



Tahoe Donner Association 2019 Budget – 3rd Workshop

Board, Finance Committee, Members Meeting 10/19/2018

Prepared by Michael Salmon, Director of Finance and Accounting, 10/12/2018

2019 Budget – 3rd Workshop - Agenda today 10/19



- 0900–0910 Educational and Other Information Keynotes
- 0910-0915 5yr Trend and other salient information points
- 0910-0930 Changes Detail since prior draft by Fund
- 0930-1000 Capital Funds
- 1000-1130 Operating Fund
- 1130-Noon Next Steps – Board Direction

10/19/2018 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 UnitLot information
- G03.3 Allocated Overhead
- G03.4 2019 Pay Ranges
- G04 Development Fund and New Equipment Fund schedules
- G05 Replacement Reserve Fund schedules
- G06 Replacement Reserve Study by component, all 30 years **(large file, over 250 pages)**

- 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

Training Keynote - Leadership



Leadership is a process of social influence, which maximizes the efforts of others, towards the achievement of a goal. @Kruse <http://www.forbes.com/sites/kevinkruse/2013/04/09/what-is-leadership>

Leaders bring out the best in individuals and of the group collectively, while also driving a higher level of performance than usually would be achieved. Effective leaders drive innovation, and they encourage their people to think strategically and creatively, while also reaching for new limits. In the world of business, an effective leader drives higher profits, and ultimately, increases the value and bottom line of the business as a whole.

....

- Aligning the team for success or failure? Providing adequate resources?
- Motivating or demotivating?
- Pride in the workplace or turmoil?
- Silo decisions or improving business as a whole?

Training Keynote - Organizational Agility



The principles behind organizational agility are well-known by now. Agile groups can thrive in an unpredictable, rapidly changing environment. They are both stable and dynamic. They focus on customers, fluidly adapt to environmental changes, and are open, inclusive, and nonhierarchical; they evolve continually and embrace uncertainty and ambiguity.

It sounds so easy, doesn't it? Yet even as agile concepts have taken hold, the average large firm reorganizes every two to three years, and the average reorganization takes more than 18 months to implement. Agility doesn't mean constant reorganization or constant flux, though. It means building a structure that allows people to react in real time.

To organize for our current age of urgency, companies have to take the principles behind agile and use them a little differently. Let's call them the three "insteads": Instead of making a decision when you have 90 percent of the information, make it when you have 70 percent. Instead of imposing decisions from top down, encourage real-time decisions across your organization, decoupled from title or rank. Instead of relying on charismatic leaders who get results by force, recognize that leadership can come from anyone, and is earned not appointed.

McKinsey&Company/McKinsey Agile Tribe

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



• What is Budget at Tahoe Donner Association

- An annual Plan of Revenues and Expenditures by Fund.
 - Based on documented key assumptions; macro and micro
- A plan of the resources allocation amongst a diverse range of membership driven priorities. Balancing regulatory and initiatives, as well as a known aging infrastructure
- Guidance = Strategic Planning Guidance
 - A balanced budget, addressing strategic initiatives, while ensuring consistent level of membership services and offerings.
 - SPG did NOT direct to 'cut from your resources to lower or hold annual assessment flat'
- Achievable, setting the company up for success? Providing adequate resources to succeed?
- Stretch beyond achievable? Cutting resources just to meet other goals and objectives?
- Properly saving for the future capital needs of the association?
- Holding the assessment flat to hold it flat? *Are we adequately saving for the future capital needs?*
- Cutting operating resources to fund capital needs was NOT SPG.
 - Would this serve membership as a whole?
- There is no smoking gun of excessive costs growth (see other slides)
 - There has been known cost growth (and revenue growth) changes including CA min wage and FED ACA and strategic initiatives, as well as, changes in the company. Past years droughts and workers compensation costs, capital assessment increases and other drivers each year are well documented.
 - Examples – Bikeworks is new (revenue and costs growth) Trails – focused execution of member driven trails master plan imitative



- Cost cutting assumes past has had uncontrolled growth and inefficiencies
- The reality is balanced growth from known drivers and not sacrifice service levels for cost cutting sake
- A balance Budget achieving strategic objectives; not a cost cutting drill for sake of cost cutting to hold AA or fund capital needs based on past under-savings of capital

Operating Fund – Top Level View



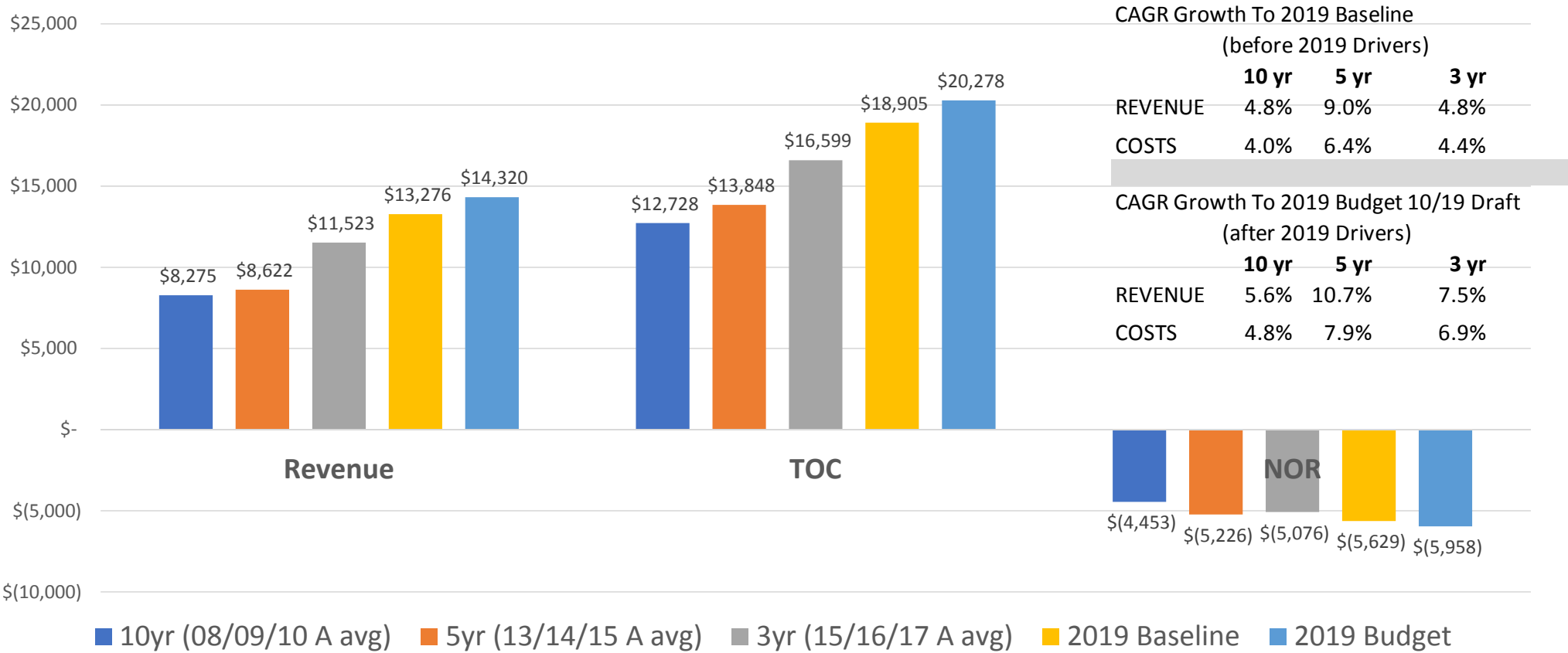
	2014A		2015A		2016A		2017A		2018F		2019Baseline		2019B								
OP Revenue	\$	7,679	100%	\$	8,681	100%	\$	12,771	100%	\$	13,117	100%	\$	12,578	100%	\$	13,276	100%	\$	14,320	100%
Cogs		(1,053)	-14%		(1,199)	-14%		(1,553)	-12%		(1,635)	-12%		(1,526)	-12%		(1,585)	-12%		(1,613)	-11%
Payroll Direct		(6,736)	-88%		(7,305)	-84%		(8,930)	-70%		(9,572)	-73%		(9,872)	-78%		(9,948)	-75%		(10,640)	-74%
Payroll Burden		(1,930)	-25%		(2,036)	-23%		(2,481)	-19%		(2,601)	-20%		(2,623)	-21%		(2,651)	-20%		(2,900)	-20%
<i>PB%PD</i>		29%		28%		28%		27%		27%		27%		27%		27%		27%		27%	
Payroll TL		(8,666)	-113%		(9,340)	-108%		(11,412)	-89%		(12,173)	-93%		(12,494)	-99%		(12,599)	-95%		(13,540)	-95%
Expenses		(3,060)	-40%		(3,742)	-43%		(4,310)	-34%		(4,432)	-34%		(4,698)	-37%		(4,721)	-36%		(5,125)	-36%
NOR		(5,100)	-66%		(5,601)	-65%		(4,504)	-35%		(5,123)	-39%		(6,141)	-49%		(5,629)	-42%		(5,958)	-42%
TOC		12,779		14,282		17,275		18,239		18,719		18,905		20,278							
Cogs		8%		8%		9%		9%		8%		8%		8%						8%	
Payroll Direct		53%		51%		52%		52%		53%		53%		52%						52%	
Payroll Burden		15%		14%		14%		14%		14%		14%		14%						14%	
Payroll TL		68%		65%		66%		67%		67%		67%		67%						67%	
Expenses		24%		26%		25%		24%		25%		25%		25%						25%	

2019 Budget - Operating Fund – Growth Perspectives to Prior Actuals



	10yr (08/09/10 A avg)	5yr (13/14/15 A avg)	3yr (15/16/17 A avg)	2019 Baseline	2019 Budget
Cost to Rev Ratio	1.54	1.61	1.44	1.42	1.42

B'19 Ratio has improved to 3 5 and 10 yr. (2019B before AllcOH to Capex)





2019 Budget - 5 years Perspective

2014 Budget versus 2019 Budget - CAGR%

- Revenue 8% Costs 6%

2014 Actual versus 2019 Budget - CAGR%

- Revenue 13% Costs 10%

Notable changes since 2014:

- CA Min Wage 8.5% cagr, FED ACA
- **NEW - Alder Creek Adventure Center/Alder Creek Café, Bikeworks**
- Strategic Initiatives include - Trails, Forestry, ASO/Covenants

~40% of Payroll Direct is entry-level skills/education level, service positions- Seasonal employees

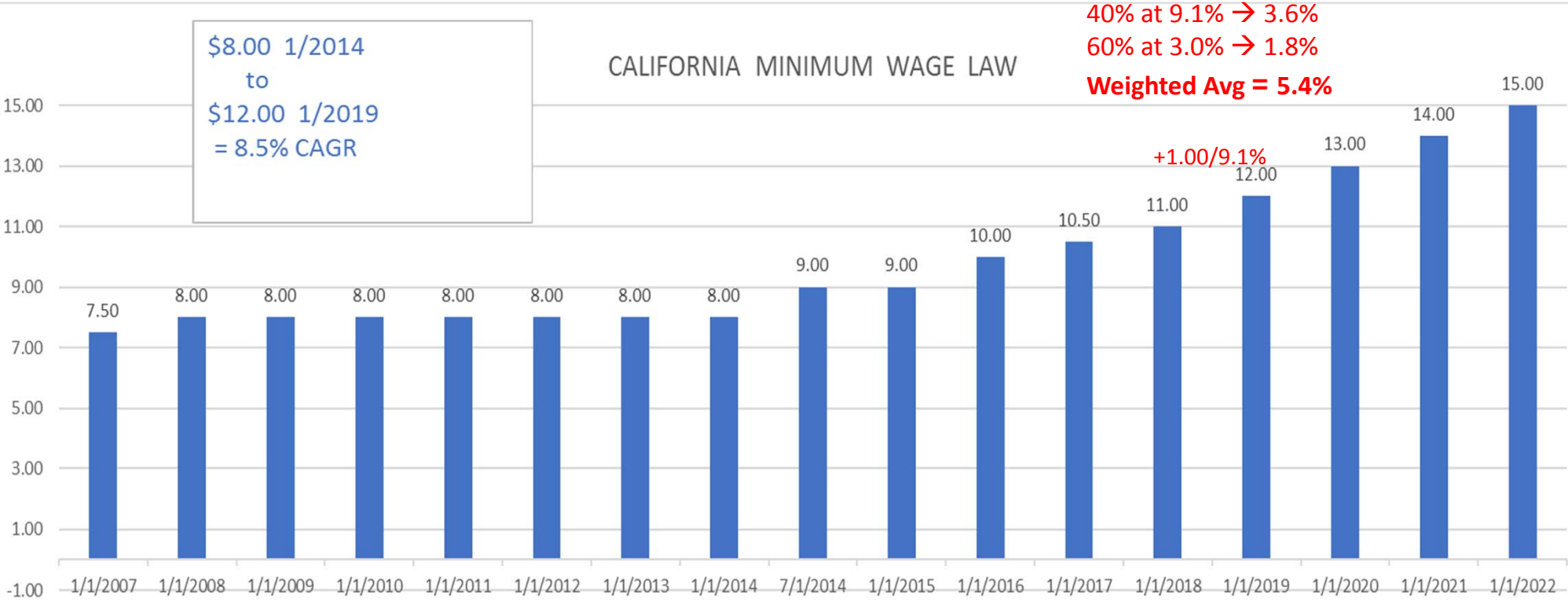
-min wage increases & compression impact have a material financial impact



\$8.00 1/2014
to
\$12.00 1/2019
= 8.5% CAGR

CALIFORNIA MINIMUM WAGE LAW

40% at 9.1% → 3.6%
60% at 3.0% → 1.8%
Weighted Avg = 5.4%



Tahoe Donner pays competitive wage rates for all positions, Seasonal and Year Round positions.

