



September 23, 2017

## Quarterly Treasurer's Report

Jeff Bonson, Board of Directors Treasurer

As the Board Treasurer, one of my primary responsibilities is to monitor the activity in the association's various bank accounts to ensure that our cash and investments are handled appropriately. This includes ensuring compliance with all laws, regulations, and policies; which includes our Investment Policy (Resolution 2015-05).

Our primary objective is to minimize the risk of principal loss in our accounts. As such, our 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, we invest in bank Certificate of Deposits (CDs) issued by banks that are covered by FDIC insurance (\$250,000 or less per bank). The latter investments provide a bit higher return without an increase in risk. Corporate and municipal bonds, rated "A" or above, and California state obligations rated "AA" or higher all provide opportunities for increased yield without a significant increase in risk.

The consolidated cash and investments balance as of 12/31/2016 (audited) was \$18.6 million. The current cash and investments balance as of 8/31/2017 is \$23.1 million. This current balance draws down during the shoulder season months of September through November operations, as well as with planned reserve capital expenditures.

Page 33 of the August 2017 Finance Report (Agenda Item Q) provides a summary of Cash and Investments by Fund. On this report you will see \$12.8 million (55%) of total cash and investment funds are currently held in US Treasury obligations. There is \$4.3 million (19%) invested in bank certificates of deposit (each bank no more than \$250,000). In Replacement Reserves, there is \$3 million (13%) invested in corporate and municipal bonds. There are cash equivalent funds of \$2.9 million which is spread across various banks and brokerages. This balance exceeds typical cash liquidity needs due to a maturity of several Treasury holdings in late August, of which the majority was re-invested in early September.

Our bank accounts are all linked to our various funds. We regularly mention these funds, so I would like to give you a quick review of them:





1. **Operating Fund:** this fund accounts for the annual operating revenues and costs of your association. This includes operating our various amenities (public and private) as well as the traditional homeowner association services provided to membership. The member's equity balance (similar to retained earnings of a traditional company) as of 12/31/2016 was \$4,404,000 (an audited figure, since our 2016 financials have been audited). The unaudited balance as of 8/31/2017 is now \$2,133,000. A decrease of \$2,271,000 which is comprised of the following items:
  - a. - \$1,500,000 transferred to Replacement Reserve Fund (by Board in 6/2017) to address potential upcoming 2018 Snowbird lift replacement
  - b. - \$1,800,000 transferred to Development Fund (by Board in 6/2017) to address potential future building replacement and/or expansion needs of your association
  - c. + \$1,029,000 favorable net operating results YTD, 8/31/2017.
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. This account is also a source for some of the funds used when we replace buildings. The 12/31/2016 audited balance was \$7.9 million. The current balance is \$11.5 million and will spend down (as approved, and including the \$1.5 million transfer in) to a forecasted balance of \$10.0 million by year-end 2017.
3. **New Machinery and Equipment Fund:** this account is used for the purchase of new, relatively low-cost, items. The 12/31/2016 audited balance was \$76,000. The current balance is \$129,000 and will spend down (as approved) to a forecasted balance of \$64,000 by year-end 2017.
4. **Development Fund:** this fund is used for the acquisition or construction of large, higher cost assets. 2017 was generally a planning year with no large project expenditures. Examples in 2017 were garbage/storage building at Alder Creek Adventure Center for \$110,000, Trout Creek Building Expansion soft costs of \$66,000, and Downhill Ski Area master planning of \$50,000. The 12/31/2016 audited balance was \$499,000. The current balance is \$3.9 million and will spend down (as planned) to a forecasted balance of \$3,522,000 by year end 2017, which includes a transfer in from the operating fund of \$1.8 million.
5. **Property Fund:** holds all of our investment in capital assets and accounts for accumulated depreciation of our assets. The 12/31/2016 audited balance was \$41.0 million. The current balance is \$40.6 million and with capital asset additions and depreciation charged, the forecasted balance is \$41.0 million at year end 2017. Note that there is no cash or investments for this Fund.





