



2017 Budget
Board of Directors
Planning Guidance –

7/15/2016 Draft for Board Meeting 7/23/2016

- **Strategic Plan**
 - **Including 2017 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
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Finance & General Plan Committee Review - Board Review & Approval



2017 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 2010-2016 (Projects approved with final scope/budget review by board)
Updated annually in budget process. GPC working on 2017-2021 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.
- Complete Association Master Plan

Strategic Plan Goal #1 Cont.

➤ 2017 Development Fund Projects

• FUTURE CAPITAL PROJECTS UNDER REVIEW (PIP)

- Association Wide Cluster Mailbox Consolidation with Overhead Roof Structure (2 stations)
- Association Wide Water Bottle refill station at each Amenity to reduce disposable cup waste
- Association Wide Expanded parking at Glacier Way Trailhead
- Association Wide Association Master Plan
- Downhill Ski Area Summer Trail Grooming for low snow years
- Cross Country Ski Summer Trail Grooming for low snow years
- Alder Creek Adventure Center Additional storage shed for recycling, and summer/winter operations, at parking lot

- Trout Creek Recreation Center Remodel of Pool-side Locker Rooms, Steam Room, and Sauna

GPC is in process of prioritizing the spend list for 2017 recommendation to be provided to the Board. Above is current draft.

Strategic Plan Goal #1 Cont.

➤ Replacement Reserve Fund

- Major Projects for 2017
- Future Funding Level, board resolution 2013-3
- in 2016 Budget the 100% funded amount jumps from \$26.2 Million in 2016 to \$27.8 Million in 2017, an increase of \$1.6 million / 6%
- Reserve Study is being updated for 2017 Budget
- \$6,950,000 projected balance 12/31/2016 divided by \$27.8 million equals 25% funded for 2017
- For 2016 AA RR portion $\$546 \times 6472 = \$3,534,000$ funding level
- An increase of 4% in RR portion equates to \$22 increase and amounts to \$142,000
Assessment Impact | $22 / 1900 = 1.2\%$
- **DISCUSSION: 25% funded policy threshold; estimate in the 22-25% range for 2017.**
 - Both the numerator and denominator are subject to change during budget cycle.
 - 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*



Strategic Plan Goal #1 Cont.

➤ **New Machinery & Equipment (NME)**

- 2013 to 2016, consistent funding level
- 2016 AA NME portion \$30 (\$194,000 in funding)
- 2017 AA, assume no change @ \$30
Assessment Impact | no change
- *12/31/2016 projected ending balance is \$60,000*
- *2017 Expenditures prioritization is under development*

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 (Non F&B)
- D. Service levels should be maintained and not allowed to diminish to save expense.
 - discussion, Alder Creek Adventure Center
- E. New opportunities....
- F. Areas of Concern.....