2019 Budget - 5 years Perspective



2014 Actual versus 2019 Budget - CAGR%

- Revenue 13% Costs 10%
- \$7.7m revenue in 2014....\$14.2m in 2019 draft
 - 2014 was a drought 1st quarter with revenues off \$2.2 to budget. There was no Snowmaking!
- Costs
 - Due to above, a comprehensive cost cutting plan was recommended by Management and approved by the Board.
 - Mandatory 1 week Furlough – \$93,000
 - Hiring freeze and multiple vacancies delayed filling
 - Forestry was \$211,000 favorable to Budget in 2014
 - Marketing/Communications costs were \$63,000 favorable to Budget (part of plan not timely refilling vacant positions)
 - Trails was \$75,000 favorable to Budget (new dept in 2014, cut back due to drought, prioritized capital projects, dropped Rangers)
 - Maintenance - \$97,000 favorable to Budget (low snow year, vacancies not filled, work orders backlog)
 - Equestrian was scaled down ops with less than ½ the costs of when regular operations.
 - General at \$485,000 NOR was \$228,000 favorable to Budget
 - \$82k Legal favorable \$57k Taxes favorable
 - \$32k Contingency favorable \$22k Insurance costs savings due to Rev > Bdg
 - \$18k Payroll due to PTO mandatory burn \$12k Utilities due to mild winter
- Do we really want to instill a USE IT OR LOOSE IT mentality. Hack budgets and they will get there quickly?
- Best is a flexible budget 'plan'; knowing reasonably provided resources based on volume/revenue expectations.
 - Managers know ok to flex up/down based on circumstances of season. Agile, Responsive Financial Management (RFM)



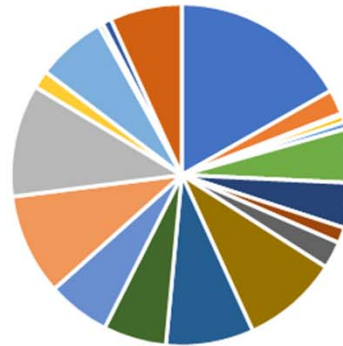
2019 Budget - Full Time Benefited Employees

- 68 – 2014 Budget
- 91 – 2019 Budget
- + 23 change
 - +17 Federal Affordable Care Act
 - This is NOT incremental employees or hours
 - The employees work both seasons, which equals ACA mandate
 - + 2 - Part-time now Full-time – 1 in IT, 1 in HR
 - + 1 – Assistant Director of Operations
 - Assist Director with 14 depts, over 300 employees during peak seasons
 - + 1 - covenants supervisor, ASO Dept (2019 driver)
 - + 1 – defensible space coordinator, Forestry (2019 driver)
 - + 1 – Financial Analyst, Finance (2019 driver)



Membership Engagement, Communications aka "Marketing"

Time and Effort of Team



- Magazine
- SFG
- WAG
- Annual Report
- Budget Report
- Association Related Initiatives
- Website Maintenance, refresh and updates
- Apps -Sum/Win/Golf
- Maps
- Email Marketing
- Special Initiatives (Programs, Surveys/FlashVote/Likemoji /Ambassador)
- Program Launches / Campaigns
- F&B Seasonal Change overs / promotions, menus, signage *
- Marquee + Special Events *
- Amenity Marketing / Branding / Content Creation / Signage / Web
- Advertising (Strategy, Programming, Sales, Sponsorships)
- Social Media
- Group Sales
- PR / Press Releases
- Team + Program Management

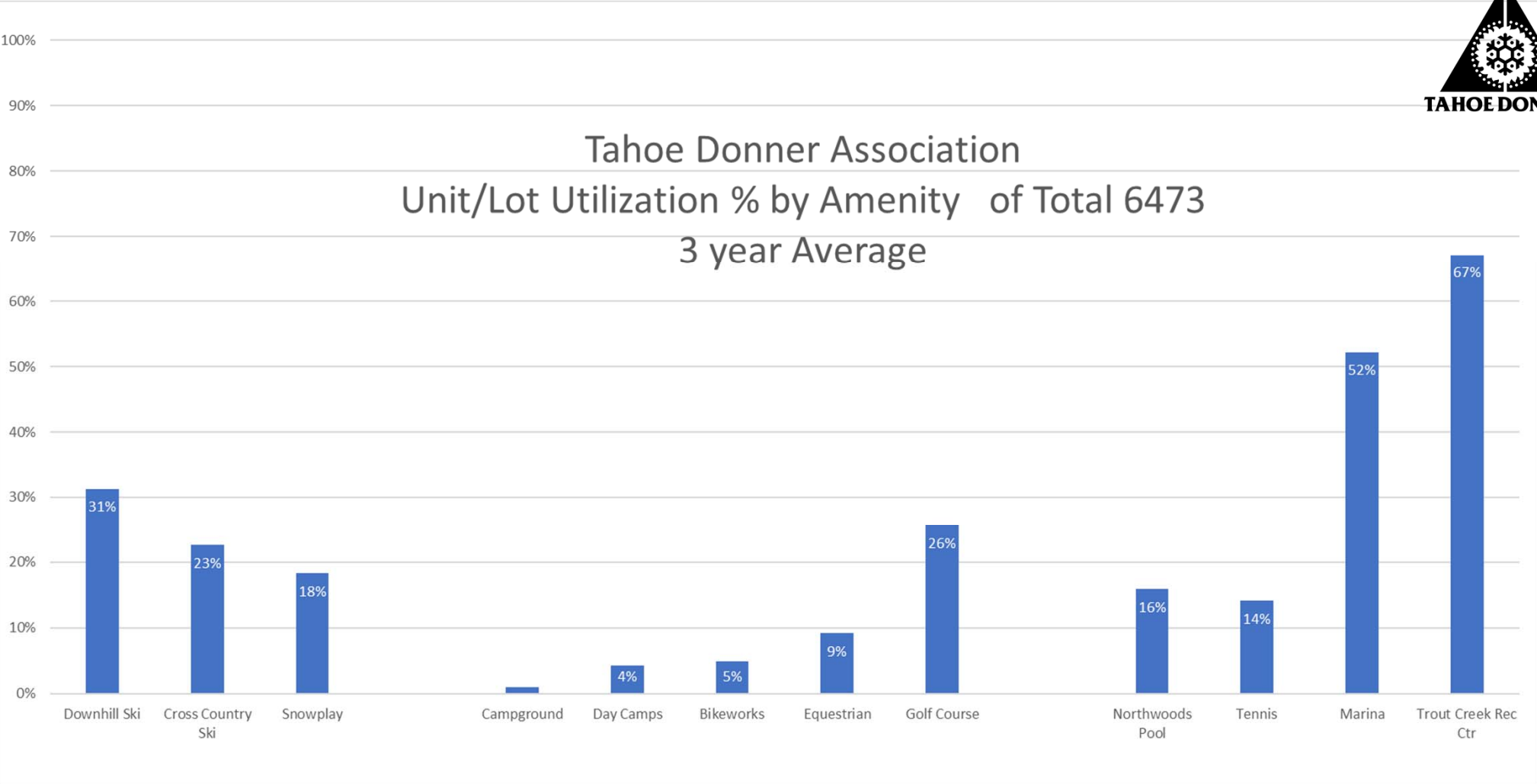
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Keynote:
The overwhelming majority of department's efforts are focused on Member communications.

Summer Fun Guide (SFG)
Weekly Activity Guide (WAG)



Tahoe Donner Association Unit/Lot Utilization % by Amenity of Total 6473 3 year Average



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19



- Replacement Reserve Fund - Reserve Study Changes – 9/14 draft to 10/19
 - 2018 Forecast Expenditures and resulting ending fund balance
 - \$300,000 Snowbird chairlift forecasted savings to Budget
 - \$450,000 Trout Creek Remodel moved to 2019/2020 (soft costs in 2018 are in DevFd)
 - \$200,000 net all other, reviewed all projects for status, numerous deferred out to 2019+
 - +\$950,000 ending balance 12/31/2018 forecast (\$8,450,000 to \$9,400,000) – Before Transfer IN
 - 2019 Expenditures – *change a net decrease in expenditures of \$412,000/7%*
 - Added Governing Documents – 100% redo - \$100,000
 - Added Forestry Storm Damage Phase 3 - \$150,000
 - Reduced Golf Remodel Project \$100,000 (from \$600k to \$500k)
 - Refined 2019/2020 expenditures timing for Trout Creek Remodel/expansion project
 - Scrubbed study's 2019 expenditures schedule, made numerous miscellaneous deferrals to out years
 - 2020 and beyond Expenditures
 - Added Governing Documents – every 5 years update \$25,000 base cost
 - TC Remodel and miscellaneous other changes



- Budget draft changes - 9/14 draft to 10/19

Development Fund

- Refined 2018 Expenditures projection and resulting ending fund balance
 - 2018 ending fund balance -
- Revised Capital Funds Projection based on GPC guidance
 - 2019 Expenditures -

