



Tahoe Donner Association 2019 Budget – 2nd Workshop

Board, Finance Committee, Members Meeting 9/14/2018

Prepared by Michael Salmon, Director of Finance and Accounting, 9/6/2018



2019 Budget – 2nd Workshop - Agenda today 9/14

- 0910-0955 **Development Fund** *(GPC led)*
- 0955-1040 **Replacement Reserve Fund**
- 1040-1055 **New Equipment Fund**
- 1105-1315 **Operating Fund** *(Lunch break Noon to 12:30)*
 - 2018 Transfer to Capital Fund(s)
 - Overview of Operating Fund Budget draft, including drivers for 2019
 - Allocated Overhead and Capital Charge
 - User Fee and Rate Changes
- 1315-1330 **Next Steps**

9/14/2018 Budget Workshop

– Documents Index



- G01 – 2019 Budget Draft summary presentation by Fund (this document)
- G02 – supplementary supporting documents, if any
- G03.1 Strategic Guidance
- G03.1.1 Board direction items draft from 8/24 workshop
- G03.2 Amenity Utilization by Unit/Lot information
- G03.3 Allocated Overhead
- G04 Development Fund and New Equipment Fund schedules
- G05 Replacement Reserve Fund schedules
- G06 Replacement Reserve Study by component, all 30 years

- G07.1.1 to G07.1.9 User Fees and Rates –Schedules by Amenity/Function
- G07.2 Pricing Model - recreation fee and daily entry access private amenities

- G08 Operating Fund Summary reports by Dept and consolidated by Component (3 pages)
- G09 Operating Fund Schedules by NOR component by department 5 pages
- G10 Operating Fund 1page per Department - with historical comparative and 2019 driver details 41 pages

- G11 to G15 – reference materials

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-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***.
- ***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).



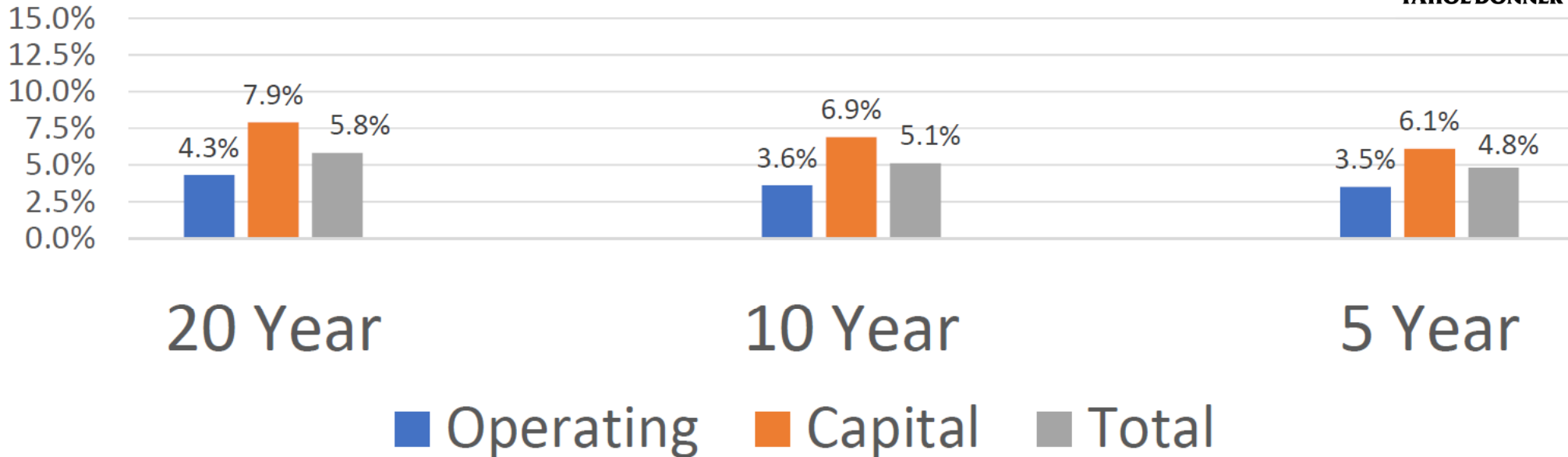
2019 Budget Strategic Planning Guidance

- See G03.1
- **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.
- **MISSION** Tahoe Donner Association 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. Through 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
- [Next page for key direction items](#)

2019 Budget - Board strategic Planning Guidance

- Aggressively address Peak Periods overcrowding of all facilities, primarily via pricing
- Improve financial performance across all amenities to improve net results
- Calculate and Report Allocated Overhead
- Factor new STR compliance/monitor initiative
- Add third chipping crew to Forestry, begin shift from 8yr to 6yr defensible space cycle
- STR Compliance, Enforcement

Annual Assessment Growth Rate - by Fund type and Total 1998 - 2008 - 2013 to 2018 Budget Compounded Annual Growth Rate



Annual Assessment Notes:

In 2018, the \$1900 total annual assement was the same as 2016 and 2017, flat for three consecutive years.

From 2009 to 2012 (four consecutive years), the operating portion of annual assessment was held flat at \$695.

Over the past 20 years (1997 to 2017, the association's replacement reserve fund balance has improved by over \$8 million, addressing past underfunding and an aging infrastrucure of this now 47 year old association.

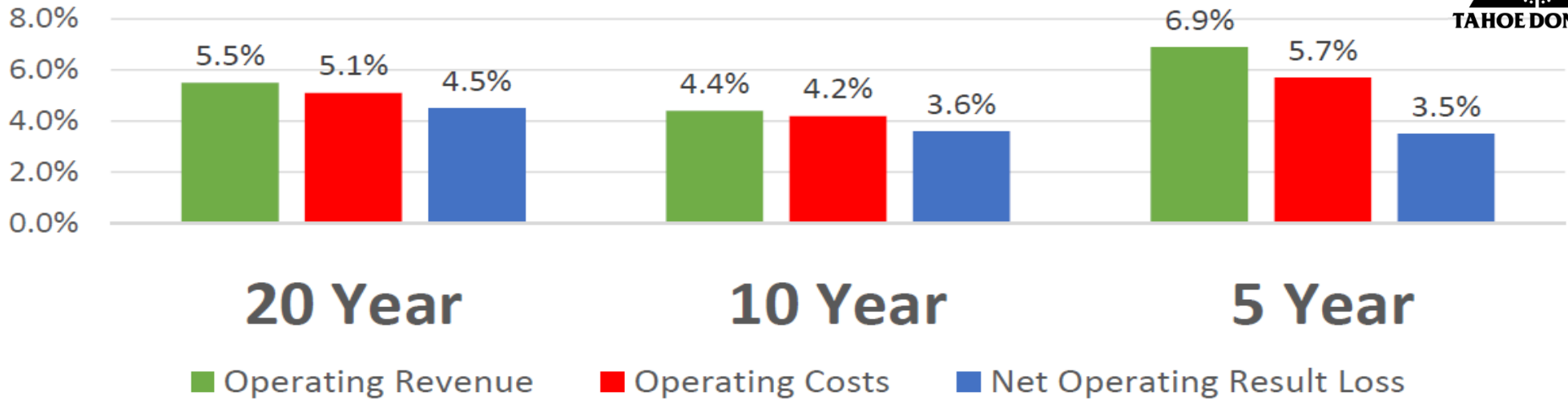
Members Equity has grown at a 30 year growth rate of 6.3%, reflected a net improvement, as opposed to a decline.

Operating AA / Capital AA ratio: 1998 66%/34% 2008 57%/43% 2013 53%/47% 2018 49%/51%

Over the past 20 years (1998 to 2018), the operating portion of assessment has decreased from 66% to 49%, a 26% decrease.

Budget Board Meeting 9/14/2018

Operating Fund Growth Rate - by Component 1998 - 2008 - 2013 to 2018 Budget Compounded Annual Growth Rate



Operating Costs to Operating Revenues ratio: 1998 159% 2008 153% 2013 157% 2018 149%

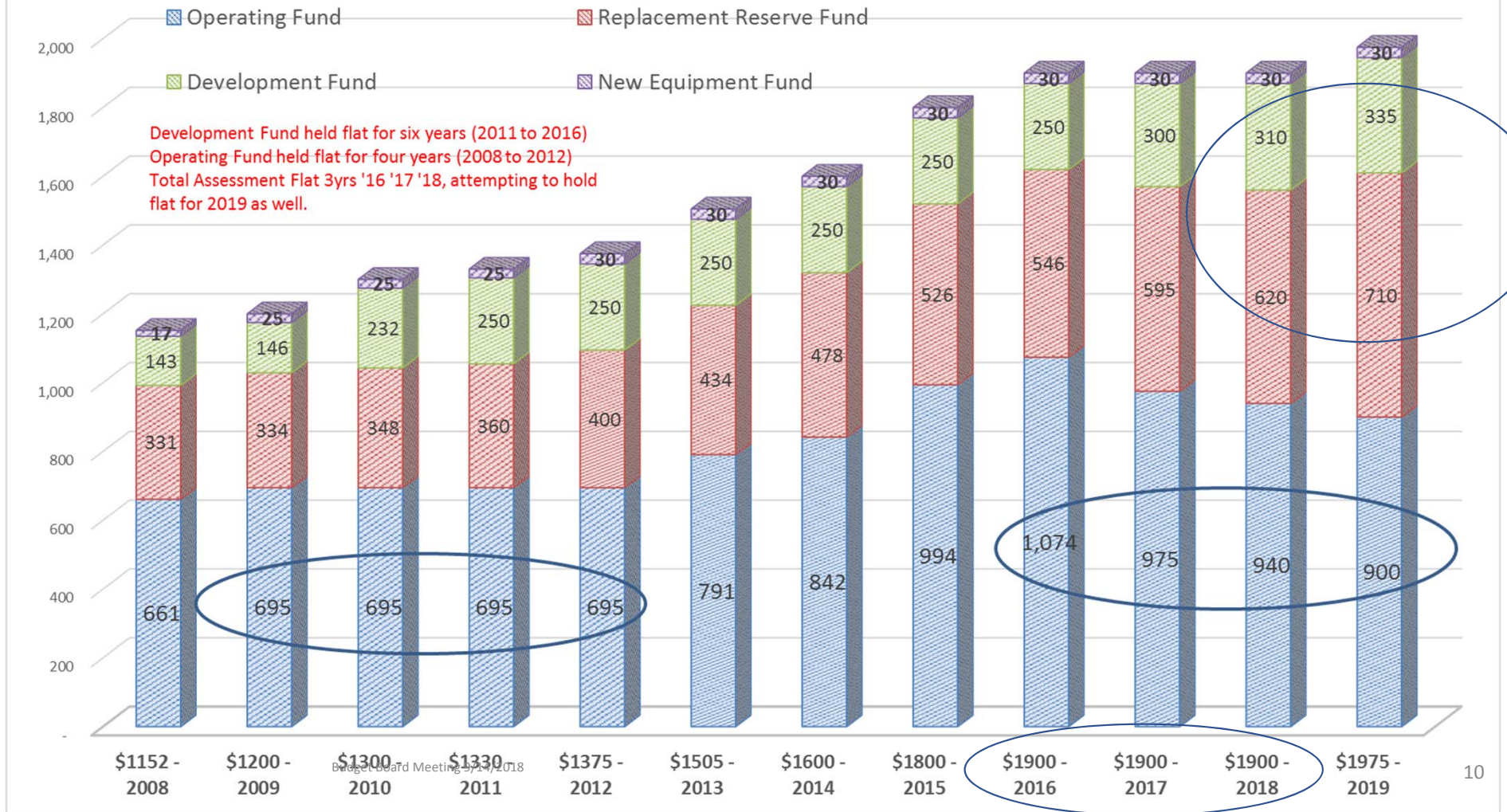
Notable Amenity facilities growth over time include:

