



**TAHOE DONNER ASSOCIATION
BOARD OF DIRECTORS**

ADMINISTRATIVE RESOLUTION 2018-4

OPERATING FUND POLICY

WHEREAS, Tahoe Donner Association shall establish and maintain an “operating account”, commonly referred to as the Operating Fund, and will deposit the operating portion of all regular and special assessments in accordance with its governing documents¹; and,

WHEREAS, the following constitutes the Operating Fund Policy of Tahoe Donner Association and supersedes Resolution 2013-4 and all previously approved operating fund policies;

NOW THEREFORE, BE IT RESOLVED, that the Board of Directors of Tahoe Donner Association approves and adopts the following Operating Fund Policy:

PURPOSE

The Operating Fund is established in accordance with the Association’s Governing Documents as an operating account for the revenue and expense activities of the Association’s various amenity and service departments. The Operating Fund is used for all non-capital expenses essential to the Association’s operation. Funds for capital expenditures are held in the Replacement Reserve Fund², the Development Fund³, and the New Equipment Fund⁴ according to their individual policies.

Operating budgets are developed by Staff for all amenities and service departments with an emphasis on managing operating revenues and expenses efficiently, while providing consistent levels of service. Detailed budgets are reviewed and approved by the Board of

¹ Restated Bylaws of Tahoe Donner Association, Article XII, Section 3

² Resolution 2013-03, Replacement Reserve Fund Policy, and subsequent revisions, if any.

³ Administrative Resolution 2017-3, Development Fund Policy, and subsequent revisions, if any.

⁴Administrative Resolution 2017-4, New Equipment Fund Policy, and subsequent revisions, if any.

Directors each year in accordance with the Association's Financial Planning, Budgeting, and Reporting Procedures.⁵ The Finance Committee, at the direction of the Board, will assist in the budget development process to ensure that the budget is prudent, financially sound, and in the best interest of the members of the Association.

RESPONSIBILITY & AUTHORITY

It is the goal of the Association to maintain a consistent annual assessment for the Operating Fund subject to normal operating revenue and expense adjustments. The Board shall exercise prudent fiscal management in maintaining the integrity of the Operating Fund, and in adopting and maintaining operating revenue and expenditure plans.

The Board of Directors and the General Manager, to the extent authorized by the Board of Directors, will have the full authority and responsibility to administer the Operating Fund Policy in accordance with the terms and provisions contained herein. The Board of Directors has the authority to allow for specific exceptions to the stated parameters or restrictions, except those mandated by statute or those limited by the Governing Documents.

FUND PRINCIPLES

Each year, the Association develops a budget for operations that it considers realistic, yet conservative, striving to provide the most fiscally responsible projection of the upcoming year's financial performance.

The seasonal nature of operations is subject to significant impact from weather, economic conditions, and variable revenue and operating expenses. Due to the wide variety of elements that may impact operations in any given year, actual results may deviate from the budget, either positively or negatively, and at times significantly in either direction. Therefore, prudent financial management dictates that the Association maintains a certain level of Members Equity to be held as Operating Fund Contingency Reserve (OFCR) in the Operating Fund.

The OFCR is designed to cover unanticipated shortfalls in the operating budget. At the end of each fiscal year, Management will review the Operating Fund to ensure that the year-end closing balance meets the minimum OFCR requirements in accordance with this Policy.

When surpluses occur in the Operating Fund at the end of the fiscal year, amounts in excess of the minimum OFCR balance may be transferred to the Development Fund, Replacement Reserve Fund, or the New Equipment Fund at the discretion of the Board of Directors.

⁵ General Resolution 2014-1, Financial Planning, Budgeting, and Reporting, and subsequent revisions, if any.

To the extent that the Operating Fund forecasted year-end closing balance is less than the minimum required OFCR balance, this shortfall must be replenished through the Annual Assessment for the following fiscal year.

If, in any given period, the operating shortfall in funds exceeds the amount in the Operating Fund balance, the Board of Directors may authorize Management to borrow from the Development Fund or from the Replacement Reserve Fund to meet such shortfalls, but this borrowing must be repaid within the following fiscal year.

OPERATING FUND CONTINGENCY RESERVE BALANCES

The OFCR balance in the Operating Fund shall be no less than \$750,000 and up to 10% of the current year's gross Operating Revenue Budget, at the discretion of the Board.

These OFCR balances will ensure that Management can meet short-term working capital requirements, while at the same time requiring Management to take rapid steps to mitigate any substantial shortfalls in the actual operations vs. budget.

The Board of Directors shall review the amount of the minimum and maximum OFCR balance annually during the annual budget process to ensure that the estimated operating fund balance will continue to be adequate for the needs specified above.

ANNUAL ASSESSMENT AND EXPENDITURES

The Annual Assessment shall ensure that the contribution to the Operating Fund is sufficient to provide for the operational needs of the Association determined during the annual financial planning and budgeting process. Appropriate expenditures from the Operating Fund include expenses for operating the Association in accordance with Board approved expenditure authorizations.³

REPORTING

A summary of the results of the Association's annual operating budget, along with the funding level being assessed for the Operating Fund, will be reported to Association Members as part of the Association's Annual Budget Report. Furthermore, the accounting of the Association's actual operations in each fiscal year will be reported to Association Members as part of the Association's year-end Annual Report as required by the Governing Documents.⁴

³ Corporate Resolution 2012-2, Resolution Regarding Budget Authority, and subsequent revisions, if any.

⁴ Restated Bylaws of Tahoe Donner Association, Article XII, Section 5, Budgets and Financial Statements

APPROVAL

Approval of the Operating Fund Policy and any changes, amendments, or modifications thereafter, may only be accomplished at a properly noticed meeting of the Board, after a full reading of the policy in open session, with reasonable time allowed for property owner comment.

ACCEPTED AND DATED: October 27, 2018

JENNIFER JENNINGS, President

VACANT_____
Vice President

DON KOENES, Secretary

JEFF CONNORS, Treasurer

DARIUS BROOKS, Director

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