

## **Treasurer's Report, June 24<sup>th</sup> 2018 Annual Meeting**

Good morning, Members and Owners of Tahoe Donner, one of the largest HOA's in the country and a complex membership corporation serving 6472 owners with a membership population all-in of 25,000 people.

I'm Jeff Bonzon, and my family and I have been proud owners in Tahoe Donner for **27 years**. I have had the honor of serving you as an elected board director these past three years, one as president and two as Treasurer.

As Treasurer this year, one of my primary responsibilities, as a check-and-balance, is to monitor the activity in the association's various bank accounts to ensure that our cash and investments are handled appropriately.

In accordance with our established Investment Policy, our primary investment objective is to minimize the risk of principal loss of our funds. As such, our investments of cash in excess of our day-to-day operating needs are in US Government issues, primarily Treasury Notes (intermediate maturities) and Treasury Bills (short term maturities). We invest in bank CDs issued by banks that are covered by FDIC insurance (\$250,000 or less). As part of our diversified portfolio, we also invest in highly rated municipal and corporate bonds. These latter investments provide a slightly higher rate of return with only a nominal increase in risk.

Your association is currently in an outstanding financial position, due in large part to decisions made by recent past and current Boards, Committees, and Management.

Our financial strength is best measured by our Members Equity. Members Equity is the value of our Assets in excess of Liabilities and is segregated by Fund, in accordance with our governing documents. It could be expected that as your equity in Tahoe Donner increases, the value of individual properties would be positively impacted by that increase. I would like to give you a quick review of Members Equity by Fund, as reflected in our December 31, 2017 audited financial statements:

1. Operating Fund: This fund is our checkbook for day-to-day needs. At 12-31-2017, the balance was \$2.3 million. This includes \$1.8 million that your Board, in 2017, transferred to the Development Fund and \$1.5 million transferred to the Replacement Reserve Fund. The funds were available to transfer due to past years' outstanding financial performance in the Operating Fund. The transfers provided funds for future capital needs of your 46 year-old association.
2. Replacement Reserve Fund: this fund is the savings account for the repair and replacement of our existing capitalized assets, from vehicles to computers, to components of buildings, anything that depreciates over time. The 12/31/2017 balance

was \$10.2 million, up \$2.5 million from 2016. The increase includes the transfer of \$1.5 million Operating Fund to bolster the account, knowing that we needed to replace the Snowbird chairlift in 2018 (The Board approved this action, and construction is now underway, with an expected completion date in the late Fall).

3. New Equipment Fund: this account is used for the purchase of new, relatively low-cost, items. The 12/31/2017 balance was \$100,000, up \$24,000 from 2016.
  
4. Development Fund: this fund is used for the acquisition or construction of large, higher cost assets resulting from the changing needs and desires of membership. Past examples include Euer Valley land purchases, the Alder Creek Adventure Center, and the snowmaking investment at Downhill Ski Area. Our recent snowmaking investment has already proven to have a strong return on investment, allowing us to open important portions of the Ski-Hill on time despite a lack of snow. The 12/31/2017 balance in Development Fund was \$3.8 million, which includes the \$1.8 million transfer from the Operating Fund. This fund is currently targeting the identified need to address the aging Downhill Ski skier-services main lodge. This is a very active project of the General Plan Committee, along with many of other potential projects.

5. Our last fund is the Property Fund. This fund holds all of our investment in capital assets and the accumulated depreciation of those assets. At year-end 2017, its balance was \$40.7 million, down \$284,000 (due to depreciation), or less than 1% to 2016.

At the end of our fiscal year, December 31, 2017, the total of these, representing the total members equity of your association, was \$57.1 million, up \$3.2 million from 2016, an increase of 6%. The balance amounts to \$8822 per owner.

Now let's look at the year-to-date 2018 financial performance: Despite drought conditions in January and February, Downhill Ski finished the 1<sup>st</sup> four months only \$177,000 behind budget in net operating results. This minimal impact was due in large part to our investment in snowmaking. Year to Date through May, the association is only off budget by \$147,000 and June is pacing ahead of budget. While a bit early to Forecast the entire year 2018 results, hitting Budget is probable.

For more information, the 2017 Annual Report and 2018 Budget Report, as well as lots of other financial information on your association, are readily accessible on the [tahoedonner.com](http://tahoedonner.com) website.

With my term as a director is now ended, one key reminder to our members and whomever is elected to fill my director seat:

As a Board Director, we are bound by California law to act with Fiduciary Duty. Fiduciary Duty means board directors must remain focused on the best interests of the corporation. Loyalty to the corporation means subordinating personal objectives and wants to the financial requirements of the association. With such a diverse community mix of opinions, this duty is a complex, yet very important responsibility.

As a Board Director and as Treasurer, I would like to thank the members of the Finance Committee, led by Art King, for providing leadership, assistance and oversight regarding the financial side of the association, and the General Plan Committee, led by Michael Sullivan, for those same efforts regarding our capital asset planning and projects.

Lastly, I would like to thank my wife Carolyn for your support and unending patience while I have served on the Board.

It has been a great experience serving you, our membership, as a board director these past three years. I must say that I am looking forward to new travels ...and a lot fewer emails and meetings!

Thank you for listening!