CA Min Wage 5yr has increased from \$8.00 to \$11.00 in 2018, a 6.6% CAGR
- **Increases 9.1% to \$12.00 on 1/1/2019**

- The Lodge built in 2005
- Trout Creek Recreation Center - built in 1994, expanded in 2005
- Alder Creek Adventure Center - built in 2015
- Euer Valley, Trails, Bikeworks, Alder Creek Café
- Downhill ski snowmaking investment in 2015
- Concerts changed from outsourced to in-house production
- # of Improved Lots has increased (fewer vacant lots now)



Annual Assessment per owner - 2019 8/24/18 draft





Annual Assessment per owner - 2019 9/14/18 draft

Operating Fund	Replacement Reserve Fund	Development Fund	New Equipment Fund	Total	
\$ 940	\$ 620	\$ 310	\$ 30	\$ 1,900	2018 AA per owner
\$ 6,085,000	\$ 4,013,000	\$ 2,007,000	\$ 194,000	\$ 12,299,000	2018 AA revenue
\$ (25)	\$ 25	\$ -	\$ -	\$ -	1st draft changes
\$ (30)	\$ 12	\$ 18	\$ -	\$ -	allocated overhead impact
\$ 15	\$ 53	\$ 7	\$ -	\$ 75	funding increase recommended
-4.3%	14.5%	8.1%	0.0%	3.9%	
\$ 900	\$ 710	\$ 335	\$ 30	\$ 1,975	2019 AA per owner, draft 9/14
\$ 5,826,000	\$ 4,596,000	\$ 2,168,000	\$ 194,000	\$ 12,784,000	2019 AA revenue, draft 9/14
\$ (259,000)	\$ 583,000	\$ 161,000	\$ -	\$ 485,000	2019 AA revenue change, draft 9/14

- a) decreasing OF, add to RRF funding, achieved through higher revenue expectations (3yr avg) and user pricing increases.
- b) increasing RRF funding due primarily to added \$500,000 component in years 2019/2020/2021 to begin addressing known facility deficiencies.
- c) increasing DF funding due to known long-term large scale projects

Development Fund – 2018 Forecast



Actual 12/31/2017 Balance \$ 3,753,014

2018 Assessment Contribution (@ \$310 / owner) 2,007,000

Operating Fund Transfer IN in 2018 -

2018 Expenditures (forecast, as of mid-September 2018):

Downhill Ski - Master Plan	16,000
Downhill Ski - Daylodge/SkierServices/Lifts, Planning	75,000
Trout Creek Recreation Facility, Remodel	250,000
Equestrian campus improvements, phase 3	200,000
Trails, new trail(s) per trails master plan	56,000
Snowmaking, permit deposit refund	(6,000)
Association Master Plan	6,000
DHSki Eagle Rock shrouding and chairlift relocation	90,000
Land Acquisition, Other Projects, Cost Allocation, Contingency	250,000

TL Spend 937,000

Interest Income/BDExp/Taxes, NET 55,986

9/14/2018 - Forecast 12/31/2018 Balance \$ 4,879,000

See next page for 2019 Budget

2019 Budget - Development Fund



Forecast 12/31/2018 Balance \$ 4,879,000

2019 Assessment Contribution (@ \$335 / owner) 2,168,000
increase to \$25/owner or \$162,000 from 2018

2019 Expenditures:

Association, Member Surveys	50,000
Alder Creek Adventure Center, Master Plan	10,000
Cross Country Ski, Snowmaking	100,000
Northwoods Clubhouse, Master Plan	10,000
Downhill Ski - Daylodge/SkierServices/Lifts, soft costs	2,000,000 *
Downhill Ski - Snowmaking phase 2	600,000
Downhill Ski - regrading mile run, soft costs	50,000
Golf, Master Plan	10,000
Beach Club Marina, Master Plan	10,000
The Lodge, Master Plan	10,000
The Lodge, covered walkway in parking lot	75,000
Trails, new trail(s) per trails master plan	100,000
Trout Creek Recreation Facility, Master Plan	10,000
Trout Creek Recreation Facility, Remodel - DF portion	470,000
Snowplay, snowmaking	100,000
Allocated Overhead	120,000
Land Acquisition, Other Projects, Cost Allocation, Contingency, Inflation	250,000
TL Spend	3,975,000
Interest Income/BDExp/Taxes, NET	83,000
Budget 12/31/2019 Ending Balance	\$ 3,155,000
<i>* Spend \$200,000, \$1.8m savings for future - actual end balance</i>	<i>4,955,000 *</i>

CFP - long term saving for DHSki building replacement/addition and other projects

See next page for DF Capital Funds Projection (CFP)



2019 Budget -
Development
Fund – Capital
Funds Projection
(CFP) -
9/14/2018 Draft

draft as of 9/6 >

GPC meets on
9/10 and
updates if any
will be posted as
Document
G04.02 on 9/11

GPC Task Force	Project	2018	2019	2020	2021	2022	2023	2024
Association Wide	Association Master Plan (Dudek)	6						
Association Wide	New Accessibility Improvements							
Association Wide	Member Surveys		50					
Association Wide	Roof Structures over Mailboxes							
Alder Creek Adventure	Master Plan		10					
Alder Creek Adventure	Equestrian Operations Relocation	200						
Alder Creek Adventure	Snowmaking on select Nordic Trails		100					
Northwoods Clubhouse	Master Plan		10					
Downhill Ski Resort	Master Plan (ECOsign)	16						
Downhill Ski Resort	Downhill Ski Lodge (proposed savings to \$12.5MM DF)	75	2,000	2,500	2,500	2,500	1,500	1,500
Downhill Ski Resort	Snowbird relocation and Eagle Rock Shrouding	90						
Downhill Ski Resort	Snowmaking to Eagle Rock (premit credit in '18 refund)	-7	600					
Downhill Ski Resort	Regrade Mile Run for min. 8% slope (skier experience)		50	200				
Beach Club Marina	Master Plan		10					
The Lodge	Covered Walkway, connecting parking lot (TOT permitted)		75					
Trails and Open Space	Implement trail/trailhead projects on the SYIP	56	100	150	75	75		
Trails and Open Space	McGlashan Springs Master Plan		10					
Trout Creek Recreation	Master Plan		10					
Trout Creek Recreation	Trout Creek Expansion (Dev. Fund portion)	250	470					
Trout Creek Recreation	Snowmaking at Snowplay		100					
Association Wide	Feasibility Studies			50	50	50	50	50
Association Wide	Future Land Acquisiton	60	60	60	60	60	60	60
Estimated Annual Totals, excld RRF, Inflation Factor, and direct/allocated overhead		747	3,655	2,960	2,685	2,685	1,610	1,610
	Direct and Allocated Overhead	191	311	311	311	311	311	311
	Expenditures Total	938	3,966	3,271	2,996	2,996	1,921	1,921
	2.0% Inflation Factor	0	0	65	120	180	154	192
	Total Including Inflation	938	3,966	3,336	3,116	3,176	2,075	2,113
	2019 < BASELINE YEAR FOR INFLATION FACTOR							
	1.8% Interest Income	69	88	57	37	20	2	4
	8.0% Income Tax Expense	6	7	5	3	2	0	0
	Bad Debt Expense	7	7	7	7	7	7	7
	TRANSFERS IN (OUT)							
	20 <Years: Normalized Contrib >	0	0	0	0	0	0	0
	6473 Annual Contribution (combined DFRegular and DFBR)	2,007	2,168	2,168	2,168	2,168	2,168	2,168
	Beginning	3,753	4,879	3,155	2,032	1,111	115	203
\$ Thousands	Ending	4,879	3,155	2,032	1,111	115	203	254
		Yr 2018	Yr 2019	Yr 2020	Yr 2021	Yr 2022	Yr 2023	Yr 2024
	Project Stages Color Code	Project Analysis	Conceptual Design	Final Design	Construction	Post-Project Review		\$ Thousands



2019 Budget – New Equipment Fund

2019 Budget draft 9/14/2018

Forecast 12/31/2018 Balance	\$	<u>54,000</u>	
2019 Assessment Contribution		194,000	
2019 Expenditures:			
Currently identified items		201,000	<i>next page</i>
Contingency		<u>13,000</u>	
TL Spend		<u>214,000</u>	
Investment Income/net of income taxes		3,000	
Budget 12/31/2019 Balance	\$	<u>37,000</u>	



2019 Budget – New Equipment Fund – 2019 Spend

2019 NEF	Draft 9/14/2018	
Component	Dept	Recommendation
CRM Software - Marketing	010	30,000
Cellphone Booster - The Lodge	025	30,000
Forestry Workstation - Defensible Space	025	2,800
4x4 S/S Attachments - Cross Country	051	12,000
Trail Counters	051	5,000
Toro Workman (1 New) - Equestrian	080	31,000
Pickleball windscreen	090	2,000
Bear Boxes	100	8,000
Rolling Canoe Racks	145	3,000
Bobcat	110	52,000
UTV/Snowcat	110	15,000
Additional Pavers in Grotto	128	10,000
Cabanas on beach for rental	060	
Contingency		13,200
Total		214,000