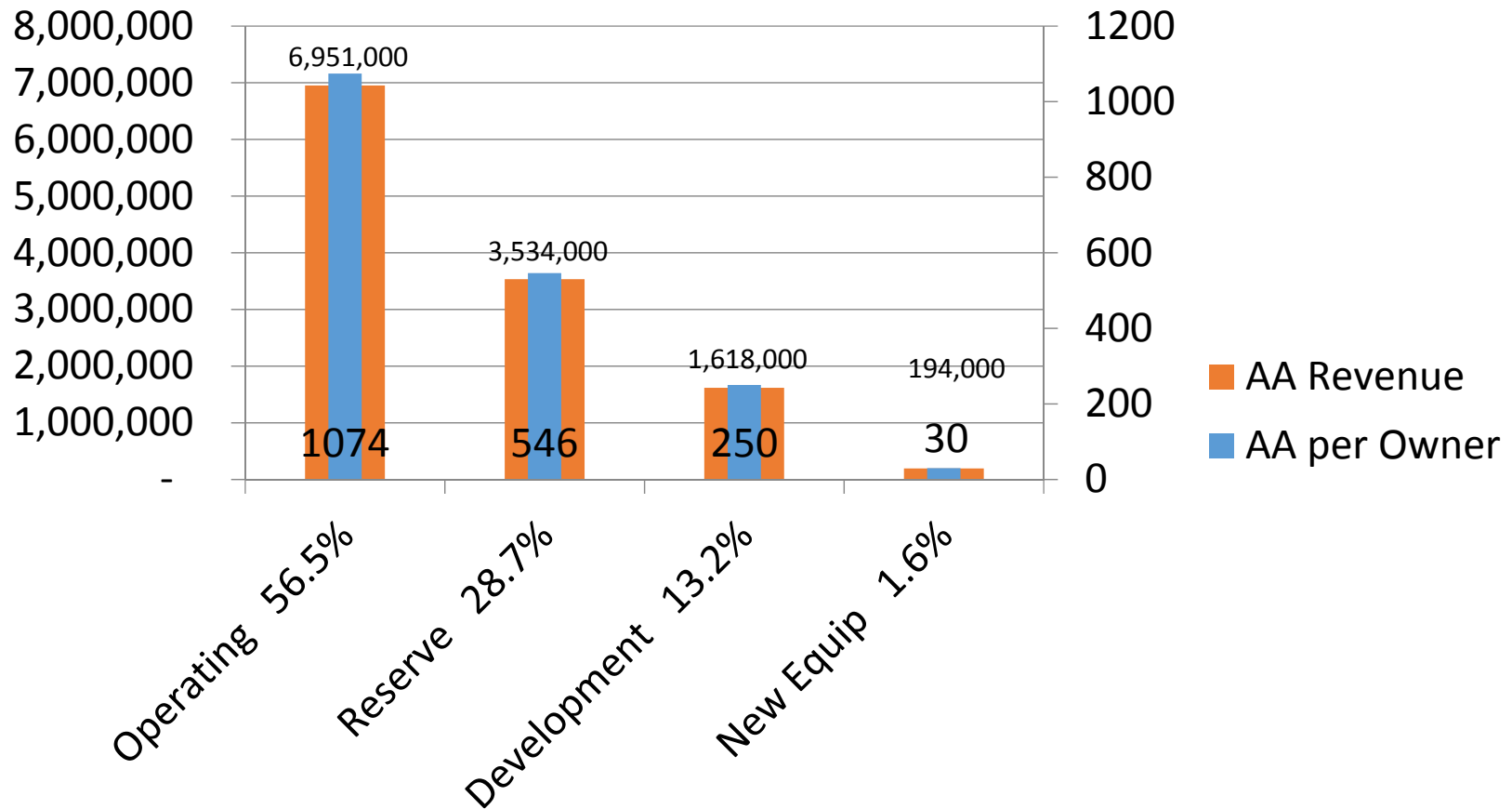
Strategic Plan Goal 2.1

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

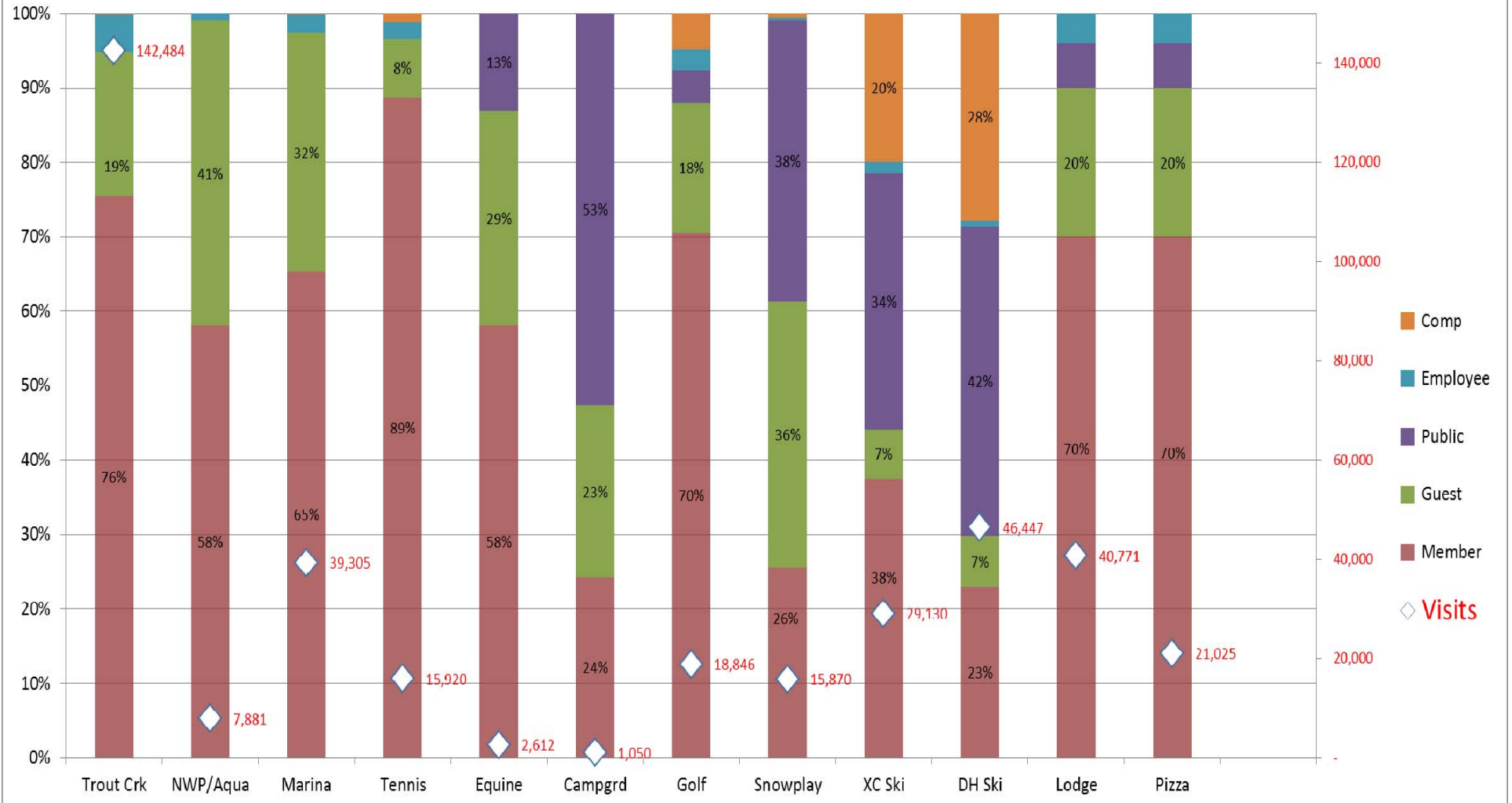
- Revenue Requirement in 2016 was \$21.5 million
 - met via 57% Annual Assessment and 43% Operating Revenue
- Operating revenue budget includes two winter drought seasons and one record winter
- Operating costs budget will be challenged due to significant regulatory impacts
- Assessment increased \$200 or 12.5% in 2015, due primarily to drought and workers comp costs increase
- Assessment increased \$100 or 5.5% in 2016, due primarily to drought and regulatory cost increases
- Service level expectations remain the same or better