New Equipment Fund

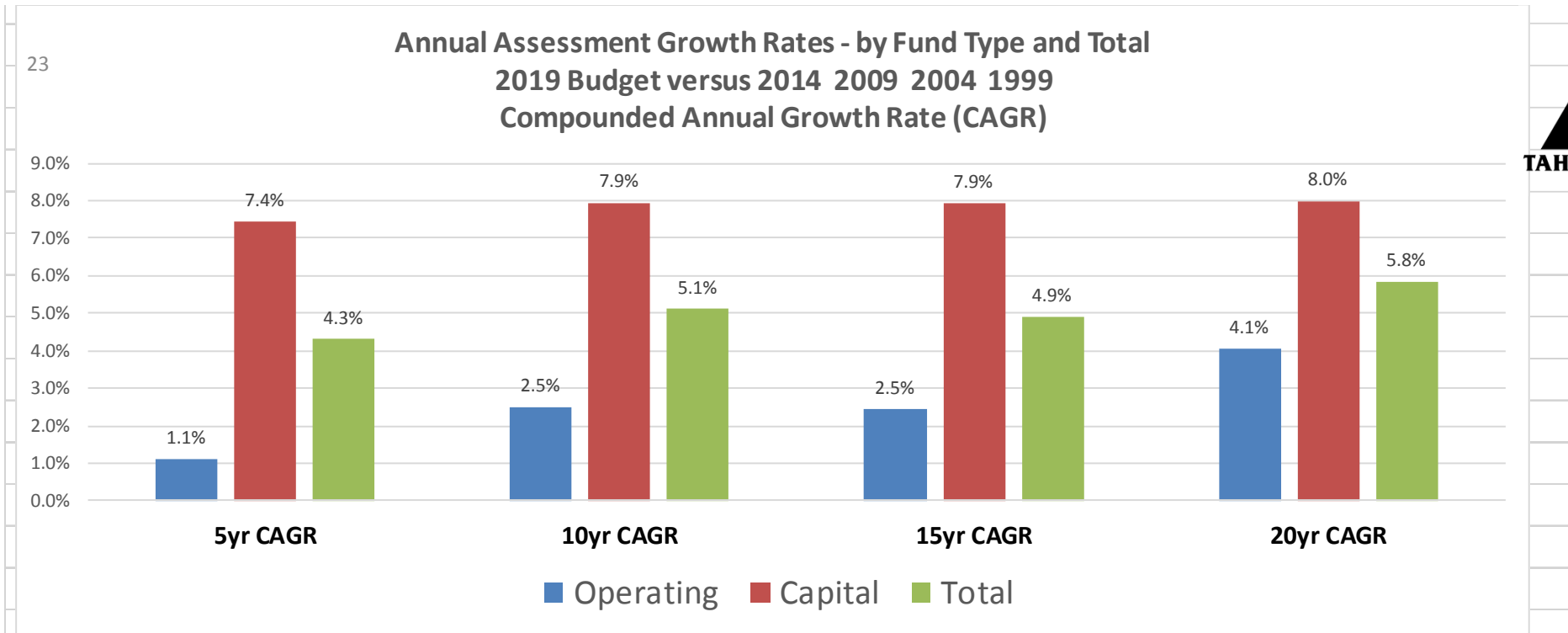
- Refined 2018 Expenditures projection and resulting ending fund balance
 - 2018 ending fund balance -
- Revised 2019 Expenditures plan
 - 2019 Expenditures -



Operating Fund - changes from 9/14/18 DRAFT to 10/18/28 Draft

Department	Change Description	Increase (Decrease)		Fav (Unfav)
		Revenue	Costs	NOR
1	General		(100,000)	100,000
2	General		11,000	(11,000)
3	General		60,000	(60,000)
4	General		64,000	(64,000)
5	HR		(26,000)	26,000
6	ASO	(45,000)	(138,000)	93,000
7	Acg/Fin		92,000	(92,000)
8	Mkt/Comm	(90,000)	(40,000)	(50,000)
9	Pizza		(10,000)	10,000
10	ALL		(80,000)	80,000
11	ALL		(3,000)	33,000
		<u>30,000</u>	<u>(3,000)</u>	<u>33,000</u>
		(105,000)	(170,000)	65,000

6 Revenue: changed from \$150 STR fee x 1000 = \$150,000 to \$150 STR fee x 700 \$105,000 --- yr 1 ~ 70% effective enrollment
 Costs: held covenants supervisor add, dropped \$113,000 on-premise coverage to ~2am, dropped \$35k STR compl costs, add \$10k after-hours call service



Annual Assessment Notes:

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

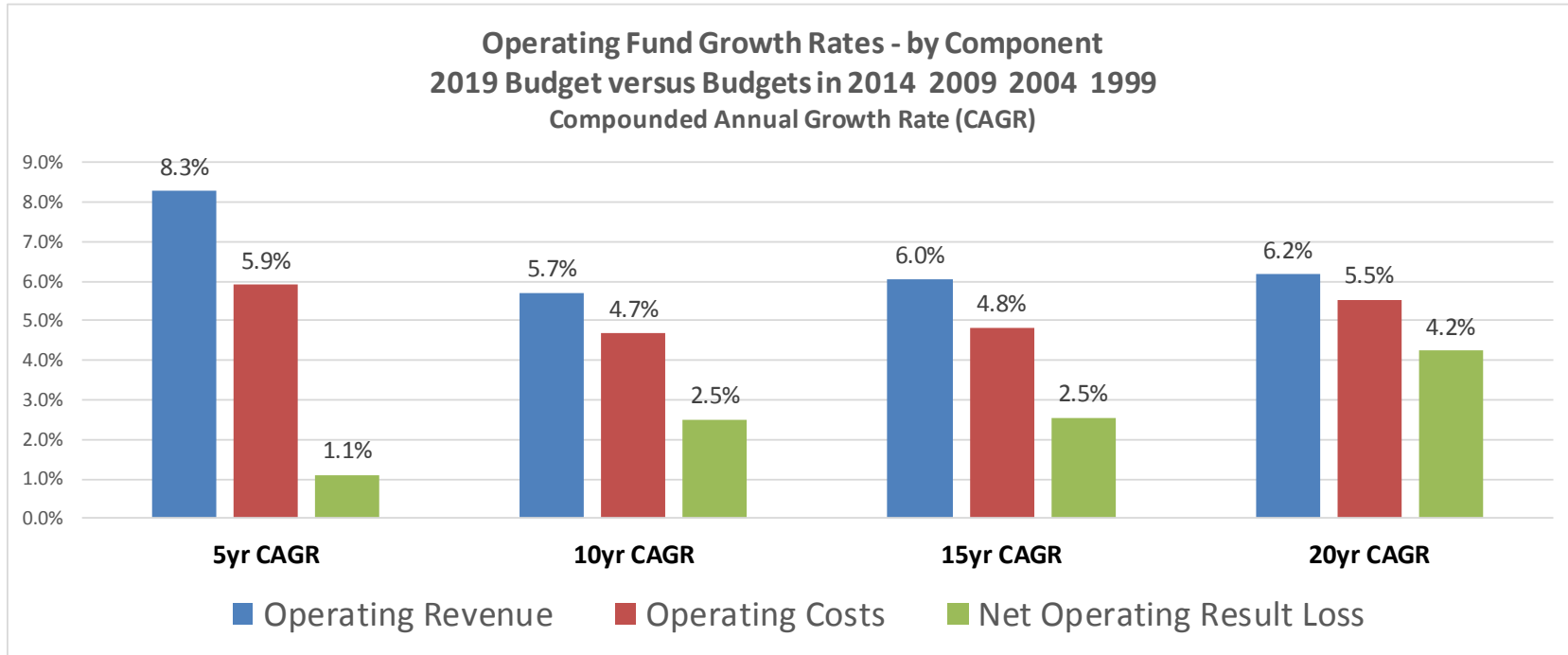
Form 2009 to 2012 (four consecutive years), the operating portion of AA was held flat at \$695.

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

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

Operating AA / Capital AA ratio: 1999 63%/37% 2009 58%/42% 2014 53%/47% 2019 45%/55%

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Operating Costs to Operating Revenue Ratio: 1999-158% 2004-167% 2009-155% 2014-157% 2019-140%
^^^

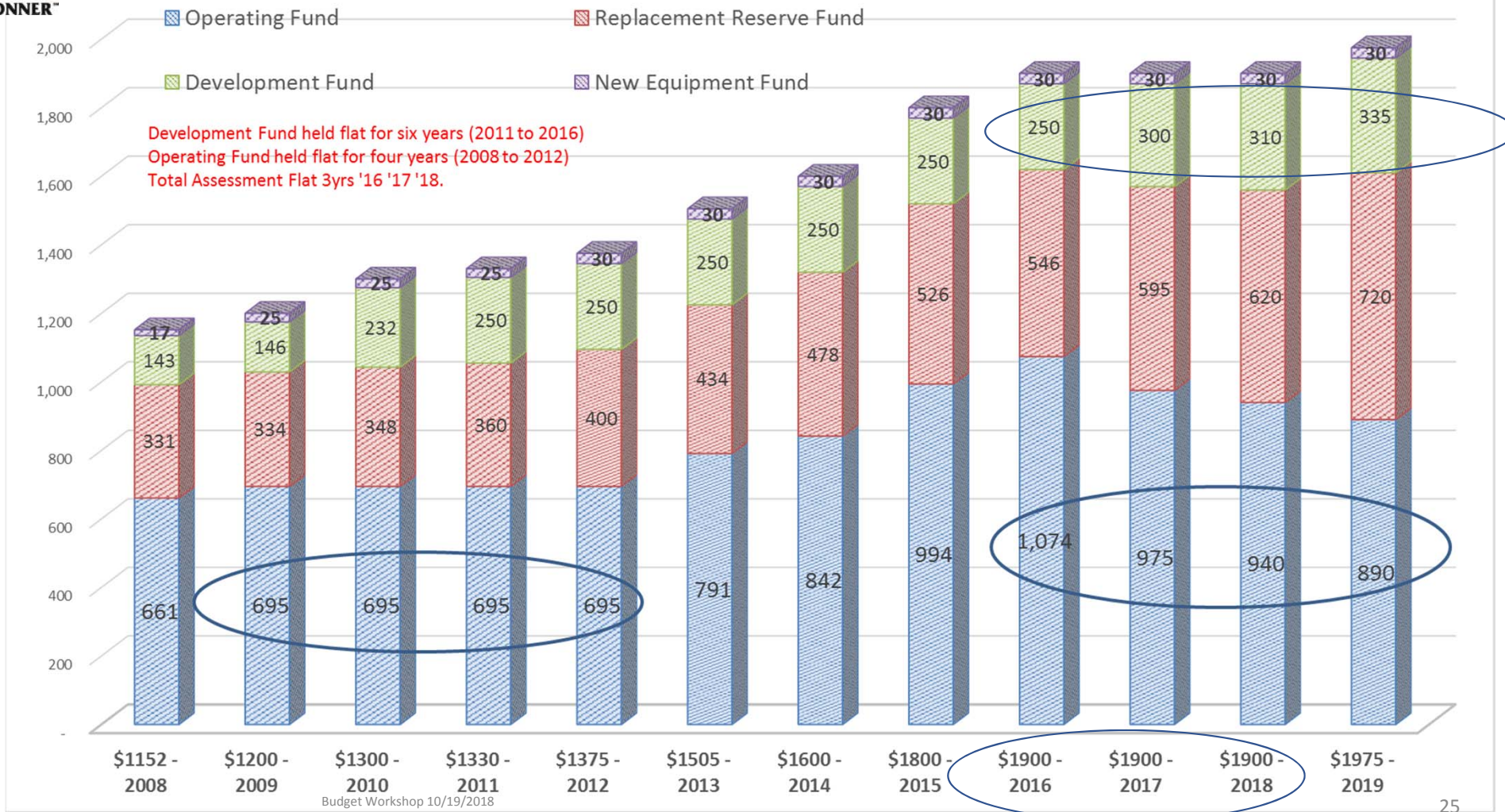
Notable Amenity facilities growth over time and other change keynotes include:

- The Lodge built in 2005
- Trout Creek Recreation Center - built in 1994, major expansion 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)

CA Min Wage 5yr has increased from \$8.00 to \$11.00 in 2018
- Increases \$1.00 or 9.1% to \$12.00 on 1/1/2019 – 8.5% 5yr CAGR



Annual Assessment per owner - 2019 10/10/18 draft





Annual Assessment per owner - 2019 10/19/18 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	2nd draft changes
\$ (10)	\$ 10	\$ -	\$ -	\$ -	3rd draft changes
\$ (50)	\$ 100	\$ 25	\$ -	\$ 75	
-5.3%	16.1%	8.1%	0.0%	3.9%	
\$ 890	\$ 720	\$ 335	\$ 30	\$ 1,975	2019 AA per owner, draft 10/19
\$ 5,761,000	\$ 4,661,000	\$ 2,168,000	\$ 194,000	\$ 12,784,000	2019 AA revenue, draft 10/19
\$ (324,000)	\$ 648,000	\$ 161,000	\$ -	\$ 485,000	2019 AA revenue change, draft 10/19

a) net decreasing OF \$20, before allocated oh impact to Capital funds

b) increasing RRF funding due primarily to added \$500,000 component in years 2019/2020/2021 to begin addressing known facility deficiencies. Also added Governing Documents and Forestry items to Reserve Study.

c) increasing DF funding due to known long-term large scale projects

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Development Fund – GPC Capital Spending Overview

Financial restrictions on Capital Spending

No Borrowing
No Special Assessments

Member Annual
Assessment only

Contributions possible from:
Replacement Reserve Fund
Member Equity



\$2,000,000 / yr.