Operating Fund – Members equity surplus

- **Surplus primary driver:** positive 2017 NOR results to Budget of \$1.2 million *Cannot count revenue twice.*
- Transfers made in 2017 (due to past year's positive results to Budget) - \$3.3 Million
 - \$1,500,000 to Replacement Reserve Fund (snowbird lift accelerated to 2018)
 - \$1,800,000 to Development Fund (savings for DHSki building replacement)
- Currently YTD August NOR is unfavorable \$140,000
- Which places ME balance at \$2.15 million
- Minimum \$500,000 balance, per policy
- Currently ME is above target 10% of B18 Revenues or \$1,246,000 by \$905,000
- Currently ME is above target 10% of ~B19 Revenues or ~\$1,443,000 by \$707,000
- **Options –**
 - **Make no transfers in 2018, hold in Operating Fund, Review mid-2019**
 - **IN THIS DRAFT - IN 2018, transfer \$500,000 to Replacement Reserve Fund and \$0 to Development Fund. Retaining \$207,000 in OPFund as additional contingency**
 - **Other** _____



2019 Budget – Replacement Reserve Fund

	2018 Budget	2019 Budget 9/14/2018 draft	2019 Budget Scenario 2
Operating Fund Transfer IN	<i>if made in 2018</i>	500,000	700,000
Beginning Balance (A)	\$ 10,006,000	8,950,000	9,150,000
<small>2018 Beg Bal includes \$1.5 million 2017 transfer in (in anticipation of Snowbird Lift acceleration) of Snowbird Lift acceleration)</small>			
Current Replacement Cost	50,870,162	55,316,744	55,316,744
Fully Funded study value (B)	30,846,974	35,053,279	35,053,279
ratio to CRC	61%	63%	63%
Percent Funded (A/B)	32.4%	25.5%	26.1%
			<i>Transfer \$0 - 24.1%</i>

[G15.2] Resolution 2013-3, Replacement Reserve Fund - policy establishes a % funded minimum of 25%

For 2017 Budget, a full reserve study (including physical inspections) was completed (every 3 years).
For 2018 and 2019 Budget, a comprehensive update was performed.

RESERVES AFFECT MARKET VALUES

I recently spoke at an event with the founder of Association Reserves, [Robert Nordlund](#).

He mentioned a study he recently completed to see if property values were affected by the strength of an association's financial reserves.

He compared the sales price (measured in price per square foot) of units in 100 comparable condominium associations to the their reserve fund strength (measured in % funded).

He found that market values were 12.6% higher in associations with strong reserves (over 70% funded) than in associations with weak reserves (under 30% funded).

I took out my calculator and did the math. If you own a \$300,000 condo in an association with weak reserves and persuaded your board to build strong reserves, your property value increases by \$37,800. Building reserves is like putting money in your own piggy bank.

I always had a sense that healthy reserves had a positive effect on property values. Kudos to Robert Nordlund for quantifying it.



Refer to Replacement Reserve Fund Policy 2013-3 (G15.2)

Refer to 2019 Budget Replacement Reserve Study and documents sections G05 and G06



2019 Budget – Replacement Reserve Fund

Resolution 2013-3, Replacement Reserve Fund Minimum Balance Test

Total Property & Equipment	\$ 76,343,050	*
Less Land and Land improvements	<u>(9,239,805)</u>	*
Net Replc Reserve Assets policy test amount	67,103,245	
policy test %	10%	
Policy minimum balance in Repl Reserve Fund	<u>\$ 6,710,325</u>	
WITH TRANSFER Forecasted Balance 12/31/2018	\$ 8,950,000	<i>above policy Minimum</i>
Forecasted Balance 12/31/2019, per 2019 Budget Draft	\$ 8,150,699	<i>above policy Minimum</i>

*per Audit Report 12/31/2017, footnote 4.



2019 Budget – Replacement Reserve Fund

	2018 Budget	2018 Forecast	2019 Budget 8/24/2018 draft
(F) Beginning Balance	\$ 10,006,000	\$ 10,238,311	\$ 8,950,000 w/ trf in'18
Assessment Contribution	4,013,000 \$620/o	4,013,000 \$620/o	4,596,000 \$710/o
Operating Fund Transfer IN	-	500,000	
Expenditures	(6,354,000)	(6,005,311)	(5,529,000) ←
Disposal of Assets proceeds	30,000	30,000	30,000
Interest Income/BDExp/Taxes	131,000	174,000	125,000
Budget YE Balance	\$ 7,826,000	\$ 8,950,000	\$ 8,172,000

\$5.5 Million Spend includes:
 \$600,000 Golf Course remodel
 \$890,000 Trout remodel
 \$500,000 Facility deficiencies
 \$3.5m all other

Refer to section **G05** for 2019 Spend details, reserve 30 yr summary2 and reserve study updates made since 2018 budget cycle

Refer to section **G06** for 30 year detail by Component

(F) the beginning balance is Forecasted in fall of preceding year during budget cycle.
 For the 2018 Forecast, the actual beginning balance is used. The primary driver of variance is timing of projects between years.

For 2018 Budget, a full reserve study (including physical inspections) was completed (every 3 years), not just an update.
 For 2019 Budget, an update was performed.

2019 Budget – Replacement Reserve Study – 30 yr Summary

RRF 9/14/2018 Draft

Update Fiscal Year Beginning	1/1/2019
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Tahoe Donner Association
Thirty Year Cash Flow/Capital Budget Summary
January 1, 2019
Financial Exhibit

Number of Owners	6,473
Previous Year Annual Reserve Assessments	\$ 4,013,000
Inflation Rate	3.00%
Tax Rate on Investment Income	8.00%
Interest Rate on Investments	2.00%
1/1/2019 Annual Assessment/Owners	\$ 710

Year	Percent Change to Reserve Assessments per Year	Reserve Account Fiscal Year Beginning Balance	Expired Useful Life of Components Expressed in Dollars aka Fully Funded	FY Beginning Balance Divided by the Fully Funded Amount, Expressed as a Percentage	Dollar Change to Reserve Assessments	Monthly Reserve Assessment per Owner	Annual Reserve Assessment per Owner	Total Annual Reserve Assessment	Estimated Interest	Tax on Interest	Annual Expenditures Based on Database	Reserve Contingency	Ending Balance
1/1/2019	14.50%	8,950,000	35,053,279	25.53%	581,885	59	710	4,594,885	169,662	(13,573)	(5,529,466)	0%	8,171,508
1/1/2020	4.00%	8,171,508	35,439,139	23.06%	183,795	62	738	4,778,680	154,986	(12,399)	(5,623,862)	-	7,468,914
1/1/2021	4.00%	7,468,914	35,904,280	20.80%	191,147	64	768	4,969,828	157,074	(12,566)	(4,201,079)	-	8,382,171
1/1/2022	4.00%	8,382,171	38,352,184	21.86%	198,793	67	798	5,168,621	161,328	(12,906)	(5,801,005)	-	7,898,208
1/1/2023	4.00%	7,898,208	38,942,507	20.28%	206,745	69	830	5,375,366	172,482	(13,799)	(3,924,442)	-	9,507,816
1/1/2024	4.00%	9,507,816	41,437,294	22.95%	215,015	72	864	5,590,380	208,259	(16,661)	(3,781,052)	-	11,508,743
1/1/2025	4.00%	11,508,743	44,024,872	26.14%	223,615	75	898	5,813,995	217,882	(17,431)	(7,044,302)	-	10,478,887
1/1/2026	4.00%	10,478,887	43,398,970	24.15%	232,560	78	934	6,046,555	218,891	(17,511)	(5,116,216)	-	11,610,605
1/1/2027	4.00%	11,610,605	45,302,037	25.63%	241,862	81	971	6,288,417	234,718	(18,777)	(6,038,923)	-	12,076,040
1/1/2028	4.00%	12,076,040	46,436,010	26.01%	251,537	84	1,010	6,539,954	246,135	(19,691)	(6,079,665)	-	12,762,773
1/1/2029	4.00%	12,762,773	47,744,008	26.73%	261,598	88	1,051	6,801,552	248,392	(19,871)	(7,489,022)	-	12,303,824
1/1/2030	4.00%	12,303,824	47,861,146	25.71%	272,062	91	1,093	7,073,614	239,671	(19,174)	(7,715,325)	-	11,882,611
1/1/2031	4.00%	11,882,611	48,008,209	24.75%	282,945	95	1,136	7,356,559	248,452	(19,876)	(6,277,813)	-	13,189,933
1/1/2032	4.00%	13,189,933	49,801,785	26.48%	294,262	98	1,182	7,650,821	279,260	(22,341)	(6,105,963)	-	14,991,710
1/1/2033	4.00%	14,991,710	52,056,694	28.80%	306,033	102	1,229	7,956,854	310,545	(24,844)	(6,887,075)	-	16,347,191
1/1/2034	4.00%	16,347,191	53,738,419	30.42%	318,274	107	1,278	8,275,128	345,926	(27,674)	(6,378,338)	-	18,562,233
1/1/2035	4.00%	18,562,233	56,128,718	33.07%	331,005	111	1,330	8,606,133	387,903	(31,032)	(6,941,779)	-	20,583,458
1/1/2036	4.00%	20,583,458	58,209,202	35.36%	344,245	115	1,383	8,950,379	446,134	(35,691)	(5,505,402)	-	24,438,878
1/1/2037	4.00%	24,438,878	61,927,544	39.46%	358,015	120	1,438	9,308,394	483,671	(38,694)	(9,820,627)	-	24,371,622
1/1/2038	4.00%	24,371,622	61,698,462	39.50%	372,336	125	1,496	9,680,730	510,668	(40,853)	(7,358,831)	125	27,163,335
1/1/2039	4.00%	27,163,335	64,124,288	42.36%	387,229	130	1,555	10,067,959	573,741	(45,899)	(7,022,203)	-	30,736,933
1/1/2040	4.00%	30,736,933	67,182,746	45.75%	402,718	135	1,618	10,470,677	627,519	(50,202)	(9,194,358)	-	32,590,570
1/1/2041	4.00%	32,590,570	68,441,492	47.62%	418,827	140	1,682	10,889,504	669,199	(53,536)	(9,152,559)	-	34,943,179
1/1/2042	4.00%	34,943,179	70,047,577	49.88%	435,580	146	1,750	11,325,084	705,969	(56,478)	(10,616,436)	-	36,301,319
1/1/2043	4.00%	36,301,319	70,626,059	51.40%	453,003	152	1,820	11,778,088	730,357	(58,429)	(11,346,975)	-	37,404,360
1/1/2044	4.00%	37,404,360	70,868,427	52.78%	471,124	158	1,892	12,249,211	776,999	(62,160)	(9,360,105)	-	41,008,305
1/1/2045	4.00%	41,008,305	73,417,108	55.86%	489,968	164	1,968	12,739,180	820,315	(65,625)	(12,726,446)	-	41,775,729
1/1/2046	4.00%	41,775,729	73,104,079	57.15%	509,567	171	2,047	13,248,747	864,092	(69,127)	(10,393,270)	-	45,426,170
1/1/2047	4.00%	45,426,170	75,459,298	60.20%	529,950	177	2,129	13,778,697	958,291	(76,663)	(8,804,235)	-	51,282,259
1/1/2048	4.00%	51,282,259	79,698,712	64.35%	551,148	184	2,214	14,329,845	1,060,787	(84,863)	(10,818,018)	-	55,770,010