2016 Annual Assessment by Fund

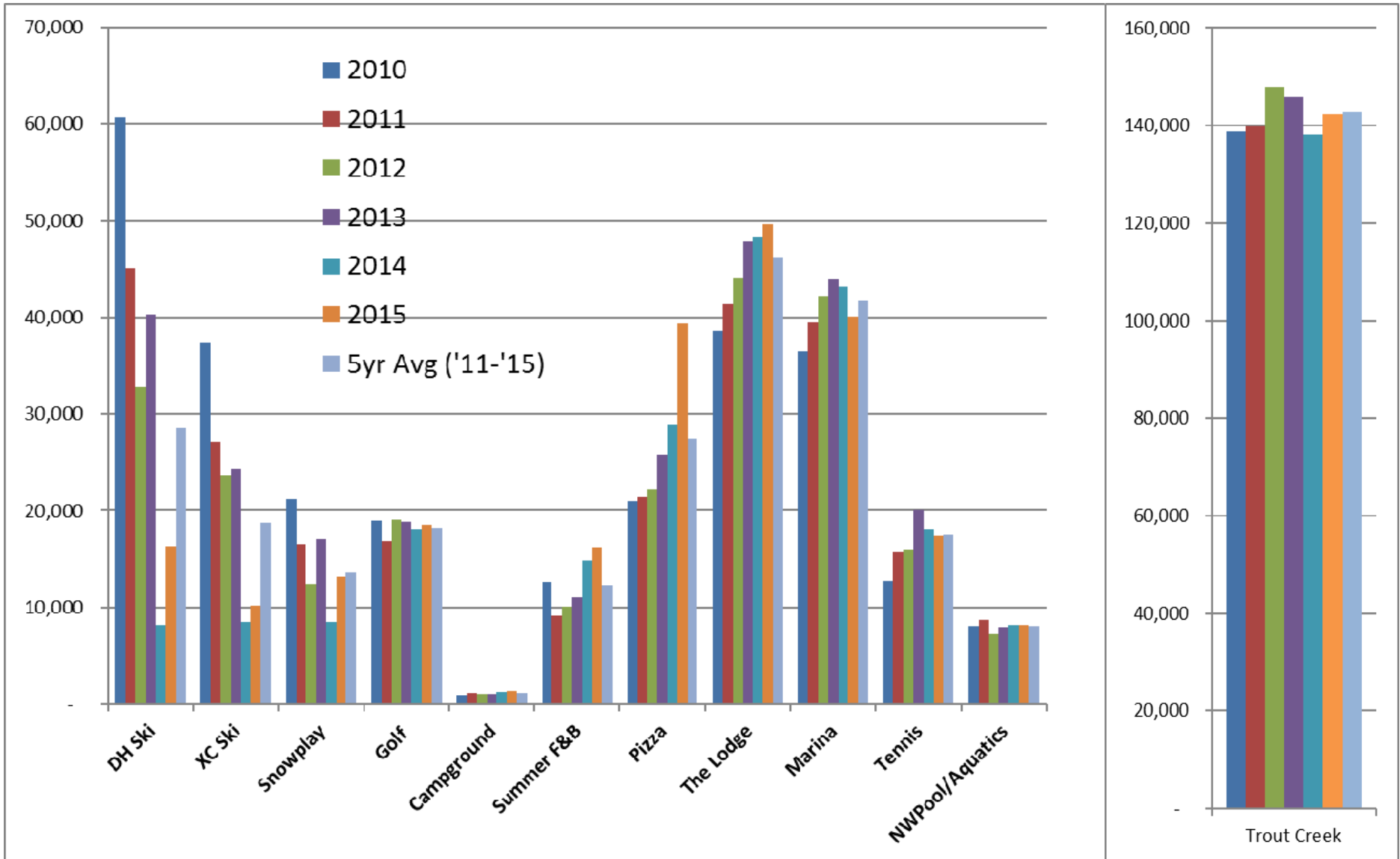
\$21,497,000 total revenue requirement
\$12,297,000 or 57% via Annual Assessment (\$1900 per owner)