Needs

Wants

Probably in the range of ~\$40 million

9/12/18
180914 Capital Spending
1

Member Guidelines

Tahoe Donner 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*

2015 Member Survey

- 22% of Members returned the survey - 80 / 20 Off-hill / On-hill
- **94% agreed with the Tahoe Donner Vision**
- 65% said - **improve & enhance the amenities ...rather than add more**
- *Nature is as much a part of the Tahoe Donner experience as the amenities*

9/12/18
180914 Capital Spending
2

Association Needs (*Fix what we've got*)

- A. Correct Safety and Health hazards
- B. Comply with required regulatory codes
 - ADA, Title 24, CBC etc.
- C. Protect member assets
 - Physical Assets
 - Financial Assets

9/12/18

180914 Capital Spending

3

Current Plan spends all available funds through 2023

- Accessibility upgrades
- Trout Creek Remodel
- Trails Master Plan continuation
- Snowmaking at Downhill, Snowplay and Cross-country
- Re-grade Mile Run at Downhill
- Downhill Ski Lodge

- Feasibility studies and possible consultants for Amenity Master Plans

9/12/18

180914 Capital Spending

4

Future planning – *2024 and beyond*

- Task Forces
 - Write Amenity Master Plans
 - Force Ranks their projects
 - Analyze the top projects (including rough costs)
 - Write justification on top projects
- GPC
 - Force Ranks all projects
 - Forecasts spending in CFP format
 - Presents finding to Board
- Board decides
- Task Forces follow CPP on top Board priorities

9/12/18

180914 Capital Spending

5

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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	200,000
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	70,000
Land Acquisition, Other Projects, Cost Allocation, Contingency	250,000

TL Spend 867,000

Interest Income/BDExp/Taxes, NET 56,986

9/14/2018 - Forecast 12/31/2018 Balance \$ 4,950,000

See next page for 2019 Budget

2019 Budget - Development Fund



Forecast 12/31/2018 Balance	\$ 4,950,000
2019 Assessment Contribution (@ \$335 / owner) <i>increase to \$25/owner or \$162,000 from 2018</i>	2,168,000

2019 Expenditures:

Association, New Accessibility Improvements	50,000
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
Beach Club Marina, 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 2019 DF portion	275,000
Snowplay, snowmaking	100,000
Association, Feasibility Studies	10,000
Allocated Overhead	120,000
Land Acquisition, Other Projects, Cost Allocation, Contingency, Inlfact	250,000
TL Spend	<u>3,820,000</u>
Interest Income/BDExp/Taxes, NET	74,000
Budget 12/31/2019 Ending Balance	<u>\$ 3,372,000</u>
* Spend \$200,000, \$1.8m savings for future - actual end balance	5,172,000 *

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) -
10/19/2018
Draft

draft as of 10/3 >

Budget Workshop 10/19/2018

GPC Task Force	Project	2018	2019	2020	2021	2022
Association Wide	Association Master Plan (Dudek)	5,856				
Association Wide	New Accessibility Improvements		50,000	150,000		
Association Wide	Member Surveys		50,000			
Association Wide	Roof Structures over Mailboxes					
Alder Creek Adventure	Master Plan		10,000			
Alder Creek Adventure	Equestrian Operations Relocation	200,000				
Alder Creek Adventure	Snowmaking on select Nordic Trails		100,000			
Northwoods Clubhous	Master Plan		10,000			
Downhill Ski Resort	Master Plan (ECOSign)	15,897				
Downhill Ski Resort	Downhill Ski Lodge (proposed savings to \$12.5MM DF)	75,000	2,000,000	2,300,000	2,500,000	2,500,000
Downhill Ski Resort	Snowbird relocation and Eagle Rock Shrouding (b.\$90K)	70,000				
Downhill Ski Resort	Snowmaking to Eagle Rock (Phase 1 permit credit in '18)	-6,617	600,000			
Downhill Ski Resort	Regrade Mile Run for min. 8% slope (skier experience)		50,000	200,000		
Beach Club Marina	Master Plan		10,000			
The Lodge	Covered Walkway, connecting parking lot (TOT permitted)		75,000			
Trails and Open Space	Implement trail/trailhead projects on the 5YIP	56,396	100,000	150,000	75,000	75,000
Trout Creek Recreation	Master Plan		10,000			
Trout Creek Recreation	Trout Creek Expansion (DF portion)	200,000	275,000	275,000		
Trout Creek Recreation	Snowmaking at Snowplay		100,000			
Association Wide	Feasibility Studies		10,000	50,000	50,000	50,000
Association Wide	Future Land Acquisiton	60,000	60,000	60,000	60,000	60,000
Estimated Annual Totals, exclud RRF, Inflation Factor, and direct/allocated overhead		676,532	3,510,000	3,185,000	2,685,000	2,685,000
	Direct and Allocated Overhead	191,000	311,000	311,000	311,000	311,000
	Expenditures Total	867,532	3,821,000	3,496,000	2,996,000	2,996,000
2.0%	Inflation Factor	0	0	70,000	120,000	180,000
	Total Including Inflation	867,532	3,821,000	3,566,000	3,116,000	3,176,000
2019	< BASELINE YEAR FOR INFLATION FACTOR					
1.8%	Interest Income	70,000	89,000	61,000	36,000	20,000
8.0%	Income Tax Expense	5,600	7,100	4,900	2,900	1,600
	Bad Debt Expense	7,000	7,000	7,000	7,000	7,000
	TRANSFERS IN (OUT)					
20	<Years: Normalized Contrib >	310	335	335	335	335
6473	Annual Contribution	2,007,000	2,168,000	2,168,000	2,168,000	2,168,000
	Beginning	3,753,013	4,949,882	3,371,782	2,022,882	1,100,982
	Ending	4,949,882	3,371,782	2,022,882	1,100,982	104,382
		Yr 2018	Yr 2019	Yr 2020	Yr 2021	Yr 2022

< saving for bldg replacement



2019 Budget – New Equipment Fund

2019 Budget draft 10/19/2018

Forecast 12/31/2018 Balance	\$	<u>54,000</u>	
2019 Assessment Contribution		194,000	
2019 Expenditures:			
Currently identified items		112,000	<i>next page</i>
Contingency		<u>75,000</u>	
TL Spend		<u>187,000</u>	
Investment Income/net of income taxes		3,000	
Budget 12/31/2019 Balance	\$	<u><u>64,000</u></u>	

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



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 10/19/2018 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	9,900,000	10,100,000
<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	56,220,996	56,220,996
Fully Funded study value (B)	30,846,974	35,625,001	35,625,001
ratio to CRC	61%	63%	63%
Percent Funded (A/B)	32.4%	27.8%	28.4%
			<i>Transfer \$0 - 26.4%</i>

[G15.2] Resolution 2013-3, Replacement Reserve Fund - policy establishes a target % 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.



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	\$ 9,900,000	<i>above policy Minimum</i>
Forecasted Balance 12/31/2019, per 2019 Budget Draft	\$ 9,620,000	<i>above policy Minimum</i>

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



2019 Budget – Replacement Reserve Fund

	2018 Budget	2018 Forecast	2019 Budget <i>10/19/2018 draft</i>
(F) Beginning Balance	\$ 10,006,000	\$ 10,238,311	\$ 9,900,000 <i>w/ trf in'18</i>
Assessment Contribution	4,013,000 \$620/o	4,013,000 \$620/o	4,661,000 \$710/o
Operating Fund Transfer IN	-	500,000	
Expenditures	(6,354,000)	(5,055,311)	(5,117,000) ←
Disposal of Assets proceeds	30,000	30,000	30,000
Interest Income/BDExp/Taxes	131,000	174,000	146,000
Budget YE Balance	<u>\$ 7,826,000</u>	<u>\$ 9,900,000</u>	<u>\$ 9,620,000</u>

\$5.1 Million Spend includes:
 \$500,000 Golf Course remodel
 \$869,000 Trout remodel
 \$500,000 Facility deficiencies
 \$3.248m 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.

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2019 Budget – Replacement Reserve Study – 30 yr Summary - 10/19/2018 draft



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

Number of units, 1/1/2019	6,473
Annual capital assessment, 1/1/2019	\$ 4,659,093
Average CY assessment/unit interest	\$ 720
Average increase/unit interest	\$ 100
Inflation rate	3.00%
Interest rate on investments	2.00%
Tax rate on investment income	8.00%
Capital contingency rate	0.00%

Year	Annual Percent Change to Capital / Reserve Assessment	Capital / Reserve Account Beginning Balance	Expired Useful Life of Components Expressed in Dollars aka "Fully Funded"	Percent Ratio of Fully Funded Value to Capital / Reserve Balance	Annual Dollar Change to Capital / Reserve Assessments	Annual Member Capital / Reserve Assessment	Annual Avg. Capital / Reserve Assessment / Unit interest	Change in Avg. Annual Capital / Reserve Assessment / Unit interest	Monthly Avg. Capital / Reserve Assessment / Unit interest	Change in Avg. Monthly Capital / Reserve Assessment / Unit interest	Estimated Interest, Net of Tax	Annual Expenditures	Capital Contingency	Ending Balance
1/1/2019	16.10%	9,900,000	35,625,001	27.79%	646,093	4,659,093	720	100	60	8	177,946	(5,117,110)	-	9,619,930
1/1/2020	4.00%	9,619,930	35,817,271	26.86%	186,364	4,845,457	749	29	62	2	158,965	(6,806,461)	-	7,817,891
1/1/2021	4.00%	7,817,891	36,069,274	21.67%	193,818	5,039,275	779	30	65	2	151,885	(4,165,855)	-	8,843,195
1/1/2022	4.00%	8,843,195	38,701,373	22.85%	201,571	5,240,846	810	31	67	3	154,546	(6,128,722)	-	8,109,865
1/1/2023	4.00%	8,109,865	39,131,103	20.72%	209,634	5,450,480	842	32	70	3	160,879	(4,183,379)	-	9,537,845
1/1/2024	4.00%	9,537,845	41,543,618	22.96%	218,019	5,668,499	876	34	73	3	190,020	(4,089,789)	-	11,306,575
1/1/2025	4.00%	11,306,575	43,993,619	25.70%	226,740	5,895,239	911	35	76	3	196,444	(7,155,755)	-	10,242,503
1/1/2026	4.00%	10,242,503	43,444,382	23.58%	235,810	6,131,049	947	36	79	3	195,888	(5,323,853)	-	11,245,587
1/1/2027	4.00%	11,245,587	45,333,099	24.81%	245,242	6,376,290	985	38	82	3	209,299	(6,117,539)	-	11,713,638
1/1/2028	4.00%	11,713,638	46,581,818	25.15%	255,052	6,631,342	1,024	39	85	3	218,216	(6,339,476)	-	12,223,720
1/1/2029	4.00%	12,223,720	47,834,427	25.55%	265,254	6,896,596	1,065	41	89	3	218,449	(7,599,556)	-	11,739,209
1/1/2030	4.00%	11,739,209	48,057,710	24.43%	275,864	7,172,460	1,108	43	92	4	207,360	(8,111,697)	-	11,007,331
1/1/2031	4.00%	11,007,331	48,027,059	22.92%	286,898	7,459,358	1,152	44	96	4	212,885	(6,334,338)	-	12,345,236
1/1/2032	4.00%	12,345,236	49,984,312	24.70%	298,374	7,757,732	1,198	46	100	4	238,902	(6,480,590)	-	13,861,281
1/1/2033	4.00%	13,861,281	52,097,044	26.61%	310,309	8,068,042	1,246	48	104	4	265,085	(6,976,973)	-	15,217,435
1/1/2034	4.00%	15,217,435	53,928,359	28.22%	322,722	8,390,763	1,296	50	108	4	294,844	(6,777,380)	-	17,125,662
1/1/2035	4.00%	17,125,662	56,166,825	30.49%	335,631	8,726,394	1,348	52	112	4	329,721	(7,138,455)	-	19,043,322
1/1/2036	4.00%	19,043,322	58,303,817	32.66%	349,056	9,075,450	1,402	54	117	4	379,043	(5,961,715)	-	22,536,100
1/1/2037	4.00%	22,536,100	61,833,143	36.45%	363,018	9,438,468	1,458	56	122	5	410,130	(9,931,325)	-	22,453,372
1/1/2038	4.00%	22,453,372	61,763,826	36.35%	377,539	9,816,006	1,516	58	126	5	432,004	(7,765,770)	-	24,935,612
1/1/2039	4.00%	24,935,612	64,068,562	38.92%	392,640	10,208,646	1,577	61	131	5	487,642	(7,075,321)	-	28,556,580
1/1/2040	4.00%	28,556,580	67,358,217	42.40%	408,346	10,616,992	1,640	63	137	5	537,332	(9,324,521)	-	30,386,383
1/1/2041	4.00%	30,386,383	68,772,366	44.18%	424,680	11,041,672	1,706	66	142	5	575,044	(9,309,642)	-	32,693,457
1/1/2042	4.00%	32,693,457	70,510,006	46.37%	441,667	11,483,339	1,774	68	148	6	607,102	(10,880,885)	-	33,903,013
1/1/2043	4.00%	33,903,013	71,110,691	47.68%	459,334	11,942,672	1,845	71	154	6	627,229	(11,571,670)	-	34,901,244
1/1/2044	4.00%	34,901,244	71,430,449	48.86%	477,707	12,420,379	1,919	74	160	6	666,371	(9,791,277)	-	38,196,717
1/1/2045	4.00%	38,196,717	73,742,368	51.80%	496,815	12,917,195	1,996	77	166	6	699,886	(13,236,056)	-	38,577,742
1/1/2046	4.00%	38,577,742	73,359,827	52.59%	516,688	13,433,882	2,075	80	173	7	735,058	(10,691,781)	-	42,054,901
1/1/2047	4.00%	42,054,901	75,746,622	55.52%	537,355	13,971,238	2,158	83	180	7	821,607	(8,775,917)	-	48,071,828
1/1/2048	4.00%	48,071,828	80,305,808	59.86%	558,850	14,530,087	2,245	88	187	7	908,708	(11,901,116)	-	51,609,508