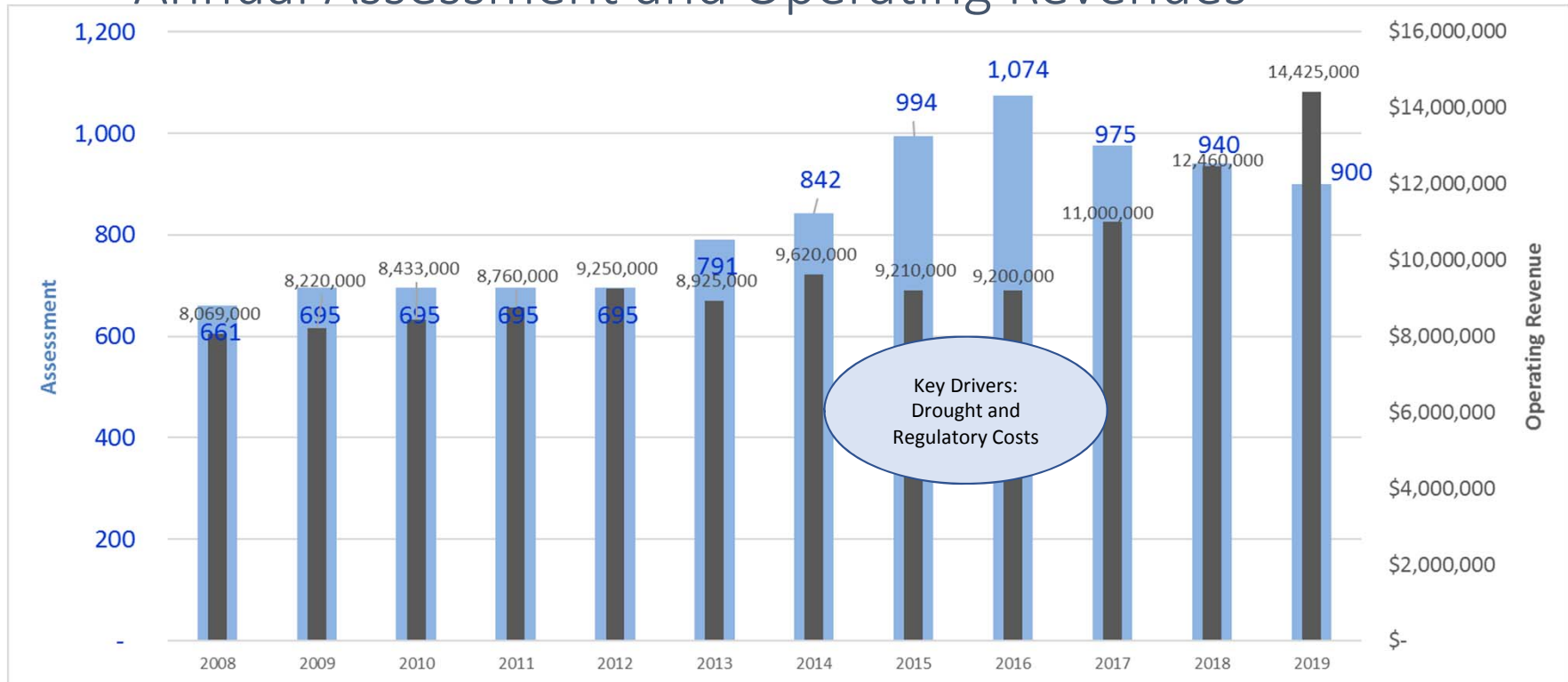
%Funded Dropping below policy 25% - DISCUSSION

Without added Golf Remodel \$600,000 and Facility Deficiencies \$1.5m (\$500k in 19/20/21) - All years at or above 25%

Operating Fund - Methodology

- Top Down and Bottom Up Drivers
- Strategic Planning Guidance
- Normalization starting point, 3-Year Average adjusted for known Baseline changes
 - Not a simple 3-year average (start with this and add for pricing changes/other anomalies)
- Drivers for 2019 (change drivers impacting Revenue and Costs, by Department)
 - Pricing changes – revenues and costs
 - Capital impacts -
 - Merit impacts – isolate this driver, capped
 - Strategic
 - Regulatory - California Minimum Wage increases \$1.00/9% from \$11.00 to \$12.00 on 1/1/2019
 - Other

Operating Fund - Operating FUND portion of Annual Assessment and Operating Revenues



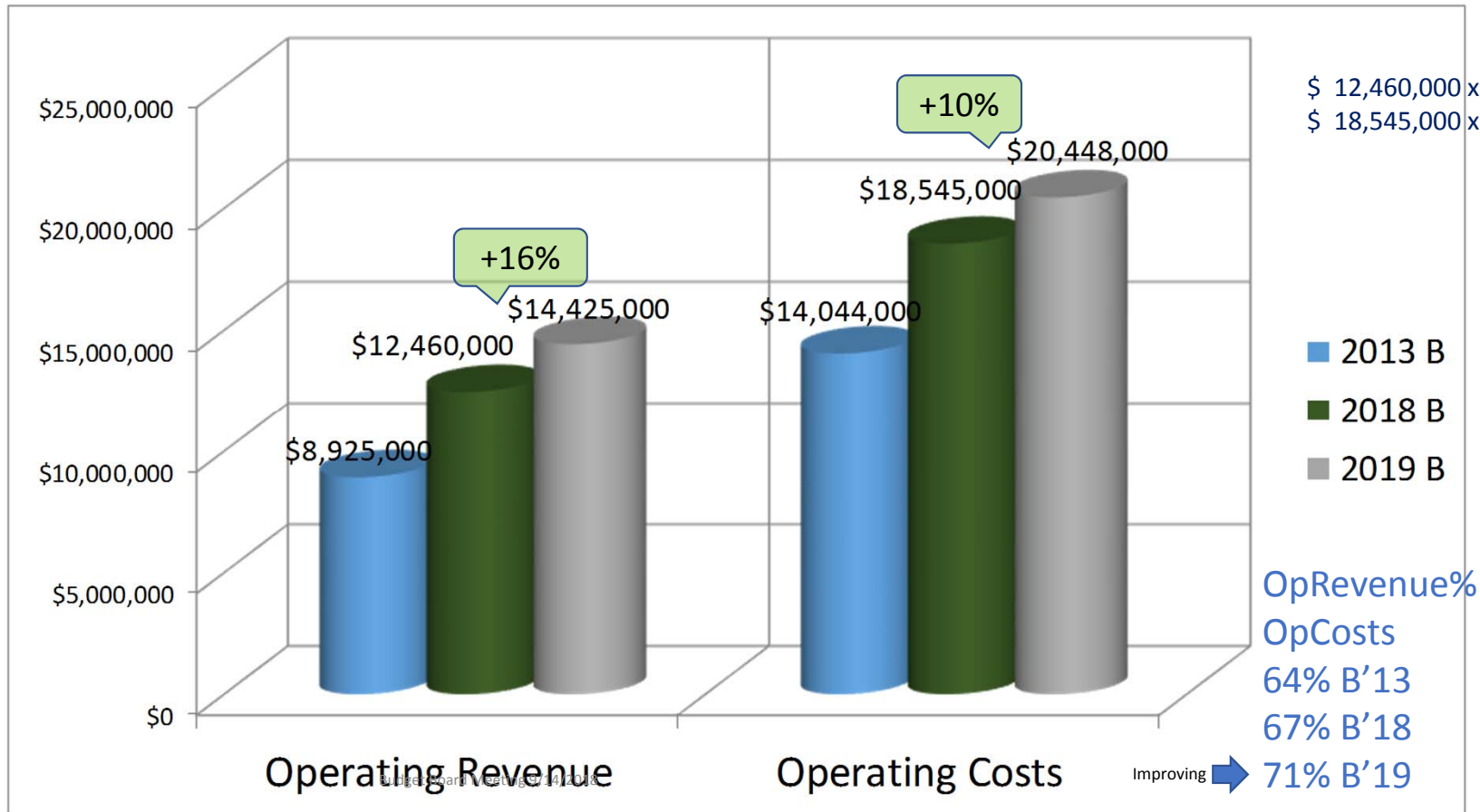
Operating Revenue portion of Revenue Requirement – B'14 64% B'18 67% B'19 71%

Operating FUND

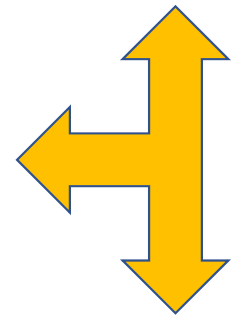
2019 Budget Draft
9/24/2018

Being an HOA, Operating Costs are Greater than Operating Revenues.....

