

DECISION PAPER



October 19, 2017

Review and Update Of TDA Board of Directors Resolution 2012-1, Development Fund Policy

Issue: The Finance Committee, at the direction of the Board and in accordance with the Association's commitment to review and update resolutions every five years, has reviewed Resolution 2012-1, Development Fund Policy at TAB A. Final DRAFT of the revised and updated resolution, entitled Administrative Resolution 2017-3, Development Fund Policy is at TAB B.

Background:

- Resolution 2012-1 is 5 years old, and its review begins the second iteration of our commitment to review financial policies once every five years.
- Since the last review, the Association Master Plan (AMP) and the Capital Projects Process (CPP) have emerged providing the Association with a viable plan to plan and manage the Association's capital improvements and investments.
- These developments give us the opportunity to further integrate the capital and financial processes and improve our ability to quantify future capital financial requirements with a eye towards normalizing the annual Development Fund assessment in the future.
- DRAFT Administrative Resolution 2017-3 incorporates these concepts and ties the DF Policy to these important aspects of long-range capital projects planning.
- Changes in this document, while not numerous, are critical to our ability to forecast long-range financial requirements as we move forward with the capital investment needed for the protect the viability of the Association's infrastructure.
- The "Funding Section" of this policy provides the formula to determine the annual funding level for the development fund component of the annual assessment. With the emergence of the CPP we now have developed a process to prioritize capital projects that can be incorporated into the Capital Funds Projection (CFP) that gives us the ability to forecast capital projects and estimate capital funding requirements over a 20-year horizon.
- With this closer alignment of the CFP and the CPP, the merging of a realistic prioritized capital projects list into the CFP, we will have the ability to better able to forecast our future capital funding needs. Moving ahead with discipline and commitment to our policies and processes we will move closer to the goal normalizing the development fund component of the annual assessment that is in the best interest of all owners and members.



DECISION PAPER



Key Provisions/Changes:

- Incorporated reference to newly developed Association Master Plan and Capital Projects Process that was not in existence when Resolution 2012-1 was implemented in 2012.
- As needed, updated cited (footnoted) references to reflect current titles and numbering that have changed since 2012.
- Other updates: Letterhead logo, updated signatories to reflect current Directors, added “Administrative” to title to reflect current cataloging of resolutions pertaining to financial matters.
- Made formatting adjustments in font, type, margins, spacing to be consistent with format changes that have emerged over past five years.

Options:

- A. Approve updated Resolution and review in 5 years (TAB B).
- B. Reject updated Resolution and provide further guidance.
- C. Revalidate existing Resolution and extend validity 5 years.

Recommendation: To approve the updated Resolution, Option A.

Prepared By: Finance Committee, Resolution Review Subcommittee-John Dundas, Mike Salmon, Dir Fin & Acctg, Jim Stang, Michael Eyton-Lloyd, and Corey Leibow, October 11, 2017

Approved By: Finance Committee, October 19, 2017

Board Meeting Date: November 18, 2017

General Manager Approval to Place on the Agenda: _____



BOARD APPROVED

ACTION ON Dec 15, 2012

**TAHOE DONNER ASSOCIATION
BOARD OF DIRECTORS**

VERIFIED

Ronald Peterson

E.A. - TDA ASSOC.

RESOLUTION 2012 - 1

DEVELOPMENT FUND POLICY

WHEREAS, the Tahoe Donner Association Board of Directors is responsible for the establishment of the annual regular assessment based upon preparation of an annual budget that estimates "...the total amount required to fund ... anticipated Common Expenses ... (including additions to any reserve fund established to defray the costs of future repairs, replacement or additions to the Common Facilities)..."¹; and,

WHEREAS, Common Expenses, are defined to include "...any amounts reasonably necessary to fund reserves for the maintenance, repair, expansion and replacement of the Common Areas and Common Facilities..."²; and,

WHEREAS, the Tahoe Donner Association Board of Directors "...shall maintain any other accounts it shall deem necessary to carry out its purpose, including reserve accounts for replacement of capital improvements..."³; and,

WHEREAS, the following constitutes the Development Fund Policy of Tahoe Donner Association and supersedes all previously approved development fund policies (Resolution 98-11);

NOW THEREFORE, BE IT RESOLVED, that the Board of Directors of Tahoe Donner Association approves and adopts the following Development Fund Policy:

PURPOSE

The Development Fund is established as a reserve account in accordance with the Association's Governing Documents to be maintained and administered on an annual basis to finance capital improvement projects; including real estate acquisitions, building upgrades and additions, and building replacements that do not qualify for funding from the Replacement Reserve Fund. While the Replacement Reserve Fund provides reserves for the replacement of individual building components, it does not provide funding for the functional obsolescence or structural replacement of existing buildings or new facilities.

