provided with the committee's September 22, 2016 meeting minutes.
 - Art King, Chairman of the Finance Committee, stated that the committee approved the updated Authorization Policy 2016-9, as well as the 2017 Budget presented by Michael Salmon, Director of Finance and Accounting, with the recommendation to the Board to leave the excess member's equity funds in the operations fund, until an Association Master Plan is brought forth.
- **General Plan (GPC)** – The Board was provided with the committee's September 12, 2016 meeting minutes.
 - Michael Sullivan, Chairman of the General Plan Committee, reported that 10 projects have been reviewed by the committee thus far; that the Trout Creek Locker Room Remodel completion date has been pushed back to sometime in December, due to discovered mold and dry rot; and that the appointed task force group assigned the Trout Creek Expansion project, have proposed going from actual expansion of the Trout Creek building to focusing on reallocation of space within the building in order to save money.
- **Tahoe Donner Giving Fund Committee** – No Report.
 - Jannette Fagerskog, a member of the Tahoe Donner Giving Fund committee spoke on behalf of Chairman Richard Gander, to inform the Board that seven grants are being considered under the Consent Calendar item "Tahoe Donner Giving Fund Grant Authorization." These grants are:
 1. Sierra Watershed Education Partnership \$5,000
 2. Arts of the Schools \$1,500
 3. North Tahoe Arts \$1,500
 4. Community Recovery Resources \$1,500
 5. Sierra Senior Services \$1,500
 6. Headwaters Science Institute \$1,500
 7. Biking for a Better World \$1,500

V. C. **DISCUSSION: COMMITTEE ROSTERS AND COMMITTEE GOALS**

26:10

The Board reviewed each of the chartered Tahoe Donner committee rosters, as well as progress that has been made towards each committee's goals for 2016. Director Bonzon, asked that each committee chair review their respective rosters and update expired term dates to be presented at the next Board meeting in November.

VI. D. **ACTION: CONSENT CALENDAR** 33:31

The Board was provided with the following for consideration:

- Norm Nicholls resignation from the Tahoe Donner Giving Fund Committee
- Tahoe Donner Giving Fund Grant Authorization
- Consider space reallocation and improvements at Trout Creek Recreation Center

Following discussion, Director Jeff Bonzon moved and Director Ron Wulff seconded to approve the Consent Calendar items as presented. Motion passed: 5 – 0 .

The following Consent Calendar item was pulled from the original Consent Calendar and was reviewed further before being voted upon by the Board of Directors.

- **Review and Update of Tahoe Donner Association Board of Directors
Administrative Resolution 2009-10, Authorization Levels**

- Director Wulff asked why the Finance Committee recommended to change in the new Resolution 2016-9 the General Managers approval spending limit from \$10,000 to \$15,000. Art King, Chairman of the Finance Committee informed the Board that committee’s recommendation to increase the spending limit was for inflation purposes, and that it had been seven years since the former policy was reviewed and updated.

Following discussion, Director Darius Brooks moved and Director Steve Miller seconded to approve the Resolution 2016-9 as presented. Motion passed: 3 – 2 .

VII. E. **DISCUSSION: QUARTERLY TREASURERS REPORT ON INVESTMENTS** 39:30

Steve Miller, Board of Directors Treasurer, provided the Board and members with a quarterly report on the investments of the Association, as directed by the Investment Policy of the Association. Director Miller stated that Tahoe Donner’s investments of cash in excess of our day-to-day operating needs are in United States government issues, primarily treasury notes (intermediate maturities) and treasury bills (short term maturities). In addition, Tahoe Donner invests in bank Certificate of Deposits (CDs) issued by banks that are covered by FDIC insurance (\$250,000 or less). The consolidated cash and investments balance as of 12/31/2015 (audited) was \$14.2 million. The current cash and investments balance is \$18.7 million. The projected year-end 2017 balance is \$16 million.

The Tahoe Donner Association bank and brokerage bank accounts are all linked to various funds.