%Funded Dropping below policy 25% - DISCUSSION

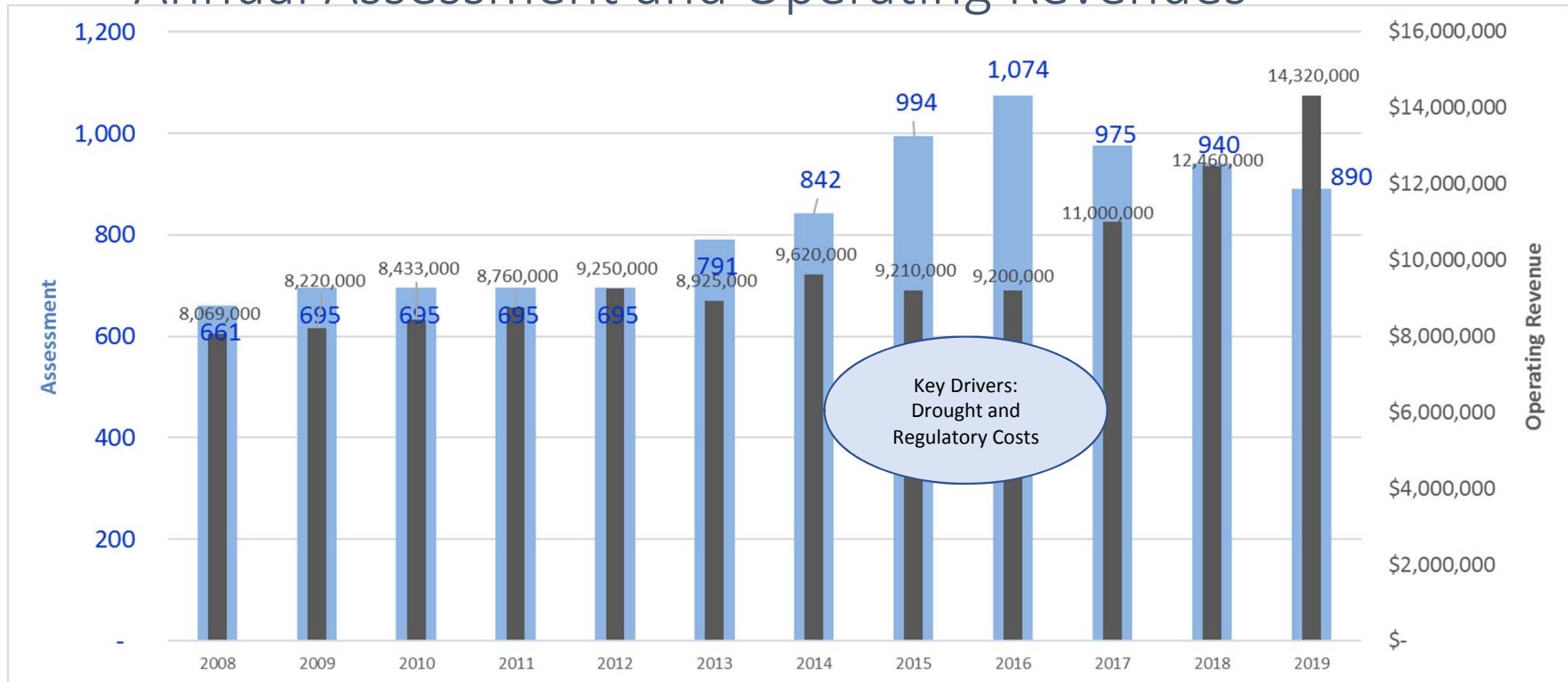
Without added Golf Remodel \$500,000 and Facility Deficiencies \$1.5m (\$500k in 19/20/21) - All years at or above ~25%

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



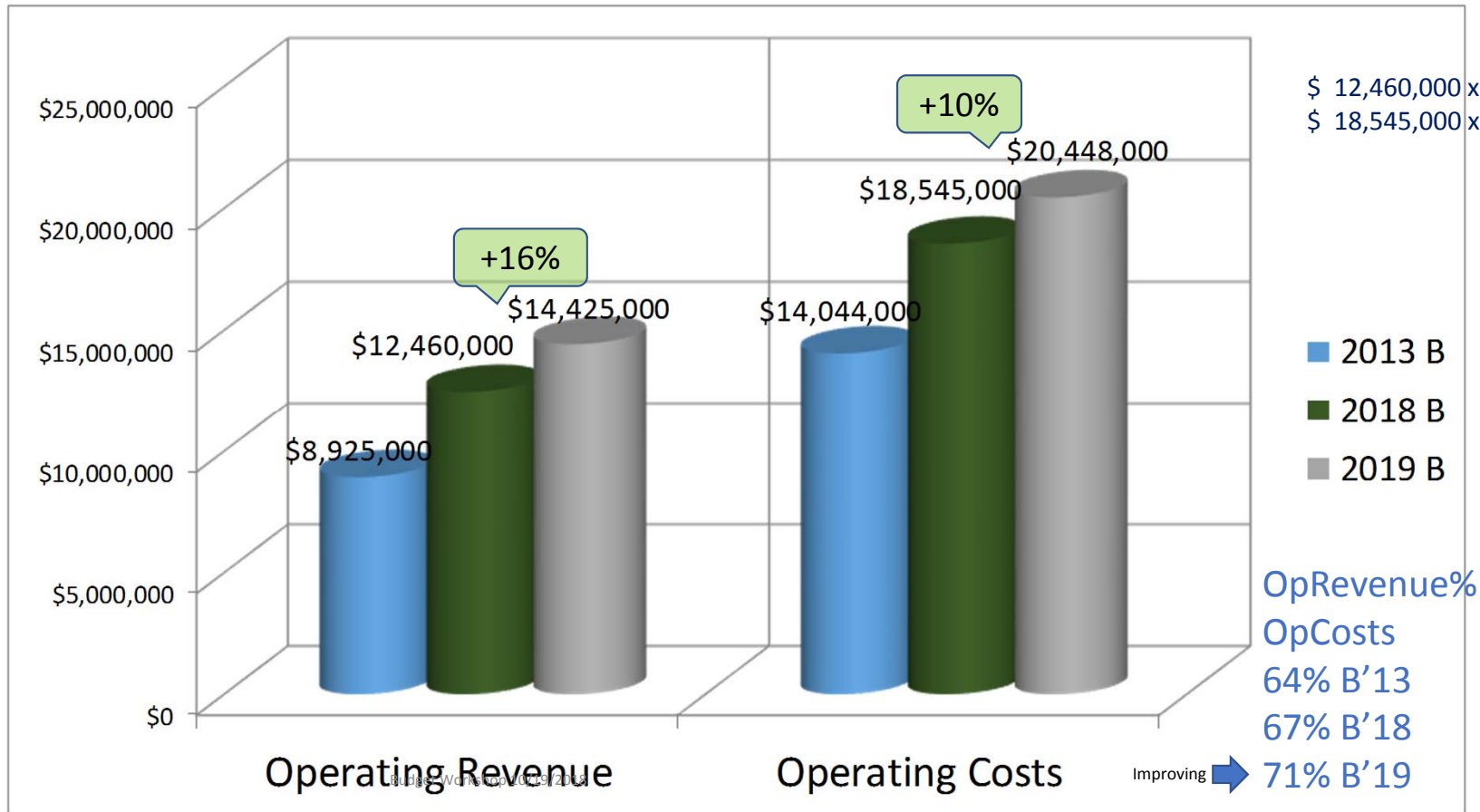
Operating Revenue portion of Revenue Requirement – B'14 64% B'18 67% B'19 71%