¹ First Restated Declaration of Covenants and Restrictions of Tahoe Donner, Article IV, Section 2 (a)

² First Restated Declaration of Covenants and Restrictions of Tahoe Donner, Article I, Section 9

³ Restated Bylaws of Tahoe Donner Association, Article XII, Section 4

The Development Fund is necessary to keep the Association's amenities and operational infrastructure from deteriorating and becoming functionally obsolete, to keep the community vibrant, to meet current operational demands, to enhance the benefit enjoyed by the ownership, and to protect each Owner's investment in the Association.

The Development Fund, used in conjunction with and in addition to the reserves provided by the Replacement Reserve Fund, enables the Association's Board of Directors (Board) to plan and execute capital improvement projects identified in the General Plan and derived from other sources that are approved by the Board of Directors on behalf of all Owners.

DEVELOPMENT FUND PLAN

The Board has charged the General Plan Committee (GPC) to work together with Association management, members, the Finance Committee (FC), and the Board, to develop a General Plan that identifies capital improvement projects to address the present and future needs of the Association.

The result of this collaboration is the 20-year General Plan that contains anticipated capital improvement projects which are reviewed and adopted by the Board. It is anticipated that the content of the General Plan will be reviewed annually in accordance with the annual Financial Planning and Budget Procedures⁴ and will be formally updated as needed. Any changes or updates to the General Plan will be reviewed and approved by the Board.

Additionally, capital improvement projects not included in the General Plan may be recommended and designated by the Board each year as part of the annual Financial Planning and Budgeting Procedures.

The Capital Funds Projection is the document by which all capital improvement projects covering a 20-year planning horizon will be identified for funding. All capital improvement projects will be individually designated and costs estimated using the best information available to ensure that accumulated reserves will be sufficient to cover future needs; but are not excessive to the needs of each designated project. The Capital Funds Projection, and each capital improvement project cost estimate, will be updated annually in consultation with the GPC and the FC, and approved by the Board, in accordance with the annual Financial Planning and Budget Procedures.

REPORTING

Capital improvement projects that have been designated and budgeted will be reported to Association Members as part of the Association's Annual Budget Report.

⁴ Board Resolution 98-6, Financial Planning and Budget Development Procedures, and subsequent revisions, if any

Furthermore, the accounting of the actual expenditure of funds on designated projects will be reported to Association Members as part of the Association's year-end Annual Report as required by the Governing Documents.⁵

Specifically designated and/or restricted funds within the Development Fund prior to implementation of this Policy shall be appropriately disclosed in financial reporting (Monthly Finance Reports, Annual Report, and Budget Report) until expended.

The Building Replacement portion of the Development fund will be reported on monthly as a separate line item at each Board meeting in the monthly financial report in order for the Board to keep up to date with the balance in the building replacement portion in the fund. The purpose is to provide the Board a reminder and a clearer more immediate financial update when being presented each month with possible new projects by staff and the GPC during the year.

Subsequent to expenditure of those designated/restricted funds all funds will be maintained as a single Development Fund based upon the annual Capital Funds Projection.

RESPONSIBILITY & AUTHORITY

The Board, and the General Manager, to the extent authorized by the Board, will have the full authority and responsibility to administer the Development Fund Policy in accordance with the terms and provisions contained herein. The Board has the authority to allow for specific exceptions to the stated parameters or restrictions, except those mandated by statute or those limited by the Governing Documents.

APPROVAL OF PROJECTS

A determination will be made as to whether any aspect of implementation of any capital improvement project requires the approval of the Members of the Association as specified in the Governing Documents.