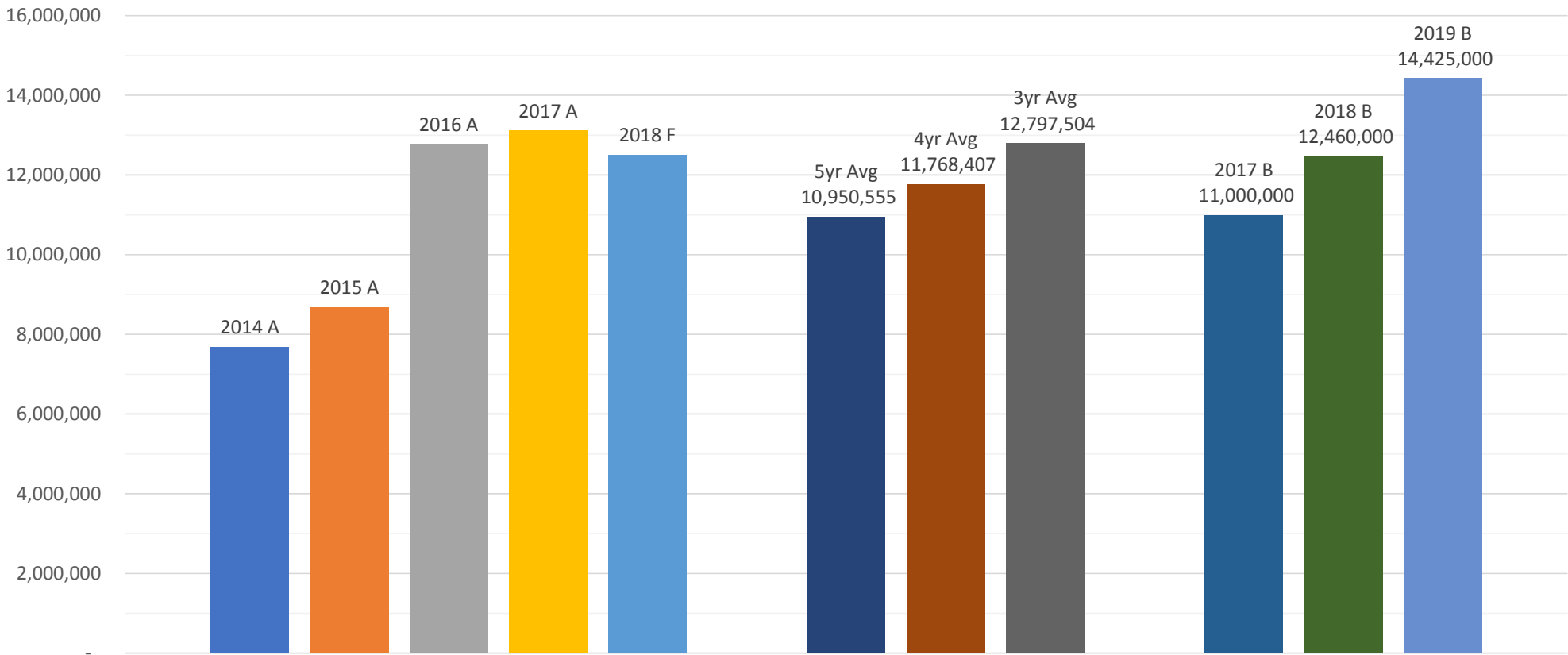
if both grow at 3%, Costs growth in Dollars is **greater** than the Revenue growth in Dollars



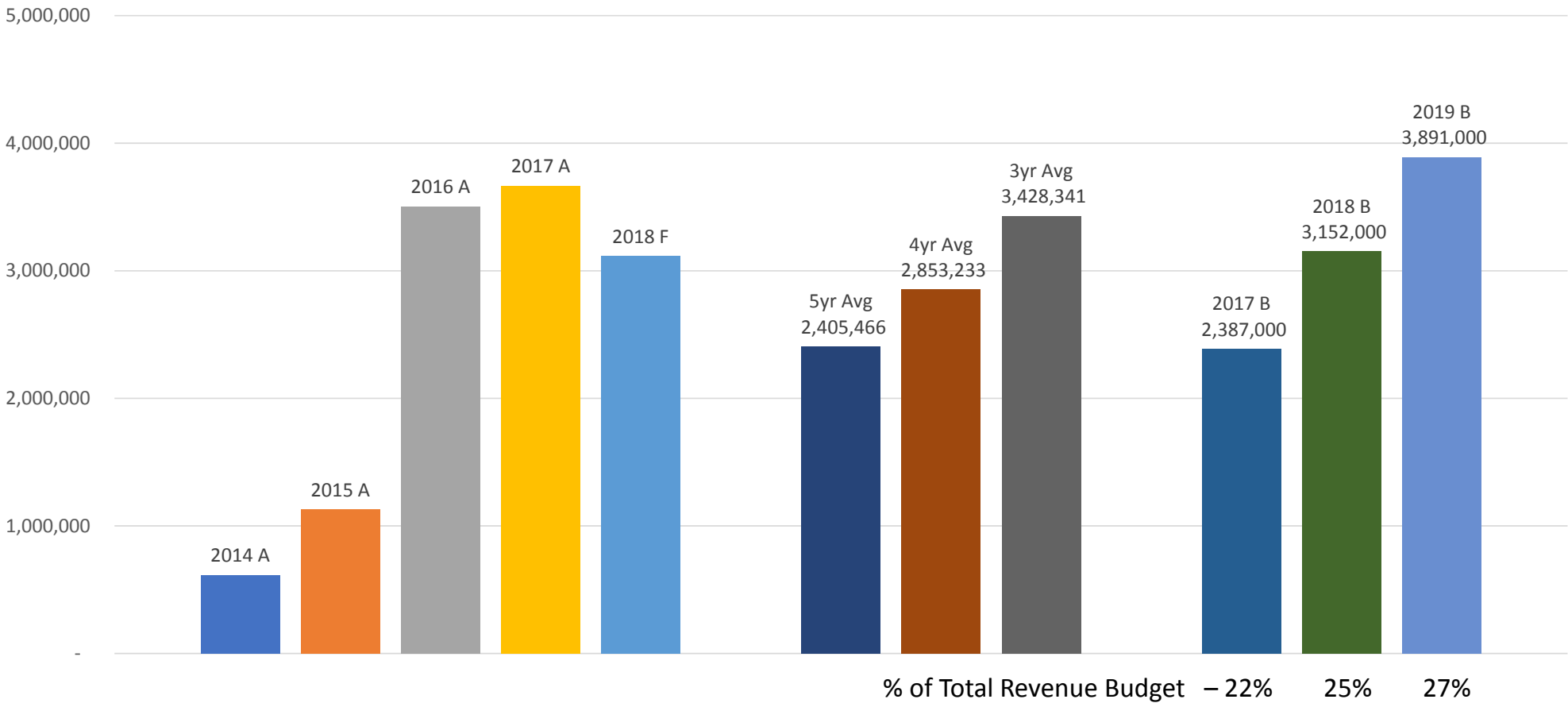
$$\begin{aligned}
 & \$ 12,460,000 \times 3\% = \$ 374,000 \text{ rev} \\
 & \$ 18,545,000 \times 3\% = \$ 556,000 \text{ cost} \\
 & = \$ 182,000 \text{ net cost}
 \end{aligned}$$