1. Operating Fund: this fund accounts for the annual operating revenues and costs of the Association. This includes operating the various amenities (public and private) and the traditional homeowner association services to the membership. The 8/13/2016 cash balance is approximately \$8.5 million, and the member's equity balance as of 12/31/2015 was \$1,954,000, as audited. The unaudited balance as of 8/31/2016 is now \$3,767,000 million. The increase is due to a record revenue 15/16 winter season, a record revenue 2016 summer, and an increased level of conservatism in the Budget for 2016.
2. Replacement Reserve Fund: this account essentially funds the repair and replacement of our existing assets, from vehicles to computers, to parts of structures, anything which depreciates over time from our use of it. The 12/31/2015 audited balance was \$6.9 million. The unaudited balance, that will be spent down as planned, to a forecasted balance of \$7.5 million by year end 2016.
3. Machinery and Equipment Fund: this is a minor account used for the purchase of new, relatively low-cost, items. The 12/31/2015 audited balance was \$67,000. The unaudited balance is \$150,000 and will be spent down as planned, to a forecasted balance of \$50,000 by year end 2016.
4. Development Fund: this fund is used for the acquisition or construction of large, higher cost assets. The 12/31/2015 audited balance was \$192,000. The unaudited balance as of 8/31/2016 is \$608,000 and will be spent down as planned to a forecasted balance of \$380,000 by year end 2016.
5. Property Fund: this account holds all of our investment in capital assets and accounts for accumulated depreciation of our assets. The 12/31/2015 audited balance was \$40.4 million. The unaudited balance as of 8/31/2016 is \$42.6 million, and with capital asset additions and depreciation charged, the forecasted balance is \$42.1 million at year end 2016. There are no cash or investments in this fund.

Director Miller, continued on to inform members that for more information, members can reference the 2015 Annual Report, 2016 Budget Report and other financial information posted online at www.tahoedonner.com.

VIII. BREAK 9:52 A.M.

The regular meeting reconvened at 10:05 A.M.

IX. F. ACTION: DIRECTOR OF FINANCE & ACCOUNTING REPORT
(Director of Finance & Accounting, Mike Salmon)

54:00

The Board was provided with the 2016 August Financials report by Mike Salmon, Director of Finance and Accounting.

- **2016 August Financials**
 - The month financials for the Association indicate that net operating results for the month was a loss of \$291,000 which was favorable to budget by \$17,000. The month's operating revenues of \$1,354,000 were \$2,000 unfavorable to budget and total expenses of \$1,645,000 were \$19,000

- favorable to budget. Compared to last year same month, revenues are up \$59,000 and NOR is unfavorable by \$100,000.
- Year to date, net operating results for the month was a loss of (\$2,408,000) which was favorable to budget by \$1,813,000. Year to date operating revenues of \$9,713,000 were \$2,719,000 favorable to budget and total expenses of \$12,121,000 were \$906,000 unfavorable to budget. Compared to year to date last year, revenues are up \$4,135,000 and NOR is favorable by \$1,384,000.
- Member's Equity as of August 31, 2016, is at \$3,767,000, exceeds our Policy Peg Balance of \$920,000.
- Month of September
 - Revenue is at \$686,000 to budget, marking the beginning of our off-season months. Month to date, revenues are favorable by \$133,000, marking another record revenue month. As of October 6, 2016, NOR will be in the \$40,000 to \$60,000 favorable range.
 - As of August 31, 2016, there are 54 members who have not paid their annual assessment fees for 2016.

Following discussion, Director Ron Wulff moved and Director Steve Miller seconded to approve the 2016 August Financials as presented. Motion passed: 5 – 0 .

X.

G.

ACTION: 2017 BUDGET REPORT

1:04:30

Michael Salmon, Director of Finance and Accounting, presented to the Board the 2017 Budget Report, which included statistics and summaries on budget oversight and governance, the 2017 Annual Assessment, and updates on the Development Fund, the New Machinery and Equipment Fund, the Replacement Reserve Fund, and the Operating Fund.

• **Budget Oversight and Governance**

- It is the fiduciary duty of the Board to review and approve the 2017 Budget for the Tahoe Donner Association.
- California's Davis-Stirling 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.
- The 2017 Budget, prepared by Michael Salmon, was reviewed and approved by the Finance Committee on September 22, 2016, and was recommended by the committee to the Board for final approval.
- The 2017 Budget must be communicated to members no less than 45 days and no more than 60 days prior to the start of the new year.
- Comparing the Budget in 2011 to 2016, the Annual Assessment has changed by \$570 over 5 years (7%). Factors contributing to the change include: Board policy to improve the percent funded in reserves, two drought years, new laws, sales tax, property tax and income tax audits, and summer volume growth.
- The main areas of focus while composing the Budget for 2017 were:

1. No money will be transferred out of the operating fund into another fund until a draft of the Association Master Plan has been presented.
2. No increase in 2017 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 Annual Assessment
4. Strategic plan priorities are still valid
5. Development Fund values time over increasing funding level
6. Identify Replacement Reserve major improvement plans for Board validation
7. No modification to calendar fiscal year
8. No Change for 2017: Transfer Fee, Recreation Fee, or Daily Member Guest \$6/\$8
9. Public Amenities – target Public prices for greater increases, minimize Member prices increases where practical
10. Private Amenities – minimize Member price increases where practical