Lastly, regarding the 2018 Budget cycle underway. With the strong performance to date in 2017, 2 record revenue years instead of 2 drought years in the 3-year averages, we are currently targeting holding the 2018 annual assessment flat, at \$1,900 per unit, for the 3<sup>rd</sup> year in a row. We expect to achieve this with a balanced budget and without impacting service levels.

For more information, the 2016 annual report and 2017 budget report, as well as lots of other financial information on your association, are readily accessible on the [tahoedonner.com](http://www.tahoedonner.com/member-area/association-management/financials/) website.

Lastly, I would like to thank the Finance Committee for providing leadership and oversight regarding the financial operation of the association.

Thank you for listening!

*Jeff Bonzon*

Jeff Bonzon, Board of Directors Treasurer





**TAHOE DONNER ASSOCIATION  
BOARD OF DIRECTORS**

**RESOLUTION 2015-5**

**INVESTMENT POLICY**

**WHEREAS**, the Davis-Stirling Common Interest Development Act specifies that the Board shall exercise prudent fiscal management in maintaining the integrity of the Tahoe Donner Association's ("TDA" or "the Association") reserve funds<sup>1</sup>; and,

**WHEREAS**, subject to corporation law and limitations contained in the governing documents the business and affairs of the Association are vested in the Board of Directors<sup>2</sup>; and,

**WHEREAS**, the Board has authority to open bank accounts on behalf of the Association and designate signatories<sup>3</sup>; and,

**WHEREAS**, the Board shall maintain other accounts necessary to carry out the business of the Association<sup>4</sup>; and,

**WHEREAS**, the following constitutes the Investment Policy of TDA and supersedes all previously approved policies and resolutions pertaining to the investment of funds;

**NOW, THEREFORE, BE IT RESOLVED**, that the Board of Directors of TDA approves and adopts the following Investment Policy:

---

<sup>1</sup> Davis-Stirling Common Interest Development Act, Chapter 7, Article 2, Section 5515(e)

<sup>2</sup> Restated Bylaw of Tahoe Donner Association, ARTICLE VII, Section 1

<sup>3</sup> Restated Bylaws of Tahoe Donner Association, ARTICLE IX, Section IX, Section 1(p)

<sup>4</sup> Restated Bylaws of Tahoe Donner Association, ARTICLE XII, Section 4

## **PURPOSE**

The purpose of this resolution is to establish guidelines to ensure the effective and judicious management of cash and investments of the Association's funds.

## **INVESTMENT OBJECTIVE**

The funds of the Association shall be invested to achieve the following objectives:

1. To protect all principal funds while attempting to maximize the rate of return on investments.
2. Investments shall be made in the highest yielding instruments possible, consistent with the cash flow requirements of the Association and the restrictions listed below.
3. When making investment decisions, the factors of opportunity cost, risk vs. reward, diversification, scheduling and monitoring shall all be considered.

## **AUTHORIZED INVESTMENT INSTRUMENTS**

Authorized investments are specifically limited to the following categories for funds of TDA:

1. Obligations backed by the full faith and credit of the United States Government, with a maximum maturity term of 10 years.
2. Checking or savings accounts at Banks and Savings and Loan institutions. Accounts must be insured by the FDIC.
3. Certificates of Deposit of Banks and Savings and Loan institutions. Certificates of Deposit must be insured by the FDIC.
4. Corporate Bonds of New York Stock Exchange listed United States corporations, rated "A" or higher by two of the following three rating services: Moody, Fitch, or Standard and Poor's. Should either service's rating fall below "A", the bonds shall be sold as soon as practicable. The maximum maturity term on these bonds will be 5 years.
5. Money market accounts with TDA's Board approved financial institutions.
6. Municipal Bonds rated "A" or higher with a maturity term not to exceed 5 years. As described above, similar rating protections and procedures shall apply.
7. State of California insured debt instruments or California State debt rated "AA" or higher. Maturity term on California debt is not to exceed 7 years. As described above, similar rating protections and procedures shall apply.