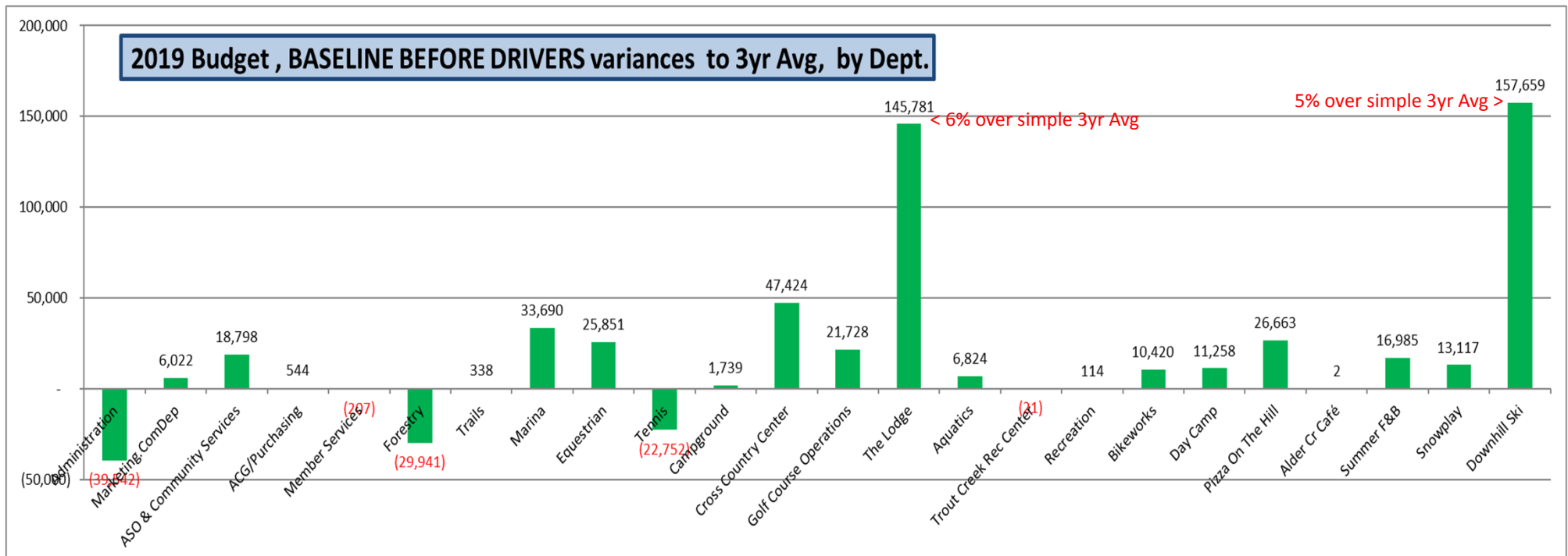
Operating Fund – Operating Revenue



Operating Fund – Downhill Ski Revenue

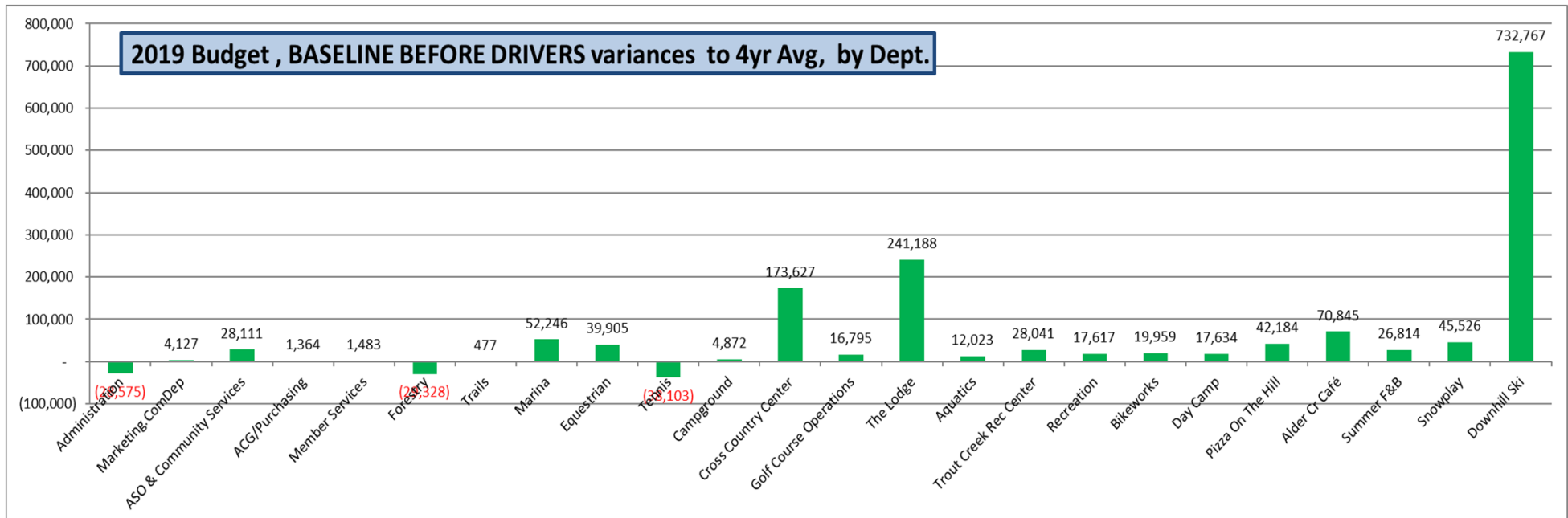


Operating Revenues **BASELINE** for 2019, before 2019 DRIVERS — \$452,000/3.5% over 3yr Average (16A/17A/18F)



Factoring Pricing changes over last 3 years on top of the simple 3 year average is primary driver of the variances

Operating Revenues **BASELINE** for 2019, before 2019 DRIVERS — \$1.5 million/13% over 4yr Average (15A/16A/17A/18F)

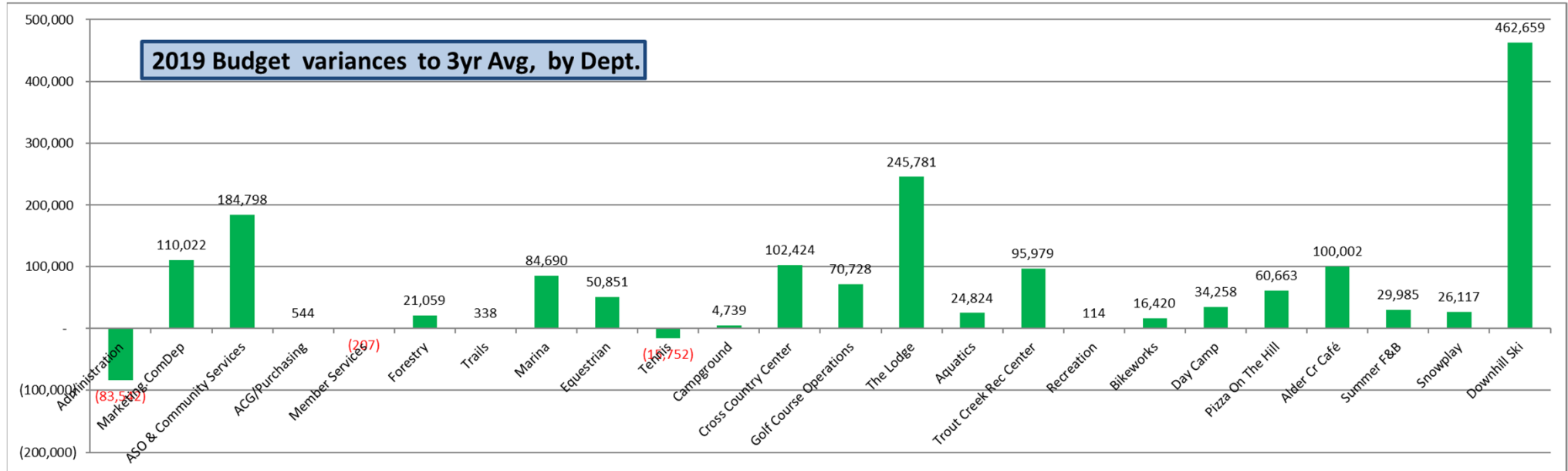


- Baseline for 2019 is 3 year average, therefore dropping drought year of 2015 with \$8.7m total revenue
- Factoring Pricing changes over last 3 years on top of the simple 3 year average is second factor of the variances

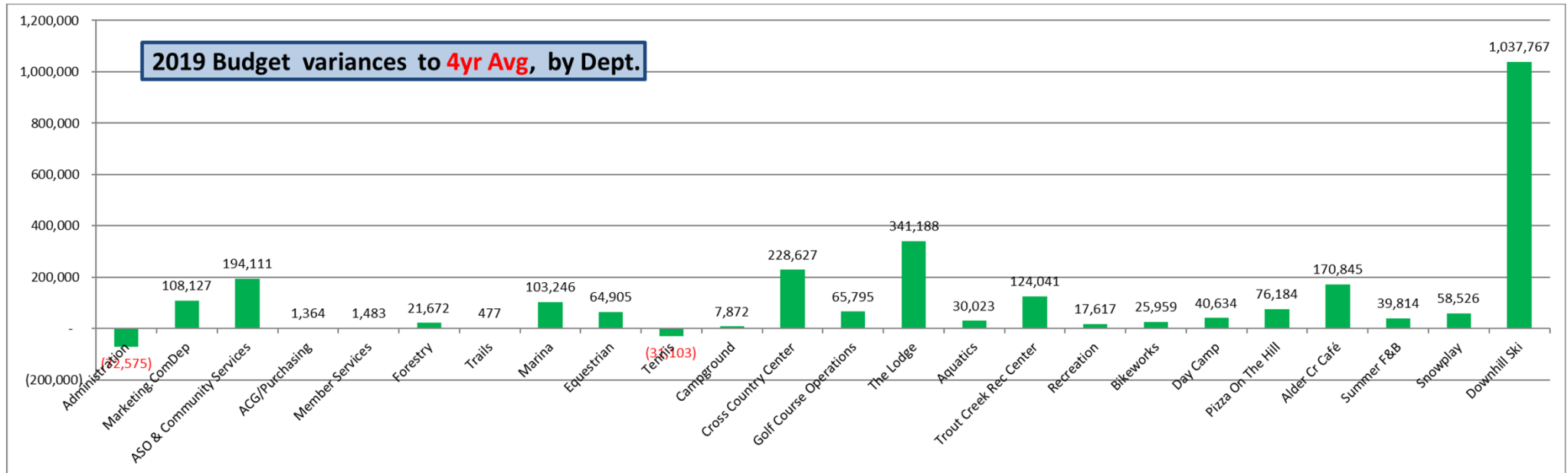
Operating Revenues — \$1.6 million over 3yr Average (16A/17A/18F)



2019 Budget variances to 3yr Avg, by Dept.



Operating Revenues — \$2.7 million over 4yr Average (15A/16A/17A/18F)



Operating Fund – Operating Revenue - 2019 Baseline and Drivers Summary



- \$ 12,798,000 Three Year simple average (2016 Actual, 2017 Actual, 2018 Forecast) (no drought yr without snowmaking)
- 452,000 + 3.5% for past years pricing changes and net ther misc. adjustments for know trends/changes
- \$13,250,000 = Baseline for 2019 before Drivers [BL for Budget 2018 \$9,942,000 (1 drought year)]
- 684,000 Pricing changes 3.3% overall impact (notables DHSki, XCSki, Mbr \$6>\$8, Gst \$8>\$10, Guest on Guest Card \$12>\$15)
- 84,000 Capital impacts (Downhill Ski snowbird chairlift \$75,000, Equestrian \$5,000, Bikeworks \$4,000)
- 390,000 Strategic impacts (all other, misc , \$5,000 Equestrian)
- 17,000 other impacts (misc)
- \$14,425,000 = Budget 2019 Operating Revenue **9/14/2018 draft**

Strategic REVENUE Increases key drivers:
 150,000 ASO reg fee STRs
 104,000 Marketing Advertising
 80,000 Alder Creek Café banquet events
 50,000 The Lodge dining and pub prices
 10,000 Equestrian BRP placeholder
 7,000 Golf Groups, early late season
 (16,000) Snowplay, remove rec fee impact

Pricing REVENUE Increases key drivers:
 230,000 DHSki
 154,000 RecFee+20 / Daily MGU
 55,000 XCSki
 50,000 Lodge banquets – also see below
 42,000 Golf 3.8%
 25,000 Snowplay
 23,000 Day Camps +10% via pricing
 20,000 Alder Creek Café 6%
 34,000 Pizza 6% (\$17k is in other driver)
 14,000 ASO- major project fee +\$170
 10,000 Equestrian – also see below
 5,000 Lien Fee incr \$80



Operating Fund – Payroll Direct

- \$ 9,850,000 2018 Forecast
- 89,000 -adjust for baseline revenue & known changes/vacancies etc. by department
- \$ 9,939,000 = Baseline for 2019 before Drivers

Baseline Reference check:
3yr avg \$9,451,000 x 5% =
9,924,000 (apprx at Baseline)

- 279,000 Merit increases 3.0%, net overall 2.8%

- 55,000 Capital impacts
- 197,000 Strategic impacts

C 44,000 – Forestry – chipping crew (seasonal)
C 11,000 – DHSki – Capital revenue driver impact (seasonal)
S 46,000 – Forestry – DefSpace coord (FTYR)
S 24,000 – Forestry – Crew lead/aid (seasonal)
S 54,000 – ASO – covenants supervisor (FTYR)
S 83,000 – ASO – on-premise coverage to 2am (2 FTYR)
S 16,000 – Alder Cr Café – Banquet revenue driver wages
S 9,000 - Trails – manager from 9mths to 12 mths
S (30,000) – The Lodge – Efficiency target
S (10,000) – DHSki School – efficiency target
S 5,000 – all other, misc