Once a determination with regard to project approval requirements has been made, adoption of the Annual Budget, which includes the Capital Funds Projection, by the Board will constitute approval of funding for the designated capital improvement projects for the upcoming fiscal year. Additionally, each capital improvement project will be individually planned, budgeted, and approved by the Board.

FUNDING

Funding for the Development Fund is provided as part of the Association's regular annual assessment. The annual contribution to the Development Fund will normally be one-twentieth (1/20), or five percent (5%), of the capital improvement projects

⁵ Restated Bylaws of Tahoe Donner Association, Article XII, Section 5

designated in the Association's Capital Funds Projection over a subsequent 20-year period. However, funding may be adjusted upward or downward as required to ensure adequate funding for planned projects.

Funding will take into account funding sources for capital improvement projects from other capital funds, including the Replacement Reserve Fund.

In order to manage individual projects and aggregate Development Fund balances and expenditures, certain capital improvement projects may need to be rescheduled or reexamined.

EXPENDITURES

Development Funds will only be expended for the aggregate purpose, including all individual projects, for which they have been accumulated. Expenditures from the Development Fund will be made in accordance with individual capital improvement project plans, as designated in the Capital Funds Projection, in collaboration with the GPC and FC, and as approved by the Board.

Actual expenditures for individually designated projects may vary from initial project estimates as specific project plans are developed and individually approved by the Board. Should the Board determine that a specific project is no longer advisable; it may cancel the project and reallocate any accumulated funds, to other designated projects. The Board may also modify scope of a project if it determines that the project requirements have changed since it was originally designated.


Within the authority of the Governing Documents, and according to the Reserve Fund Policy⁶, the Board may authorize temporary borrowing from the Replacement Reserve Fund for use on Development Fund projects for a period of one year.

APPROVAL


Approval of the Development Fund Policy and any changes, amendments, or modifications thereafter, may only be accomplished at a properly noticed meeting of the Board, after a full reading of the policy in open session, with reasonable time allowed for property owner comment.

⁶ Board Resolution 2002-8, Reserve Fund Policy and subsequent revisions, if any

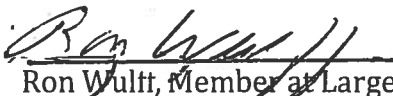
ACCEPTED AND DATED: December 15, 2012



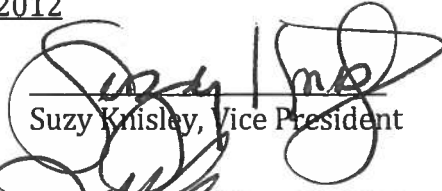
Tom Johns, President




Steve Miller, Treasurer



Ron Wulft, Member at Large



Suzy Knisley, Vice President



Jay Lempinen, Secretary



**TAHOE DONNER ASSOCIATION
BOARD OF DIRECTORS**

ADMINISTRATIVE RESOLUTION 2017-3

DEVELOPMENT FUND POLICY

WHEREAS, the Tahoe Donner Association Board of Directors is responsible for the establishment of the annual regular assessment based upon preparation of an annual budget that estimates "...the total amount required to fund ... anticipated Common Expenses ... (including additions to any reserve fund established to defray the costs of future repairs, replacement or additions to the Common Facilities) ..."¹; and,

WHEREAS, Common Expenses, are defined to include "...any amounts reasonably necessary to fund reserves for the maintenance, repair, expansion and replacement of the Common Areas and Common Facilities..."²; and,

WHEREAS, the Tahoe Donner Association Board of Directors "...shall maintain any other accounts it shall deem necessary to carry out its purpose, including reserve accounts for replacement of capital improvements..."³; and,

WHEREAS, the following constitutes the Development Fund Policy of Tahoe Donner Association and supersedes all previously approved development fund policies;

NOW THEREFORE, BE IT RESOLVED, that the Board of Directors of Tahoe Donner Association approves and adopts the following Development Fund Policy:

PURPOSE

The Development Fund is established as a reserve account in accordance with the Association's Governing Documents to be maintained and administered on an annual basis to finance capital improvement projects; including real estate acquisitions, building upgrades and additions, and building replacements that do not qualify for funding from the Replacement

¹ First Restated Declaration of Covenants and Restrictions of Tahoe Donner, Article IV, Section 2 (a)

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Reserve Fund. While the Replacement Reserve Fund provides reserves for the replacement of individual building components, it does not provide funding for the functional obsolescence or structural replacement of existing buildings or new facilities.