- **2017 Annual Assessment**

- The 2017 Annual Assessment will be held at \$1,900. However, the allocation of funds per assessment, per owner will change. In the past 6 years, the development fund has been held at \$250 from 2011 to 2016. This year it has been proposed to increase money allocated to the development fund to \$275 dollars. Thus lowering the total amount allocated to the operating fund from \$1,074 in 2016 to \$1,000 in 2017. The replacement reserve fund would also change from \$546 in 2016 to \$595, and the new equipment fund would remain the same at \$30.
- Compounded annual growth rates for the Annual Assessment per owner are as follows:
 - 5 Year (2012-2017) – 6.7%
 - 10 Year (2007-2017) – 5.6%
 - 15 Year (2002-2017) – 7.9%
 - 20 Year (1997-2017) – 6.3%

- **Development Fund**

- The forecast for the development fund at year end 12/31/2016 is \$360,000. With the addition of the 2017 assessment contribution of \$1,780,000, and the deduction of 2017 expenditures plus interest and taxes of (\$539,000), the forecasted budget balance for year end 12/31/2017 is \$1,601,000.

- **New Equipment and Machinery Fund**

- The forecast for the new equipment and machinery fund at year end 12/31/2016 is \$50,000. With the addition of the 2017 assessment contribution of \$194,000, and the deduction of 2017 expenditures of (\$180,000), the forecasted budget balance for year end 12/31/2017 is \$64,000.

- **Replacement Reserve Fund**

- Per Resolution 2013-3, Replacement Reserve Fund, 10% of the net replacement reserve assets amount must equate to the minimum balance

in the replacement reserve fund. As such, with total property and equipment of \$71,078,947, less land and land improvements of (\$8,680,240), results in a net replacement reserve amount of \$62,398,707. 10% of the asset net amount equates to a policy minimum balance of \$6,239,871, meaning that with the forecasted year-end balance (12/31/2016) of \$7,500,000, the replacement reserve passes the policy test of being above the minimum required balance.

- The forecast for the replacement reserve fund at year end 12/31/2016 is \$7,500,000. With the addition of the 2017 assessment contribution of \$3,852,000, and the deduction of 2017 expenditures, plus the disposal of assets proceeds, interest and taxes of (\$3,772,000), the forecasted budget balance for year end 12/31/2017 is \$7,722,000.

- **Operating Fund**

- The surplus in member's equity of \$2,847,000 resulting in a total balance of \$3,750,000 million has been driven by loss recovery success, record revenues in the summer of 2015, record results in December 2015 and record revenues every month thus far in 2016. With this surplus, the Finance Committee has recommended to the Board to make no transfers in 2016, holding funds in the operating fund, until the Association Master Plan has been completed.
- 2017 change drivers for the operating fund impacting revenue and costs, by department include: pricing changes, capital impacts, merit impacts, strategic and regulatory impacts.
- Currently operating costs are up, changing the percent ratio of revenues to costs from 66% in 2011, to 57% in 2016 and a forecasted 63% in 2017. It is important to note that revenues must grow more than costs, so that the annual assessment can be held flat. If costs grow more than revenues, then the annual assessment will increase.
- The three-year simple average for operating revenues of \$9,442,000, plus years pricing changes impact of 5% and other adjustments, the baseline revenues budget for 2017 before drivers is \$9,942,000. Deducting the previously mentioned drivers, the forecasted operating revenues budget for 2017 is \$10,800,000.
- Payroll direct is expected to be \$8,655,000 for 2016. Deducting known changes/vacancies by department, the baseline budget for 2017 before drivers, is \$8,245,000. Deducting the drivers for 2017, the forecasted payroll direct budget for 2017 is \$8,727,000.
- Total operating expenses forecasted for year end 12/31/2016 are \$4,330,000. As a result, total operating expenses forecasted for year end 12/31/2017 are \$4,291,000, equating to a variance of (\$39,000) less in expenses for 2017 versus 2016.

At this time the Board adjourned to Executive Session at 12:30 p.m. Discussion on the 2017 Budget Report resumed at 1:15 p.m.

CLOSED SESSION

XI. EXEC. EXECUTIVE SESSION AND LUNCH 3:13:55

The Board adjourned to Executive Session at 12:30 p.m.

OPEN SESSION

XII. EXEC. EXECUTIVE SESSION REPORT 3:15:30

Board Secretary, Jeff Schwerdtfeger reported that the Board met in Executive Session today and discussed possible litigation, as well as unanimously approved paying 457f deferred compensation to General Manager Robb Etnyre, and to the Director of Finance and Accounting, Mike Salmon for the period September 16, 2015 to September 15, 2016.

XIII. G. ACTION: 2017 BUDGET REPORT 3:34:16

The Board resumed conversation regarding the 2017 Budget Report starting with a revision to the breakdown of the Annual Assessment per owner. Additionally, based on member and board questions during the morning discussion, Director of Finance & Accounting, Michael Salmon provided an overview of budget to budget 2007 B – 2017 B. During that 10-year period operating cost of the association did grow 48%, but that is a 4.0% Compounded Annual Growth Rate (CAGR) – a more accurate measurement of growth. Operating revenue also grew 40% during that time period, or 3.5% Compounded Annual Growth Rate (CAGR).