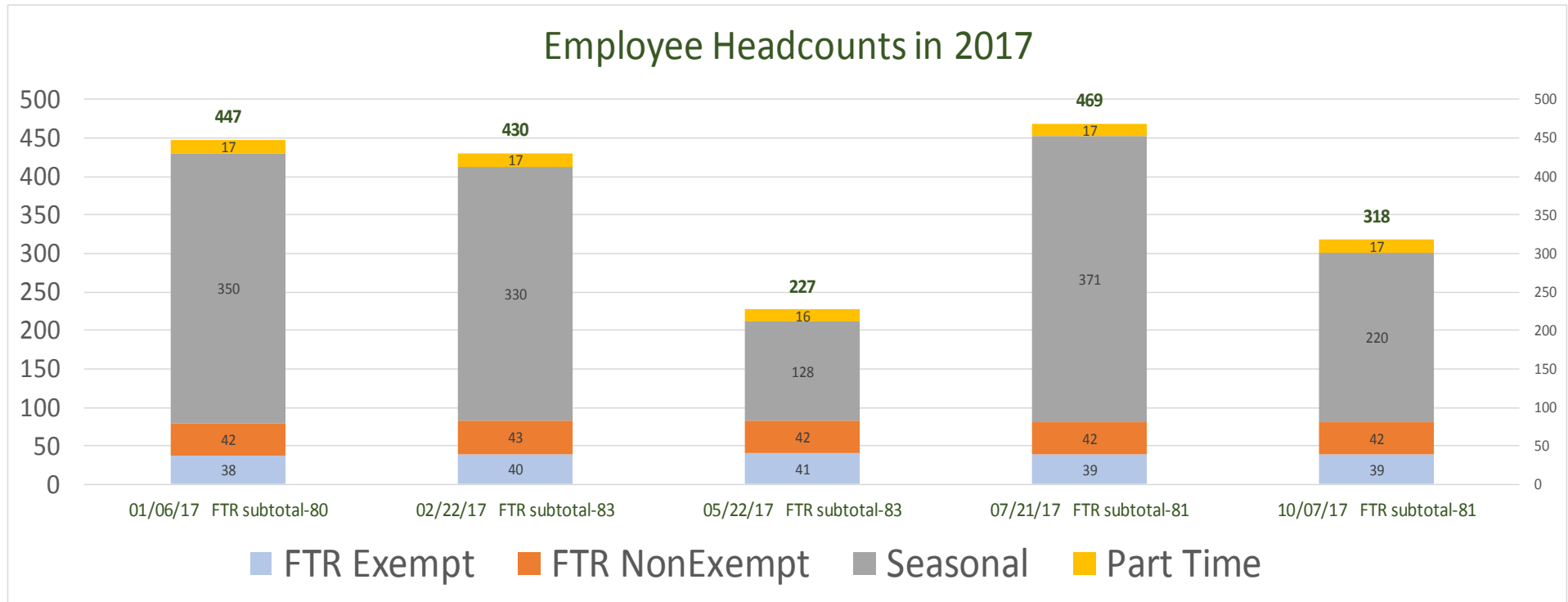
- 188,000 Regulatory impacts (CA MinWage impact, increasing \$1/9% from \$11.00 to \$12.00 1/1/2019, beyond Merit)

- \$ 10,658,000 = Budget 2019 Payroll Direct 9/14/2018 Draft



Operating Fund – Head Counts

B18 Slide - TO UPDATE LATER



See next page for by department headcounts.

Totals include capital project specific seasonal labourers HC, if any. ~12HC in 10/7 total.

91 FTR authorized in Budget 2017

91 FTR proposed in Budget 2018

The FTR Exempt includes Seasonal Salaried, ie not on benefits. Winter:(1) Tickets/Rentals/Retail Manager Summer:(2) Campground and Tennis managers.

Budget Board Meeting 9/14/2018

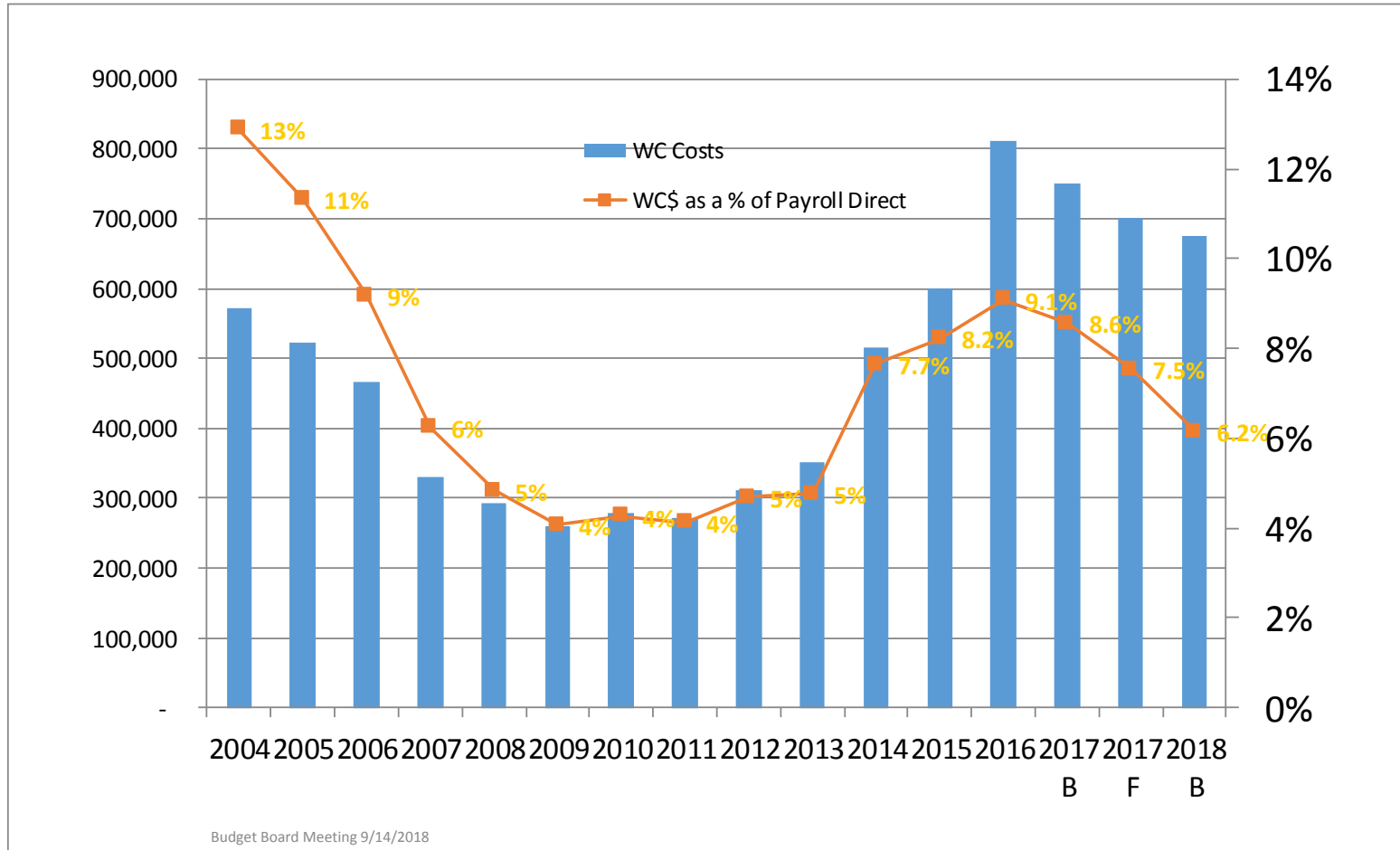


Operating Fund – Payroll Burden

	2016 Actual	2017 Actual	2018 Budget	2018 Forecast	2019 Budget	
Payroll Taxes	\$ 936,449	\$ 989,858	\$ 1,060,000	\$ 1,042,000	\$ 1,167,000	
Workers Comp	811,101	774,092	595,000	555,000	655,000	< renewal TBD
Health Insurance	589,506	697,265	940,000	852,000	973,000	< 7% premium incr + 6p
Retirement	144,395	140,232	205,000	176,000	205,000	< plan mods TBD
Total Pay Burden	\$ 2,481,451	\$ 2,601,447	\$ 2,800,000	\$ 2,625,000	\$ 3,000,000	
Payroll Direct	\$ 8,930,137	\$ 9,571,886	\$ 9,676,000	\$ 9,849,724	\$ 10,658,000	
PT%	10.5%	10.3%	11.0%	10.6%	10.9%	
WC%	9.1%	8.1%	6.1%	5.6%	6.1%	
HI%	6.6%	7.3%	9.7%	8.6%	9.1%	
RM%	1.6%	1.5%	2.1%	1.8%	1.9%	
TL PB%	27.8%	27.2%	28.9%	26.7%	28.1%	
Operating Revenue	12,771,032	13,116,557	12,460,000	12,504,924	14,280,000	
<i>Payroll Direct % Rev</i>	<i>70%</i>	<i>73%</i>	<i>78%</i>	<i>79%</i>	<i>75%</i>	

Operating Fund – Workers Compensation Costs

will update post-renewal in Sept



Operating Fund – Group Health Insurance



- Board authorized full time year-round benefited positions
 - 2016 – 71 employees, consistent for several years
 - 2016B – 85 employees, added 15 due to estimated Federal Affordable Care Act impact
 - 2017B – 91 employees, with current ACA calculations
 - 2018B – 91 employees, with current ACA calculations
 - 2019B – 97 employees, with current ACA calculations (see back 3 slides for recon of +6)
- 2018 Budget
 - Assumed 77ee enrolled of 86 known FTYR positions (*90% enrollment rate*)
- 2018 Forecast
 - Averaging ~67ee enrolled (78%; vacancies, turnover, turndowns, other)
 - YTD savings \$88,000/16% to Budget
- 2019 Budget
 - Assumes 76 participants of 92 known FTYR positions, $76/92 = 83\%$ *enrollment rate*
 - *67 curr avg. + 5 adds (4 new positions, 1 change to FTYR from seasonal = 72.....leaves 4p contingency*
 - Contingency is at a *low level* for this volatile significant cost component for 2019B
 - Known, Premium renewal increase 7% Medical; 0% Dental & ~2% Vision
 - No change in 75% Employer/ 25% Employee premiums cost split