The Development Fund is necessary to keep the Association's amenities and operational infrastructure from deteriorating and becoming functionally obsolete, to keep the community vibrant, to meet current operational demands, to enhance the benefit enjoyed by the ownership, and to protect each Owner's investment in the Association.

The Development Fund, used in conjunction with and in addition to the reserves provided by the Replacement Reserve Fund, enables the Association's Board of Directors (Board) to plan and execute capital improvement projects identified in the Capital Projects Process (CPP) and derived from other sources that are approved by the Board of Directors on behalf of all Owners.

DEVELOPMENT FUND PLAN

The Board has charged the General Plan Committee (GPC) to work together with Association management, members, the Finance Committee (FC), and the Board, to develop a CPP that identifies capital improvement projects to address the present and future needs of the Association.

The result of this collaboration is the 20-year Capital Funds Projection (CFP) that contains anticipated capital improvement projects which are reviewed and adopted by the Board. It is anticipated that the content of the CFP will be reviewed annually in accordance with the annual Financial Planning and Budget Procedures⁴ and will be formally updated as needed. Any changes or updates to the CFP will be reviewed and approved by the Board.

Additionally, capital improvement projects not included in the CFP may be recommended and designated by the Board each year as part of the annual Financial Planning and Budgeting Procedures.

The CFP is the document by which all capital improvement projects covering a 20-year planning horizon will be identified for funding. All capital improvement projects will be individually designated and costs estimated using the best information available to ensure that accumulated reserves will be sufficient to cover future needs; but are not excessive to the needs of each designated project. The CFP, and each capital improvement project cost estimate, will be updated annually in consultation with the GPC and the FC, and approved by the Board, in accordance with the annual Financial Planning, Budgeting and Reporting procedures.

REPORTING

Capital improvement projects that have been designated and budgeted will be reported to Association Members as part of the Association's Annual Budget Report.

⁴ General Resolution 2014-1, Financial Planning, Budgeting and Reporting

Furthermore, the accounting of the actual expenditure of funds on designated projects will be reported to Association Members as part of the Association's year-end Annual Report as required by the Governing Documents.⁵

Specifically designated and/or restricted funds within the Development Fund prior to implementation of this Policy shall be appropriately disclosed in financial reporting (Monthly Finance Reports, Annual Report, and Budget Report) until expended.

Subsequent to expenditure of those designated/restricted funds all funds will be maintained as a single Development Fund based upon the annual CFP.

RESPONSIBILITY & AUTHORITY

The Board, and the General Manager, to the extent authorized by the Board, will have the full authority and responsibility to administer the Development Fund Policy in accordance with the terms and provisions contained herein. The Board has the authority to allow for specific exceptions to the stated parameters or restrictions, except those mandated by statute or those limited by the Governing Documents.

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FUNDING

Funding for the Development Fund is provided as part of the Association's regular annual assessment. The annual contribution to the Development Fund will normally be one-twentieth (1/20), or five percent (5%), of the capital improvement projects designated in the Association's CFP over a subsequent 20-year period. However, funding may be adjusted upward or downward as required to ensure adequate funding for planned projects.

Funding will take into account funding sources for capital improvement projects from other capital funds, including the Replacement Reserve Fund.

In order to manage individual projects and aggregate Development Fund balances and expenditures, certain capital improvement projects may need to be rescheduled or reexamined.

⁵ Restated Bylaws of Tahoe Donner Association, Article XII, Section 5

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APPROVAL

Approval of the Development Fund Policy and any changes, amendments, or modifications thereafter, may only be accomplished at a properly noticed meeting of the Board, after a full reading of the policy in open session, with reasonable time allowed for property owner comment.

ACCEPTED AND DATED: November 18, 2017

JEFF CONNERS, President

JEFF SCHWERDTFEGER, Vice President

JEFF BONZON, Treasurer

JENNIFER JENNINGS, Secretary

DARIUS BROOKS, Director

⁶ Resolution 2013-03, Replacement Reserve Fund Policy