- **Annual Assessment Per Owner**

- After further discussion and deliberation, the Board decided to adjust the previously proposed dollar amount changes for the 2017 Annual Assessment per owner. The Board agreed to further decrease the amount per owner allocated to the operating fund by \$25 to (\$99) from the original proposed amount of (\$74), keep the amount of increase to the replacement reserve fund at \$49, increase the amount allocated to the development fund by \$50 from the original proposed amount of \$25, and no change to the new equipment and machinery fund. In other words, 51% (\$975) of the 2017 Annual Assessment per owner will be allocated to the operating fund, 31% (\$595) to the replacement reserve fund, 16% (\$300) to the development fund, and 2% (\$30) to the new equipment and machinery fund. This \$1900 2017 Annual Assessment equates to no change in total from the 2016 Annual Assessment.

Following discussion, Director Steve Miller moved and Director Darius Brooks seconded to approve (1) holding the 2017 Annual Assessment at \$1,900, (2) holding the dollar amounts per owner - \$975 to the operating fund, \$595 to the reserve fund, \$300 to the

development fund, and \$30 to the new equipment fund – and (3) to allow management to make minor adjustments to and between departments as necessary. Motion passed: 5 – 0.

In addition, Director Darius Brooks moved and Director Steve Miller seconded to approve the 2017 Rates and Fees as presented in G07 of the 2017 Budget Report. Motion passed: 5 – 0 .

XIV. BREAK 2:00 P.M.

The regular meeting reconvened at 2:05 P.M.

XV. H. DISCUSSION: CALIFORNIA PROPOSITION 64, MARIJUANA LEGALIZATION 3:57:05

Annie Rosenfeld, Director of Facilities and Risk Management, presented to the Board the current status of California Proposition 64, and how state and local policies might impact Tahoe Donner. The Town of Truckee Town Council, Police Department, and Community Development department have begun a public information process to discuss potential outcomes, new ordinances and enforcement should Proposition 64 become law. Common interest developments such as Tahoe Donner, are advised to review their Covenants, Conditions and Restrictions (CC&Rs) as they relate to business operations, noxious activities, and common areas rules, to name a few within the homeowner association. However, while there is not much that can be done until Proposition 64 is passed into law or not, management recommends to continue following of the Town of Truckee planning process for the regulation and enforcement of marijuana use, and advises advance community engagement in this discussion to determine the actions needed in the future.

XVI. I. DISCUSSION: MANAGEMENT COMPENSATION 4:17:50

Jeff Bonzon, Board President noted the extensive supporting documents for this discussion item available for the membership to review to better clarify what 8 different board of directors have reviewed and approved with regard to compensation for the General Manager. Director Bonzon also reported that a compensation survey will be conducted within the next couple months by a third party company to review compensation paid to the top five management roles at the Tahoe Donner Association. The task of arranging this survey would fall on the Finance Committee and reviewed by the Board of Directors.

XVII. J. DISCUSSION: BOARD GOVERNANCE, AUTHORITY, MEETING PROCEDURES, AND AGENDA POLICY 4:29:40

The Board of Directors discussed what and how much information should be included in the recording of meeting minutes as well as the use of Robert’s Rules of Order. The Board by consensus agreed that the minutes shall continue to include a brief description of what was discussed under each agenda topic and actions that were decided upon by the Board. That the minutes should not have to spell out everything that was discussed word for word since members can reference the documented video recordings of each Board meeting. The Board asked that staff look into either listing on the video itself when each Agenda Item was discussed to provide easier member viewing, or that times

be referenced in the meeting minutes for when each Agenda Item was discussed. Regarding Robert's Rules of Order: The Tahoe Donner Board has not officially adopted Robert's Rules as the standard for its meetings. The Board uses some elements of Robert's Rules to the extent that they help in organizing and conducting Board meetings in a timely, efficient, and effective manner.

XVIII. POTENTIAL FUTURE BOARD MEETING AGENDA ITEMS 5:02:17

- No future Board Meeting agenda items were discussed at this time.

XIX. ADJOURNMENT 5:02:36

By consensus the Board adjourned the meeting at 3:10 p.m.

Director Ron Wulff moved and Director Darius Brooks seconded to approve adjournment of the Board Meeting at 3:10 p.m. Motion passed: 5 – 0

Submitted by:

Megan Rodman, Recording Secretary and Executive Assistant

SECRETARY'S CERTIFICATE

I, Jeff Schwerdtfeger , 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 regular meeting held on October 7, 2016 as approved by the Board members in attendance and constituting a quorum at a duty convened subsequent meeting of the Board.

Jeff Schwerdtfeger, Board Secretary