## **INSTRUMENT LIMITATIONS**

Limits on the above authorized investment instruments are as follows:

1. Cash and cash equivalent funds held in brokerage and bank accounts should be held at or below SIPC and FDIC insurance limits to the greatest extent possible. Liquidity needs for operating and capital expenditures may at times necessitate cash and cash equivalent balances in a particular account to exceed FDIC insurance limits. This risk shall be minimized by the Director of Finance and Accounting ("DFA").

2. Investments in each of the following investment categories are limited to no more than 20% of the individual fund balances (i.e. operations, development, replacement reserve and NMEFF) at the time the investment is made:

- a. Corporate Bonds
- b. U.S. Government Securities, with a maturity term of more than 3 years
- c. State of California debt
- d. Municipal Bonds

3. Approval Levels:

a. Investments in instruments listed in item 2, above, with maturity terms of greater than one (1) year, require the concurrence of the Treasurer (or in the Treasurer's absence, the President) and one of the following: General Manager (GM), DFA, or another member of the Board.

b. Investments in instruments listed in item 2, above, with maturity terms of greater than three (3) years, require the approval of three Board members.

c. The concurrences required by this paragraph must be received BEFORE the investments in item 2, above, are consummated and notification of all Board members must occur within 10 days after the investment is made.

d. The GM or DFA may authorize all other investment transactions.

4. Long-term investments shall be made with the intent of holding them until maturity. Sales prior to the maturity date will require approval from the Treasurer.

#### **GENERAL ADMINISTRATION RESPONSIBILITIES**

The DFA shall prepare annual forecasts of cash flow requirements for all the Association's funds. In addition, the DFA shall also prepare a cash flow forecast for the Reserve and Development Funds covering a period of not less than five years.

The Finance Committee and DFA shall meet quarterly to review investments, strategy, cash flow and the results of the TDA financial management. In addition, the Treasurer shall review and initial the monthly investment account reconciliations and report quarterly to the Board.

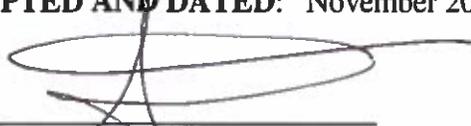
Services provided by banks, brokerage firms or Savings and Loans that provide required levels of insurance coverage for investor accounts, shall be utilized in administering this Policy.

Any changes to this policy or authorized signatories shall be sent to the appropriate brokerage firms immediately. Any brokerage firm holding funds and/or other investments of TDA, shall send (paper or digital), investment and deposit confirmations and complete monthly statements to BOTH the Treasurer and the DFA.

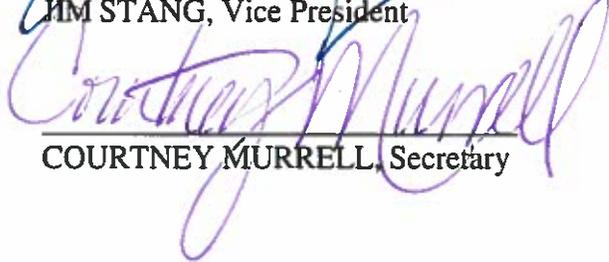
**APPROVAL**

Approval of the Investment Policy and any changes, amendments, or modifications thereafter, may only be accomplished at a properly noticed meeting of the Board.

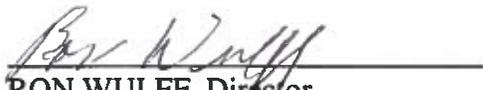
**ACCEPTED AND DATED:** November 20, 2015

  
\_\_\_\_\_  
STEVE MILLER, President

  
\_\_\_\_\_  
JIM STANG, Vice President

  
\_\_\_\_\_  
COURTNEY MURRELL, Secretary

  
\_\_\_\_\_  
JEFF BONZON, Treasurer

  
\_\_\_\_\_  
RON WULFF, Director