Operating FUND

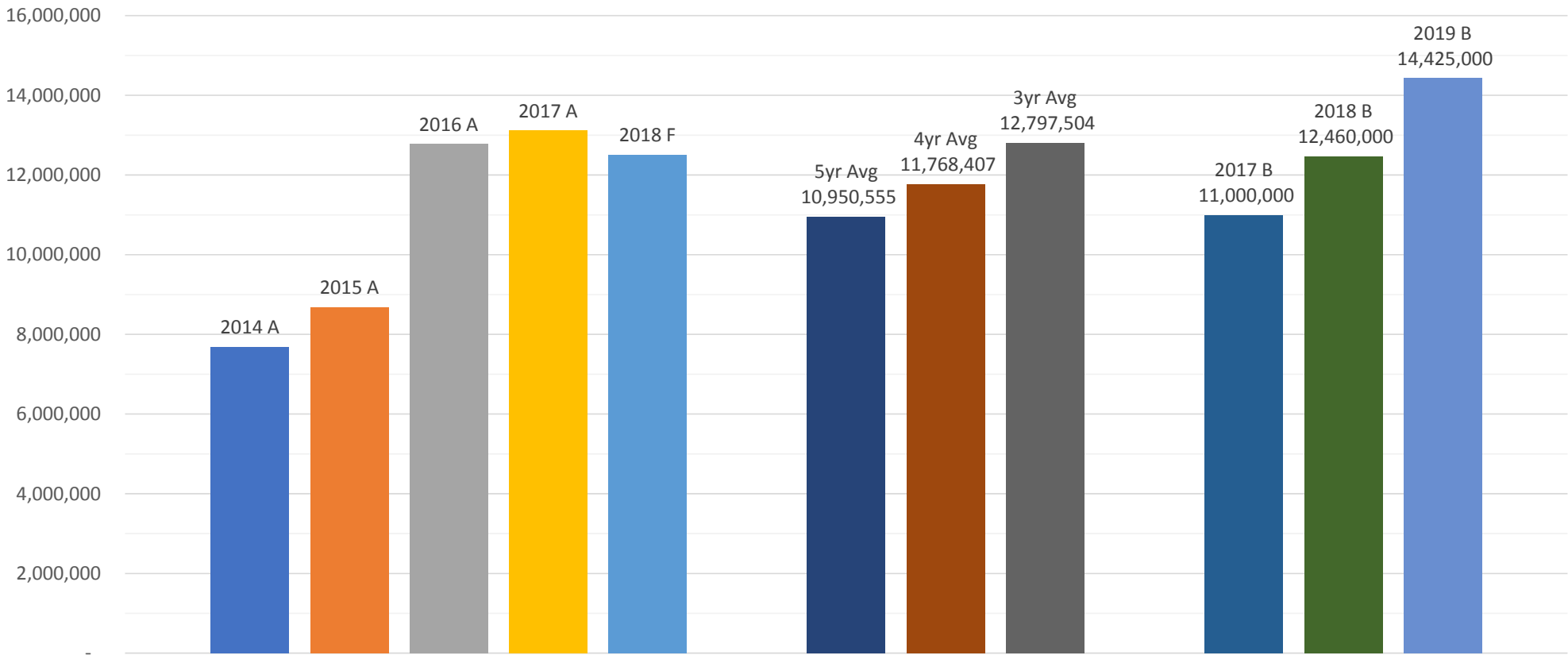
2019 Budget Draft
9/24/2018

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

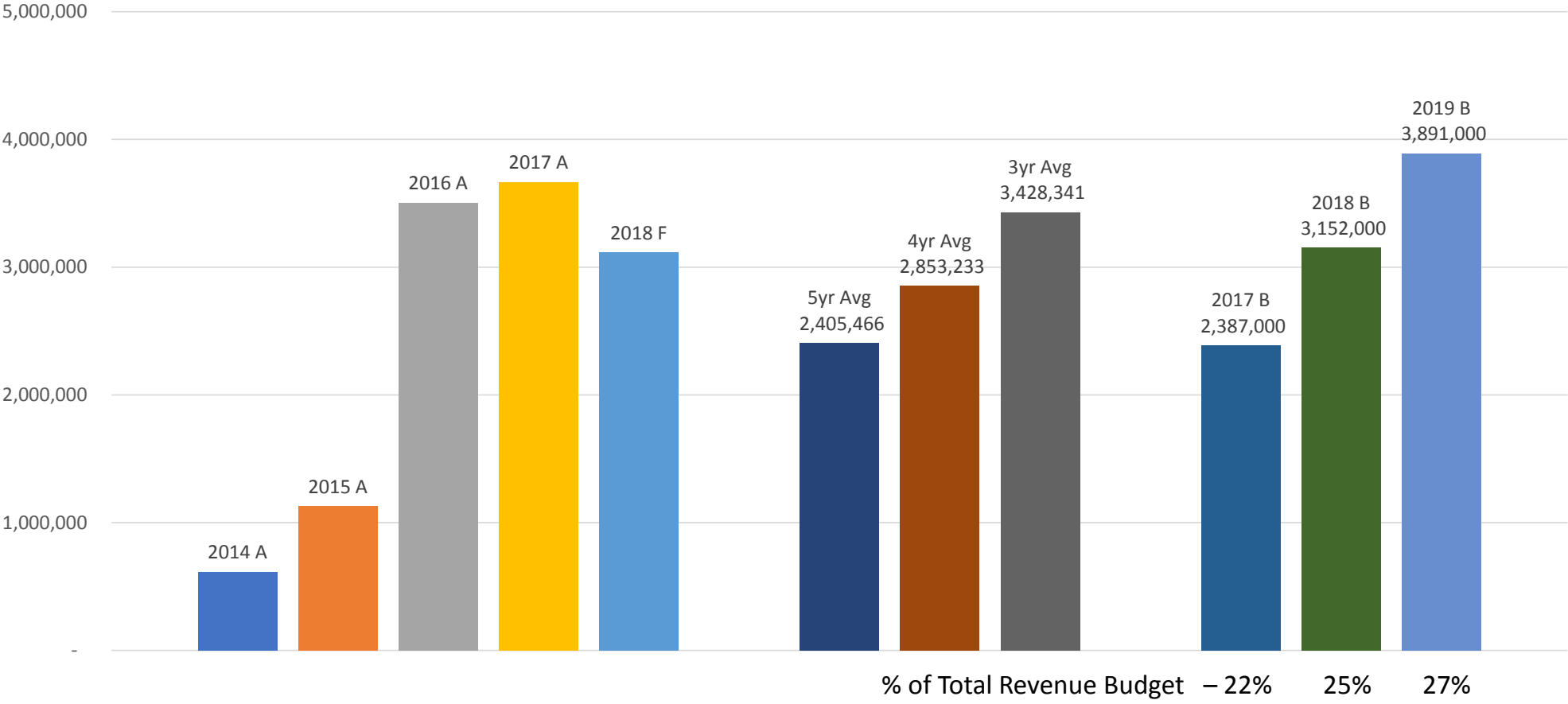
if both grow at 3%, Costs growth in Dollars is **greater** than the Revenue growth in Dollars



Operating Fund – Operating Revenue



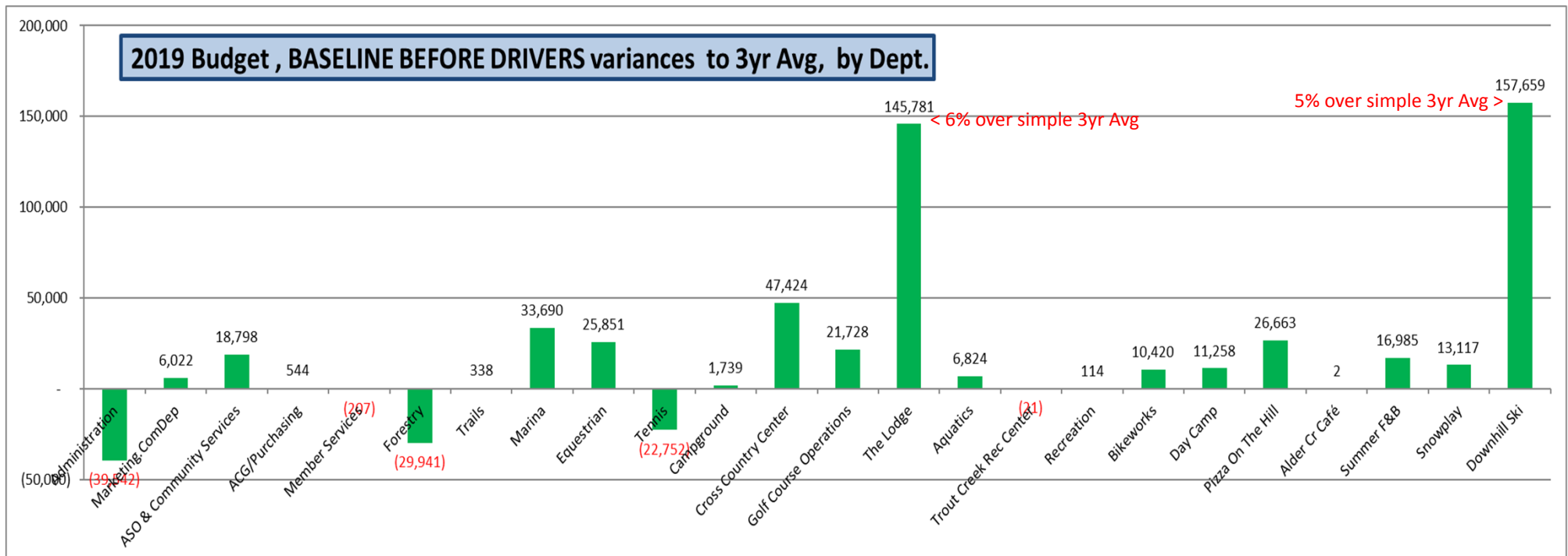
Operating Fund – Downhill Ski Revenue



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

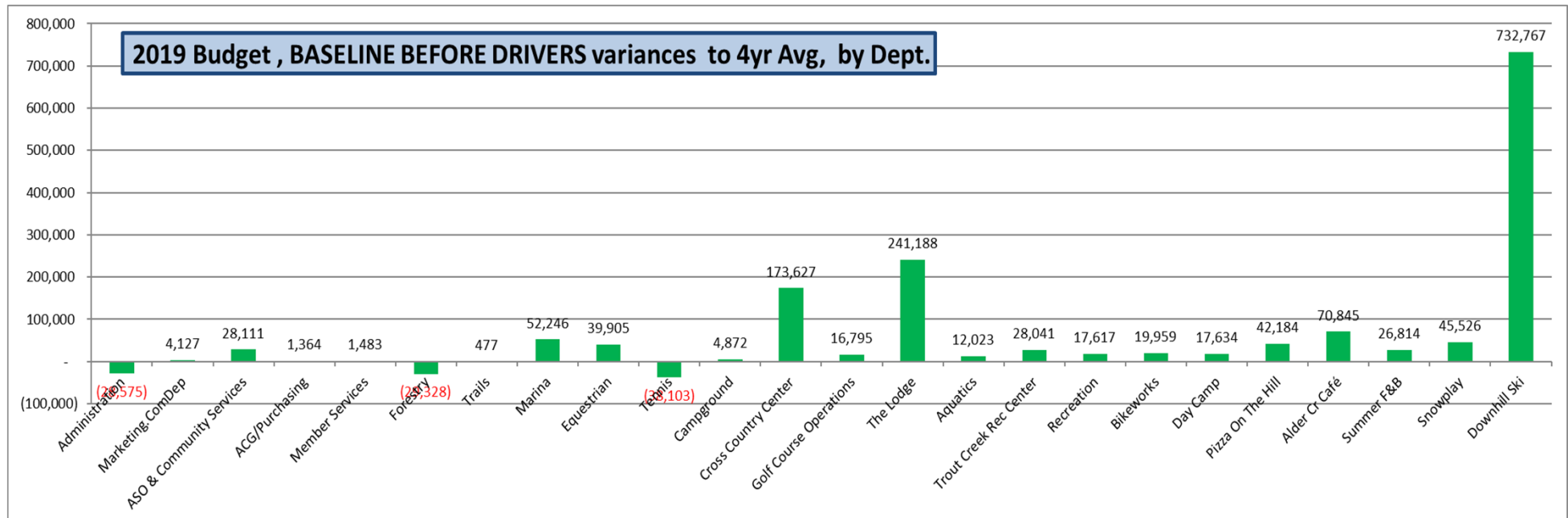


Factoring Pricing changes over last 3 years on top of the simple 3 year average is primary driver of the variances

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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 Fund – Operating Revenue - 2019 Baseline and Drivers Summary



- \$ 12,822,000 Three Year simple average (2016 Actual, 2017 Actual, 2018 Forecast) (no drought yr without snowmaking)
- 454,000 + 3.5% for past years pricing changes and net ther misc. adjustments for know trends/changes
- \$13,276,000 = Baseline for 2019 before Drivers [BL for Budget 2018 \$9,942,000 (1 drought year)]
- 688,000 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)
- 255,000 Strategic impacts (all other, misc , \$5,000 Equestrian)
- 17,000 other impacts (misc)
- \$14,320,000 = Budget 2019 Operating Revenue **10/19/2018 draft**

Strategic REVENUE Increases key drivers:
 105,000 ASO reg fee STRs
 14,000 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
 5,000 all other, misc

Pricing REVENUE Increases key drivers:
 234,000 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)
 16,000 ASO- major project fee +\$170
 10,000 Equestrian – also see below
 7,000 Lien Fee incr \$80
 18,000 all other, misc

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Operating Revenues – User Rates and Fees - Keynotes

- Private Amenities, access –
 - Daily
 - 2018: \$6 Member \$8 Guest with Member \$12 Guest on Guest Card
 - 2019: \$8 Member \$10 Guest with Member \$15 Guest on Guest Card
 - Also, eliminating same-day hopper feature. IE daily fee is per amenity
 - Recreation Fee
 - 5/1/2018-4/30/2019 : \$270 up to 4p, \$100 5th \$100 6th \$100 7th \$100 8th
 - 5/1/2019-4/30/2020 : \$290 up to 4p, \$125 5th \$125 6th \$125 7th \$125 8th
 - Also, effective 5/1/2019 – Snowplay (a public amenity) not included in RecFee
- Tennis Marina Aquatics Day Camps
 - NonAccess –3%-8% price increases across most all products
 - Tennis Lesson – no increases, had increases last year
 - Marina = Kayak/SUP storage - \$100 regular \$150 close, changing to \$225 any (demand>supply)
- Other
 - Firewood – Lowering from \$50 to \$40 per unsplit rounds cord
 - becoming tougher to sell rounds, Supply>Demand
 - RV/Boat Storage – increasing to \$295 per season (has been at \$275 for four years)



Operating Revenues — User Rates and Fees - Keynotes

- Downhill Ski, Cross Country Ski and Snowplay
 - Price increases across virtually all products, more aggressive with Public and even higher Public pricing during Peak Periods
- Equestrian Golf Bikeworks Campground
 - Various price increases, see fee schedules
- The Lodge, Pizza and Alder Creek Café
 - Menu price increases on average 5%+