90% ER / 10% EE - 2008 and prior
85% ER / 15% EE - 2009
80% ER / 10% EE - 2010 to 2014 (5yrs)
75% ER / 25% EE - 2015 to 2017 (3yrs)

Operating Fund – Expenses 9/14/2018 Draft



	2017 Actual	2018 Budget	2018 Forecast	2019 Budget
Utilities	\$ 912,431 19%	\$ 932,000 18%	\$ 944,000 19%	\$ 991,000 18%
R&M Bldg/Grnds/Equip	669,830 14%	597,000 12%	601,000 12%	629,000 11%
Insurance (GL/PropCas)	432,535 9%	476,000 9%	479,000 10%	520,000 9%
Forestry Contract Work	187,318 4%	191,000 4%	201,000 4%	260,000 5%
Taxes, Property/Income	219,033 5%	278,000 5%	277,000 6%	292,000 5%
Staff Expenses	305,827 6%	308,000 6%	276,000 6%	335,000 6%
Credit Card Fees	266,238 6%	249,000 5%	267,000 5%	305,000 6%
Advertising	96,308 2%	122,000 2%	95,000 2%	125,000 2%
Janitorial / Cleaning Supply	132,397 3%	121,000 2%	130,000 3%	134,000 2%
Printing, TDNews/Brochure	161,994 3%	109,000 2%	106,000 2%	115,000 2%
License Fees Permits	108,270 2%	107,000 2%	131,000 3%	135,000 2%
Fuel & Oil	155,171 3%	145,000 3%	137,000 3%	145,000 3%
Linen Service	119,674 3%	119,000 2%	128,000 3%	125,000 2%
R&M Golf Course	55,118 1%	56,000 1%	54,000 1%	55,000 1%
Employee Housing	141,200 3%	141,000 3%	150,000 3%	130,000 2%
All Other	773,182 16%	1,228,000 24%	1,041,000 21%	1,214,000 22%
Total Op Expenses	\$ 4,736,526 100%	\$ 5,179,000 100%	\$ 5,017,000 100%	\$ 5,510,000 100%
2019 Budget variance	773,474 16%	331,000 6%	493,000 10%	

- Key changes for Budget 2019 vs B'18
- +100,000 C&R Update
 - + 73,000 Forestry – def space 8>6yr cycle progression \$70k + \$3k chip crew/op costs
 - +40,000 ASO – str compliance costs
 - +55,000 cc fees on revenue change
 - +40,000 insurance renewal (TBD)
 - +30,000 Compensation Study
 - +20,000 Training
 - +15,000 Property Taxes
 - +81,000 inflation 1.7% factor overall
-
- + \$454,000 in drivers listed above
 - (\$123,000) all other changes, net
 - = + \$331,000.....net net
 - \$331,000 B2B Expense change

Rent Revenue of \$110,000
Rent Cost of \$130,000
Net Cost of \$20,000

+\$133,000 2.7% - Expenses 2019
Baseline before 2019 Drivers
compared to 3yr Simple Average

TAHOE DONNER ASSOCIATION		9/5/18 Draft			2019 Budget	Operating Fund 2019			NOR Forecast 2018	Fav (Unfav)		
2019 Budget - Annual		Operating			NET	2019 Budget per Property				NOR Change	B 2 F	B 2 F %
Budget Summary		Operating Revenue	Cost of Goods Sold	Gross Margin (GM)	Costs Total (OCT)	OPERATING RESULTS (NOR)	GM/ OCT /	# Properties > NOR /				
Private Amenities												
Trout Creek Recreation Center	\$ 1,094,000	\$ (30,000)	\$ 1,064,000	\$ (974,300)	\$ 89,700	\$ 164	\$ (151)	\$ 14	\$ 129,178	\$ (39,478)	-31%	
Beach Club Marina	750,000	(53,000)	697,000	(417,800)	279,200	108	(65)	43	240,789	38,411	16%	
Tennis Center	213,000	(32,900)	180,100	(184,000)	(3,900)	28	(28)	(1)	(18,527)	14,627	79%	
Aquatics	241,000	0	241,000	(252,800)	(11,800)	37	(39)	(2)	(7,980)	(3,820)	-48%	
Recreation Programs	180,000	(4,000)	176,000	(227,600)	(51,600)	27	(35)	(8)	(56,972)	5,372	9%	
Day Camps	258,000	0	258,000	(227,600)	30,400	40	(35)	5	28,371	2,029	7%	
Total Private Amenities	2,736,000	(119,900)	2,616,100	(2,284,100)	332,000	404	(353)	51	314,858	17,142	5%	
Public Amenities												
Downhill Ski Area	3,891,000	(202,200)	3,688,800	(2,933,800)	755,000	570	(453)	117	334,001	420,999	126%	
Cross Country Ski Area	1,043,000	(59,000)	984,000	(799,000)	185,000	152	(123)	29	123,748	61,252	49%	
Snowplay	282,000	(3,900)	278,100	(162,700)	115,400	43	(25)	18	71,242	44,158	62%	
Equestrian	255,000	(6,500)	248,500	(316,100)	(67,600)	38	(49)	(10)	(78,943)	11,343	14%	
Campground	70,000	0	70,000	(75,700)	(5,700)	11	(12)	(1)	(2,682)	(3,018)	-113%	
Trails	1,000	0	1,000	(173,900)	(172,900)	0	(27)	(27)	(160,969)	(11,931)	-7%	
Bikeworks	120,000	(40,000)	80,000	(73,900)	6,100	12	(11)	1	5,677	423	7%	
Golf	1,160,000	(61,000)	1,099,000	(1,208,100)	(109,100)	170	(187)	(17)	(70,612)	(38,488)	-55%	
Summer Food and Beverage	270,000	(70,000)	200,000	(298,600)	(98,600)	31	(46)	(15)	(93,396)	(5,204)	-6%	
Alder Creek Café	450,000	(144,000)	306,000	(391,300)	(85,300)	47	(60)	(13)	(144,684)	59,384	41%	
The Lodge	2,625,000	(735,000)	1,890,000	(1,820,800)	69,200	292	(281)	11	(84,664)	153,864	182%	
Pizza on the Hill	596,000	(163,500)	432,500	(479,000)	(46,500)	67	(74)	(7)	(55,839)	9,339	17%	
Total Public Amenities	10,763,000	(1,485,100)	9,277,900	(8,732,900)	545,000	1,433	(1,349)	84	(157,123)	702,123	447%	
Total Amenities	13,499,000	(1,605,000)	11,894,000	(11,017,000)	877,000	1,837	(1,702)	135	157,735	719,265	456%	
Homeowners Association												
General	0	0	0	(1,029,000)	(1,029,000)	-	(159)	(159)	(931,167)	(97,833)	-11%	
Communications	300,000	0	300,000	(786,000)	(486,000)	46	(121)	(75)	(508,479)	22,479	4%	
Facility Administration	0	0	0	(343,000)	(343,000)	-	(53)	(53)	(332,350)	(10,650)	-3%	
Administration	184,000	0	184,000	(813,000)	(629,000)	28	(126)	(97)	(643,994)	14,994	2%	
MIS	0	0	0	(680,000)	(680,000)	-	(105)	(105)	(652,392)	(27,608)	-4%	
Accounting	6,000	0	6,000	(828,000)	(822,000)	1	(128)	(127)	(788,999)	(33,001)	-4%	
Human Resources	0	0	0	(440,000)	(440,000)	-	(68)	(68)	(389,333)	(50,667)	-13%	
ASO & Community Services	346,000	0	346,000	(651,000)	(305,000)	53	(101)	(47)	(197,761)	(107,239)	-54%	
Member Services	34,000	0	34,000	(286,000)	(252,000)	5	(44)	(39)	(223,801)	(28,199)	-13%	
Forestry	56,000	0	56,000	(1,139,000)	(1,083,000)	9	(176)	(167)	(899,691)	(183,309)	-20%	
Building Maintenance	0	0	0	(831,000)	(831,000)	-	(128)	(128)	(765,056)	(65,944)	-9%	
Total Homeowners Association	926,000	0	926,000	(7,826,000)	(6,900,000)	143	(1,209)	(1,066)	(6,333,023)	(566,977)	-9%	
TOTAL OPERATING FUND	\$14,425,000	\$ (1,605,000)	\$ 12,820,000	\$ (18,843,000)	\$ (6,023,000)	\$1,981	\$ (2,911)	\$ (930)	\$ (6,175,288)	\$ 152,288	2%	





Metrics Compilation –



Tahoe Donner financials specific

- \$1975 annual assessment, \$75 increase or 3.9%, after flat for 3 years at \$1900
- \$ 165 per Month Annual Assessment
 - \$75 per owner per month AA Operating portion (\$5.9 million) 46% --- 5 years ago – B'14 – 53%
 - \$90 per owner per month AA Capital portion (\$6.9 million) 54%
- \$ 6.04 per Month Rec Fee per person with four persons (was 5.63) [increasing from \$270 to \$290]
- \$ 8 Member private amenity access fee, per entry, if not on rec fee (was \$6 for many years)
- \$ 10 Guest with Member, private amenity access fee, per entry (was \$8 for many years)
- **\$ 15 Guest on Guest Card (without Member present)**, private amenity access fee, per entry (\$12 in '18)



2019 Budget – Board APPROVAL (in October 2018)

- Operating Fund
 - Excess Members Equity Transfer(s), if any
 - Rates and Fees
 - Revenues, Cogs
 - Costs – Payroll, Payroll Burden, Expenses

- Replacement Reserve Fund

- Development Fund

- New Equipment Fund

- Annual Assessment

- **Other** *minor adjustment to & between departments allowed between draft and final details/Budget Report. Examples include another change from Nonexempt(NE) to Exempt(E) due to ACA, Payroll Burden refinement between NE/E and or between departments.*

Workshop 10/12 – ideally approved on this date 'ie Action Item'

Regular 10/27 – late in month, required by this date

2019 Budget – next steps

- next workshop Friday October 12, 2018

- Operating Fund
 - Workers Compensation renewal
 - Insurance renewal
 - Continued refinement of pricing models and elasticity
 - Review & refine costs – Payroll, Payroll Burden, Expenses
 - Board / FC/ GPC / other guidance refinement
- Capital Funds
 - Reserve funding level, Review and refine Reserve Study and 2019 Expenditure plan
 - Development fund review
 - Board / FC/ GPC / other guidance refinement
- Check for Strategic Guidance and Board Direction/Initiatives sync