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



Historical Visitations



Other Key Operating Assumptions

- 2016 Operating Fund NOR Results and resulting Members' Equity (ME) Balance
 - Currently YTD June NOR is favorable \$1.6 million
 - Which places ME balance at \$3.6 million
 - Minimum \$500,000 balance, per policy
 - 2016 Summer is performing strong to date
 - 2016 December is large weather wild-card
 - Currently ME is above target 10% of Revenues or \$920,000 by \$2,680,000
/ 6472 = \$414 per owner
- 2017 Operating Fund Budget- notable NOR impacts include
 - Year 2 of Alder Creek Adventure Center
 - Video broadcast of BoD meetings
 - Housing solutions for winter and summer seasonal employees
 - Labor market and CA minimum wage increase
 - Federal Affordable Care act and overtime law change
 - Renewals: Health Insurance Policy, Insurance (property, liability, D&O), and Workers Compensation Insurance
 - Macro and Micro economic and regulatory impacts, see next page

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 4th 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

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% to 15% Increase (\$90,000 to \$130,000 or \$14po to \$20po) - renewal % is TBD
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 2017
7. FED DOL Overtime Regs change effective 12/1/2016: changes Overtime exemption cap up to \$47,476, versus in CA for 2017 \$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
11. Equestrian, ACAC and Snowmaking will be net positive impacts in Budget

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



Total Operating Revenues – Overall Assumption

Year	Operating Revenues (\$ thousands)		Operating Revenues (\$ thousands)	\$ Gap to 2016 B	\$ Gap / 6472
2011	8,277	5yr average (2011 to 2015)	8,469	(731)	(113)
2012	8,205	5yr average (2012 to 2016F)	9,154	(46)	(7)
2013	9,505	4yr average (2011 to 2014)	8,417	(784)	(121)
2014	7,679	4yr average (2012 to 2015)	8,518	(682)	(105)
2015	8,681	4yr average (2013 to 2016F)	9,391	191	30
2016 F	11,700	3yr average (2013 to 2015)	8,622	(578)	(89)
		3yr average (2014 to 2016F)	9,353	153	24
2016 B	9,200				
2015 B	9,210				
2014 B	9,620				
2010 A	8,862				

**recommended option -
\$9.4 to \$9.5 million range**

Note, this is overall direction for revenue assumption. The details by dept 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 2017	Dollar Range		\$ per owner Range	
	Low	High	Low	High
1 economy	50,000	100,000	7.7	15.5
2 Expense inflation	40,000	120,000	6.2	18.5
3 Compensation merit	240,000	240,000	37.1	37.1
4 CA Minimum wage	70,000	80,000	10.8	12.4
5 Health Insurance	90,000	130,000	13.9	20.1
6 FED Affordable Care Act	80,000	90,000	12.4	13.9
7 FED Overtime law chg	30,000	40,000	4.6	6.2
8 Insurance (WC, PC/GL/DO)	12,000	60,000	1.9	9.3
sub total	612,000	860,000	95	133
9 op rev 3yr avg pick-up	(150,000)	(200,000)	(23.2)	(30.9)
10 2017 user rate increases	(100,000)	(150,000)	(15.5)	(23.2)
11 Misc noted items, net 0	-	-	-	-
14 tbd	-	-	-	-
Total	362,000	510,000	56	79

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.

- 2016 Special / Recreation Programs Continue in 2017
- 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, 2 days in a row
- 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 85 Full-time positions authorized
 - Continue to review healthcare legislation impacts on annual budget and health care renewal options.
 - FED Overtime law change
 - 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
 - Improved scanning functionality – Downhill and Cross Country
 - Integrated liability release system

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 InspectionsEffective volume is on average 500 per year
 - Office automation and streamlining member permit processes
 - Forms
 - Payment
 - POS system