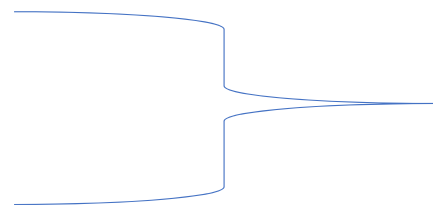


Operating Fund – Payroll Direct

- \$ 9,872,000 2018 Forecast
- 76,000 -adjust for baseline revenue & known changes/vacancies etc. by department
- \$ 9,948,000 = 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
- 169,000 Strategic impacts
- 188,000 Regulatory impacts (CA MinWage impact, increasing \$1/9% from \$11.00 to \$12.00 1/1/2019, beyond Merit)



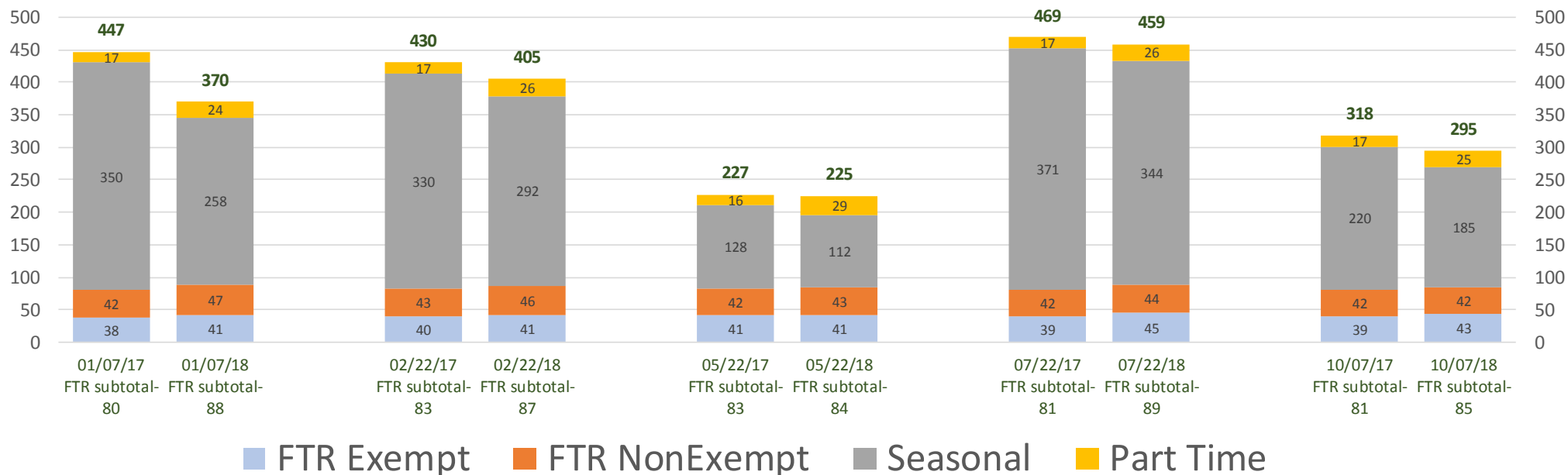
- C 44,000 – Forestry – chipping crew (seasonal)
- C 11,000 – DHSki – Capital revenue driver impact (seasonal)
- S 46,000 – Forestry – DefSpace coord (FTYR)
- S 24,000 – Forestry – Crew lead/aid (seasonal)
- S 54,000 – ASO – covenants supervisor (FTYR)
- S 70,000 – ACG/FIN – Financial Analyst (FTYR)
- 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) – Pizza – Efficiency target
- S (15,000) – DHSki School – efficiency target
- S 5,000 – all other, misc

• \$ 10,640,000 = Budget 2019 Payroll Direct 10/19/2018 Draft (\$18k less than prior draft)



Employee Headcounts in 2017 and 2018

11/22/2017
HC total - 275



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

91 FTR authorized in Budget 2018

98 FTR proposed in Budget 2019

The FTR Exempt includes Seasonal Salaried, ie not on benefits.

Winter:(1) Tickets/Rentals/Retail Manager Summer:(2) Campground and Tennis manager.

chart source file name- Payroll Head Counts in 2017 2018 with Charts.xls



Payroll W2s

- In 2017 – 924 W2's issued, up 3.0% to 2016
 - The calendar year covers two winter seasons
 - 1 winter season jan-apr employee
 - 1 summer season employee
 - 1 winter season nov-dec employee
 - This increases the # of tax forms as compared to # EE's in each 'season'
- 2017 Average Wages per W2 of \$10,276 - up 4.6% to 2016



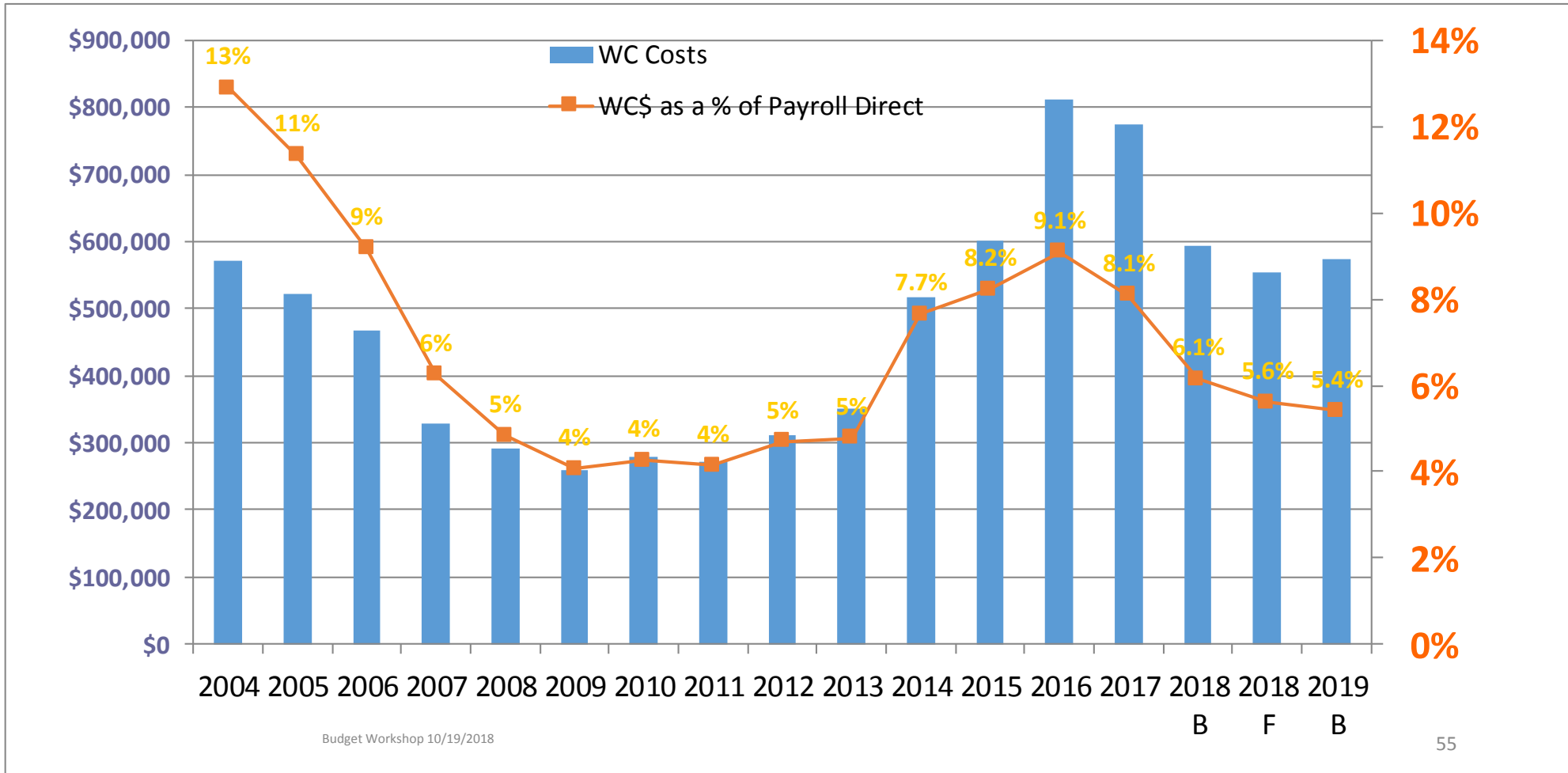
Operating Fund – Payroll Burden

	2016 Actual	2017 Actual	2018 Budget	2018 Forecast	2019 Budget
Payroll Taxes	\$ 936,449	\$ 989,858	\$ 1,060,000	\$ 1,042,000	\$ 1,160,000
Workers Comp	811,101	774,092	595,000	555,000	575,000
Health Insurance	589,506	697,265	940,000	852,000	960,000
Retirement	144,395	140,232	205,000	176,000	205,000
Total Pay Burden	\$ 2,481,451	\$ 2,601,447	\$ 2,800,000	\$ 2,625,000	\$ 2,900,000
Payroll Direct	\$ 8,930,137	\$ 9,571,886	\$ 9,676,000	\$ 9,849,724	\$ 10,640,000
PT%	10.5%	10.3%	11.0%	10.6%	10.9%
WC%	9.1%	8.1%	6.1%	5.6%	5.4%
HI%	6.6%	7.3%	9.7%	8.6%	9.0%
RM%	1.6%	1.5%	2.1%	1.8%	1.9%
TL PB%	27.8%	27.2%	28.9%	26.7%	27.3%
Operating Revenue	12,771,032	13,116,557	12,460,000	12,578,000	14,320,000
<i>Payroll Direct % Rev</i>	<i>70%</i>	<i>73%</i>	<i>78%</i>	<i>78%</i>	<i>74%</i>

< favorable renewal
 < 7% premium incr + 6p
 < plan mods TBD

\$2.9m is \$100,000 less than prior 9/14 draft, due primarily to WC Renewal favorable, see next page

Operating Fund – Workers Compensation Costs



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 – 96 employees, with current ACA calculations (see back 3 slides for recon of +5)
- 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 75 participants of 91 known FTYR positions, $75/91 = 82\%$ *enrollment rate*
 - *67 curr avg. + 5 adds (3 new positions, 1 change to FTYR from seasonal = 72.....leaves 3p 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 10/19/2018 Draft



	2017 Actual	2018 Budget	2018 Forecast	2019 Budget
Utilities	\$ 912,431 19%	\$ 932,000 19%	\$ 944,000 19%	\$ 991,000 18%
R&M Bldg/Grnds/Equip	669,830 14%	597,000 12%	601,000 12%	629,000 12%
Insurance (GL/PropCas)	432,535 9%	476,000 10%	479,000 10%	590,000 11%
Forestry Contract Work	187,318 4%	191,000 4%	201,000 4%	260,000 5%
Taxes, Property/Income	219,033 4%	278,000 6%	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 5%	249,000 5%	267,000 5%	315,000 6%
Advertising	96,308 2%	122,000 3%	95,000 2%	115,000 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 2%	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	919,203 19%	913,000 19%	1,037,000 21%	1,084,000 20%
Total Op Expenses	\$ 4,882,547 100%	\$ 4,864,000 100%	\$ 5,013,000 100%	\$ 5,450,000 100%
2019 Budget variance	567,453 12%	586,000 12%	437,000 9%	

Key changes for Budget 2019 vs B'18

- + 172,000 Baseline expenses, +3.5%, with Baseline revenues up \$816,000. 21% flow-thru
 - + 73,000 Forestry – def space 8>6yr cycle progression \$70k + \$3k chip crew/op costs
 - +15,000 ASO – covenants compliance costs
 - +66,000 cc fees on revenue change
 - +54,000 insurance renewal
 - +60,000 insurance increase coverage
 - +20,000 Training
 - +15,000 Property Taxes
 - +81,000 inflation 1.7% factor overall
-
- + \$556,000 in drivers listed above
 - + 30,000 all other changes, net
 - = \$586,000 B2B Expense change

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

Expenses, +\$241,000 5.3% - Expenses 2019 Baseline before 2019 Drivers compared to 3yr Simple Average With Revenue Baseline up \$454,000 or 2.5% to 3yr avg

Notable Baselines over 3yr Avg:
General \$74,000 DHSki \$56,000 Trails \$21,000

Budget Workshop 10/19/2018

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Operating Fund – Food and Beverage (\$ thousands)

		2017	2018	2018	2019
		Actual	Budget	Forecast	Budget
The Lodge	Revenue	2,445	2,300	2,421	2,630
	TOC	2,537	2,454	2,481	2,550
	NOR	(92)	(154)	(60)	80
	<i>Cost to Rev ratio</i>	<i>1.04</i>	<i>1.07</i>	<i>1.02</i>	<i>0.97</i>
Pizza	Revenue	518	524	590	603
	TOC	589	582	646	636
	NOR	(71)	(58)	(56)	(33)
	<i>Cost to Rev ratio</i>	<i>1.14</i>	<i>1.11</i>	<i>1.09</i>	<i>1.05</i>
Smr F&B	Revenue	239	242	254	270
	TOC	369	386	337	358
	NOR	(130)	(144)	(83)	(88)
	<i>Cost to Rev ratio</i>	<i>1.54</i>	<i>1.60</i>	<i>1.33</i>	<i>1.33</i>
Alder Cr Café	Revenue	400	313	297	450
	TOC	505	429	442	534
	NOR	(105)	(116)	(145)	(84)
	<i>Cost to Rev ratio</i>	<i>1.26</i>	<i>1.37</i>	<i>1.49</i>	<i>1.19</i>

B2B
All locations
improved margins;
via menu price
increases and
labor efficiency
goals.

