

# DECISION PAPER



October 11, 2018

## Review and Update Of Tahoe Donner Association Board of Directors Resolution 2013-4, Operating Fund Policy

**Issue:** The Finance Committee, at the direction of the Board and in accordance with the Association’s commitment to review and update resolutions every five years, has reviewed Resolution 2013-4, Operating Fund Policy at TAB A. Final DRAFT of updated resolution entitled Administrative Resolution 2018-4, Operating Fund Policy is at TAB B.

**Background:** The Operating Fund Policy was last updated in 2013. No significant changes have occurred to overall purpose of the current Policy (TAB A). Resolution needs updating to reflect current operational processes and improve clarity in the area of operating fund reserve balances that meet the needs of the Association.

### Key Provisions/Changes:

- **PURPOSE** Section: Added footnoted citations for other referenced financial resolutions for easy identification.
- **FUND PRINCIPLES** Section: Introduces “Operating Fund Contingency Reserve (OFCR)” for specificity and clarity to replace the nebulous “...certain level of Members Equity...”, held in the Operating Fund from year to year, in paragraph two. This is the minimum balance maintained in the OF for contingencies that affect major ups and downs in revenue and expenses that can occur in any given year; primarily due to weather extremes and has become a best practice for the Association. Incorporated appropriated changes throughout the document.
- **MINIMUM FUND BALANCE** Section:
  - Changed section title to reflect OFCR terminology. Current “Minimum Fund Balance” section (page3, TAB A) sets the minimum fund balance at \$500,000. While this was considered adequate in 2013 it is recognized that expenses have increase and that the OFCR minimum should be raised to \$750,000 to keep up with inflation and cost of doing business.
  - Maximum OFCR balance is set at 10% of the current year’s gross Operating Revenue. Consideration was given to raising this, however, since OR increases each year it is felt that a 10% maximum is adequate for risk purposes.
- The new DRAFT resolution is consistent with the Association’s established business practices and terminology to ensure consistency and compliance in all provisions.



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- Other changes:
  - Added “ADMINISTRATIVE: to title to reflect current titling procedures.
  - Minor wording edits in WHEREAS paragraphs for readability, and bylaw terminology.
  - Formatting edits in spacing, lines, fonts, footnotes, headers, margins, throughout the document.

## Options:

1. Approve updated Administrative Resolution 2018-4 and review in 5 years (TAB B).
2. Reject updated Resolution and provide further guidance.
3. Revalidate existing Resolution and extend validity 5 years.

**Recommendation:** To approve the updated Resolution, Option 1.

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**Prepared By:** Finance Committee, Resolution Review Subcommittee-John Dundas, Michael Eyton-Lloyd, Jim Stang, Corey Leibow and Mike Salmon, Dir Fin & Acctg, October 11, 2018

**Reviewed By:** Finance Committee, October 11, 2018

**Board Meeting Date:** October 27, 2018