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

Corporate Resolutions

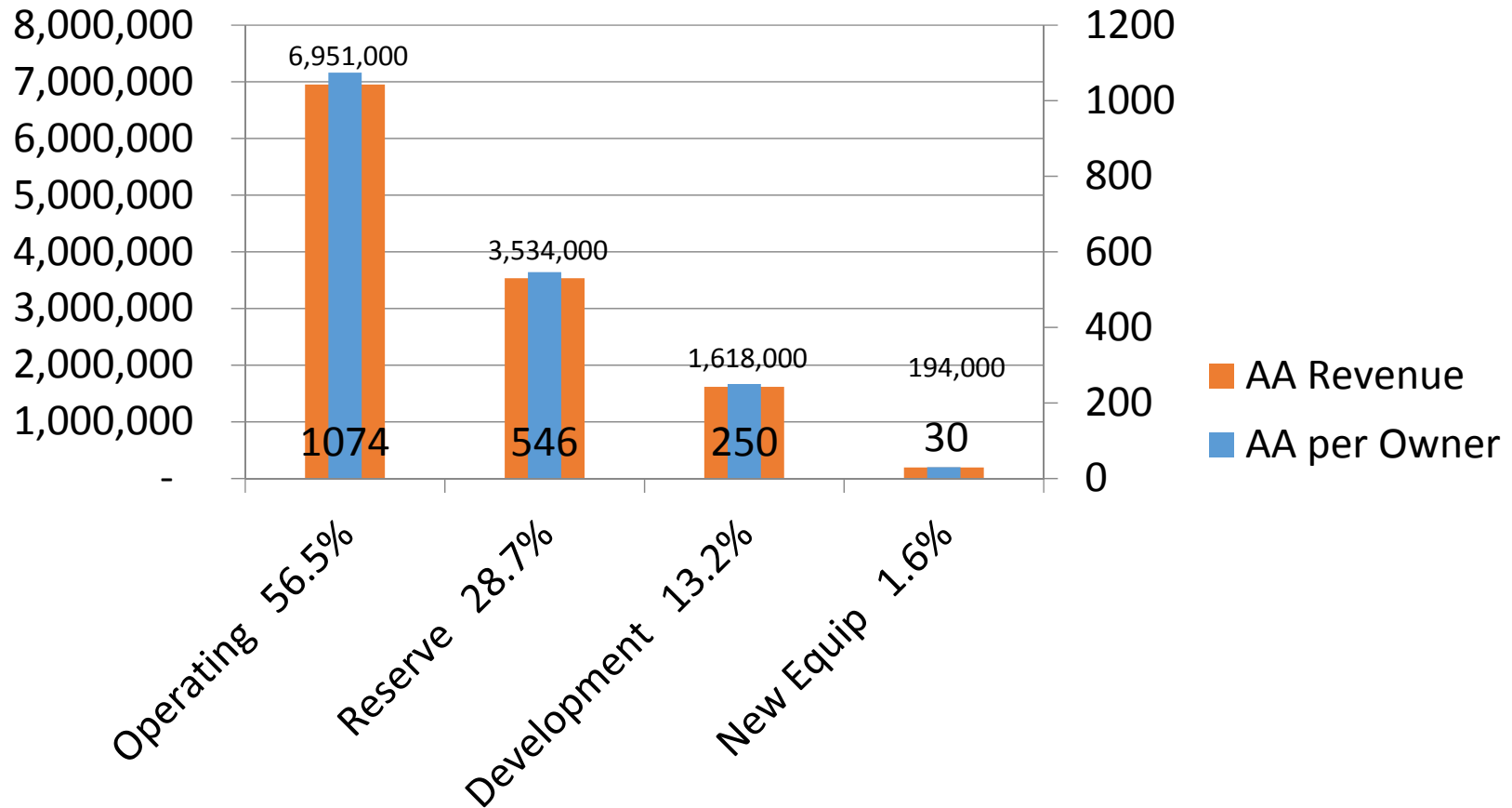
- **Capital Fund Policies**
 - Development Fund – Resolution 2012-01
 - New Machinery & Equipment – Resolution 2012-05
 - Replacement Reserve – Resolution 2013-3
- **Operating Fund Policies**
 - Resolution 2013-4

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

2016 Annual Assessment by Fund

\$21,497,000 total revenue requirement
\$12,297,000 or 57% via Annual Assessment (\$1900 per owner)



2017 Budget - Board Planning Guidance

1. In December 2016, as part of 2017 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 2017 OPFd AA
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 AA
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