Meaningful
improvement,
considering all
impacted by
+\$1/9% CA Min
Wage impact

Operating Fund – Winter Publics (\$ thousands)



		2017	2018	2018	2019
		Actual	Budget	Forecast	Budget
Downhill Ski	Revenue	3,668	3,152	3,115	3,895
	TOC	2,990	2,681	2,781	3,118
	NOR	678	471	334	777
	<i>Cost to Rev ratio</i>	<i>0.82</i>	<i>0.85</i>	<i>0.89</i>	<i>0.80</i>
XC Ski	Revenue	1,005	925	838	1,043
	TOC	832	798	714	845
	NOR	173	127	124	198
	<i>Cost to Rev ratio</i>	<i>0.83</i>	<i>0.86</i>	<i>0.85</i>	<i>0.81</i>
Snowplay	Revenue	264	269	214	282
	TOC	134	165	143	166
	NOR	130	104	71	116
	<i>Cost to Rev ratio</i>	<i>0.51</i>	<i>0.61</i>	<i>0.67</i>	<i>0.59</i>

B2B
All locations
improved margins;
via price increases
and labor
efficiency goals.

Meaningful
improvement,
considering all
impacted by
+\$1/9% CA Min
Wage impact

Operating Fund – Summer Publics (\$ thousands)



		2017 Actual	2018 Budget	2018 Forecast	2019 Budget
Golf	Revenue	994	1,150	1,155	1,160
	TOC	1,248	1,248	1,226	1,264
	NOR	(254)	(98)	(71)	(104)
	<i>Cost to Rev ratio</i>	<i>1.26</i>	<i>1.09</i>	<i>1.06</i>	<i>1.09</i>
Equestrian	Revenue	196	222	230	255
	TOC	299	309	309	320
	NOR	(103)	(87)	(79)	(65)
	<i>Cost to Rev ratio</i>	<i>1.53</i>	<i>1.39</i>	<i>1.34</i>	<i>1.25</i>
Campground	Revenue	64	61	73	70
	TOC	72	71	76	76
	NOR	(8)	(10)	(3)	(6)
	<i>Cost to Rev ratio</i>	<i>1.13</i>	<i>1.16</i>	<i>1.04</i>	<i>1.09</i>
Bikeworks	Revenue	110	109	111	117
	TOC	113	108	108	113
	NOR	(3)	1	3	4
	<i>Cost to Rev ratio</i>	<i>1.03</i>	<i>0.99</i>	<i>0.97</i>	<i>0.97</i>
Trails	Revenue	1	1	1	1
	TOC	102	149	162	173
	NOR	(101)	(148)	(161)	(172)
	<i>Cost to Rev ratio</i>	<i>102.00</i>	<i>149.00</i>	<i>162.00</i>	<i>173.00</i>

TAHOE DONNER ASSOCIATION		10/9/18 Draft			2019 Budget		Operating Fund 2019			NOR		Fav (Unfav)	
2019 Budget - Annual					NET		2019 Budget per Property			Forecast		NOR Change	
Budget Summary	Operating Revenue	Cost of Goods Sold	Gross Margin (GM)	Operating Costs Total (OCT)	OPERATING RESULTS (NOR)	# Properties > 6.473			2018	B 2 F		B 2 F %	
						GM /	OCT /	NOR /					
Private Amenities													
Trout Creek Recreation Center	\$ 1,094,000	\$ (30,000)	\$ 1,064,000	\$ (970,900)	\$ 93,100	\$ 164	\$ (150)	\$ 14	\$ 129,178	\$ (36,078)	-28%		
Beach Club Marina	750,000	(53,000)	697,000	(415,900)	281,100	108	(64)	43	240,789	40,311	17%		
Tennis Center	213,000	(32,900)	180,100	(183,300)	(3,200)	28	(28)	(0)	(18,527)	15,327	83%		
Aquatics	241,000	0	241,000	(252,400)	(11,400)	37	(39)	(2)	(7,980)	(3,420)	-43%		
Recreation Programs	180,000	(4,000)	176,000	(226,800)	(50,800)	27	(35)	(8)	(56,972)	6,172	11%		
Day Camps	275,000	0	275,000	(238,900)	36,100	42	(37)	6	30,871	5,229	17%		
Total Private Amenities	2,753,000	(119,900)	2,633,100	(2,288,200)	344,900	407	(353)	53	317,358	27,542	9%		
Public Amenities													
Downhill Ski Area	3,895,000	(203,000)	3,692,000	(2,915,000)	777,000	570	(450)	120	334,001	442,999	133%		
Cross Country Ski Area	1,043,000	(59,000)	984,000	(786,300)	197,700	152	(121)	31	123,748	73,952	60%		
Snowplay	282,000	(4,000)	278,000	(161,900)	116,100	43	(25)	18	71,242	44,858	63%		
Equestrian	255,000	(6,500)	248,500	(313,500)	(65,000)	38	(48)	(10)	(78,943)	13,943	18%		
Campground	70,000	0	70,000	(75,500)	(5,500)	11	(12)	(1)	(2,682)	(2,818)	-105%		
Trails	1,000	0	1,000	(173,100)	(172,100)	0	(27)	(27)	(160,969)	(11,131)	-7%		
Bikeworks	117,000	(39,000)	78,000	(73,700)	4,300	12	(11)	1	2,677	1,623	61%		
Golf	1,160,000	(61,000)	1,099,000	(1,203,400)	(104,400)	170	(186)	(16)	(70,612)	(33,788)	-48%		
Summer Food and Beverage	270,000	(70,000)	200,000	(288,000)	(88,000)	31	(44)	(14)	(83,396)	(4,604)	-6%		
Alder Creek Café	450,000	(144,000)	306,000	(389,600)	(83,600)	47	(60)	(13)	(144,684)	61,084	42%		
The Lodge	2,630,000	(740,000)	1,890,000	(1,810,000)	80,000	292	(280)	12	(59,664)	139,664	234%		
Pizza on the Hill	603,000	(166,600)	436,400	(469,600)	(33,200)	67	(73)	(5)	(55,839)	22,639	41%		
Total Public Amenities	10,776,000	(1,493,100)	9,282,900	(8,659,600)	623,300	1,434	(1,338)	96	(125,123)	748,423	598%		
Total Amenities	13,529,000	(1,613,000)	11,916,000	(10,947,800)	968,200	1,841	(1,691)	150	192,235	775,965	404%		
Homeowners Association													
General	0	0	0	(1,063,600)	(1,063,600)	-	(164)	(164)	(931,167)	(132,433)	-14%		
Communications	210,000	0	210,000	(743,700)	(533,700)	32	(115)	(82)	(508,479)	(25,221)	-5%		
Facility Administration	0	0	0	(339,900)	(339,900)	-	(53)	(53)	(332,350)	(7,550)	-2%		
Administration	184,000	0	184,000	(809,200)	(625,200)	28	(125)	(97)	(643,994)	18,794	3%		
MIS	0	0	0	(677,400)	(677,400)	-	(105)	(105)	(652,392)	(25,008)	-4%		
Accounting	6,000	0	6,000	(915,500)	(909,500)	1	(141)	(141)	(788,999)	(120,501)	-15%		
Human Resources	0	0	0	(412,400)	(412,400)	-	(64)	(64)	(389,333)	(23,067)	-6%		
ASO & Community Services	301,000	0	301,000	(510,300)	(209,300)	47	(79)	(32)	(197,761)	(11,539)	-6%		
Member Services	34,000	0	34,000	(284,500)	(250,500)	5	(44)	(39)	(223,801)	(26,699)	-12%		
Forestry	56,000	0	56,000	(1,135,100)	(1,079,100)	9	(175)	(167)	(899,691)	(179,409)	-20%		
Building Maintenance	0	0	0	(825,600)	(825,600)	-	(128)	(128)	(765,056)	(60,544)	-8%		
Total Homeowners Association	791,000	0	791,000	(7,717,200)	(6,926,200)	122	(1,192)	(1,070)	(6,333,023)	(593,177)	-9%		
TOTAL OPERATING FUND	\$14,320,000	\$ (1,613,000)	\$ 12,707,000	\$ (18,665,000)	\$ (5,958,000)	\$1,963	\$ (2,884)	\$ (920)	\$ (6,140,788)	\$ 182,788	3%		





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)



Annual Assessment per owner - 2019 10/19/18 draft

Operating Fund	Replacement Reserve Fund	Development Fund	New Equipment Fund	Total	
\$ 940	\$ 620	\$ 310	\$ 30	\$ 1,900	2018 AA per owner
\$ (50)	\$ 100	\$ 25	\$ -	\$ 75	changes
-5.3%	16.1%	8.1%	0.0%	3.9%	
\$ 890	\$ 720	\$ 335	\$ 30	\$ 1,975	3.9% 2019 AA per owner, draft 10/19 RECOMMENDED
\$ 5,761,000	\$ 4,661,000	\$ 2,168,000	\$ 194,000	\$ 12,784,000	2019 AA revenue, draft 10/19
\$ (324,000)	\$ 648,000	\$ 161,000	\$ -	\$ 485,000	2019 AA revenue change, draft 10/19

OPTIONS for Modifications from Recommended 2019 AA include:

S1)	(25)	(40)	(5)	(5)	\$ (75)
	865	680	330	25	1,900
	-8%	10%	6%	-17%	0%
S2)	-	(65)	(5)	(5)	\$ (75)
	890	655	330	25	1,900
	-5%	6%	6%	-17%	0%
S3)	-	-	(60)	(15)	\$ (75)
	890	720	275	15	1,900
	-5%	16%	-11%	-50%	0%

S1) Drop Financial Analyst \$15, drop Insurance +\$25m increase \$10 & lower cap funding levels
AA change to 2018 AA

S2) lower capital funding levels, mainly RRF

AA change to 2018 AA

S3) Decrease funding level of DEV Fund and New Equip Fund

AA change to 2018 AA

S1-S3 options lower the capital funding level not expenditure level. (ie the changes equate to less savings for future capital needs).

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With AA flat last 3 years, not increasing for 2019 potentially places greater pressure in 2020 to increase more than 3-5%; in order to achieve a balanced budget and adequate capital funding levels

Budget Workshop 10/19/2018



2019 Budget – Board APPROVAL (in October 2018)

- Operating Fund
 - Excess Members Equity Transfer(s), in 2018
 - 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.*

Regular Board Meeting 10/27 – late in month, Budget Approval required by this date

2019 Budget – next steps

- next ... Budget Approval October 27, 2018

- Operating Fund
 - Board / FC/ GPC / other guidance refinement
- Capital Funds
 - Board / FC/ GPC / other guidance refinement