



FINANCE COMMITTEE MEETING REPORT

April 11, 2019
Mezzanine Room, Northwoods Clubhouse

ATTENDANCE

Members: Leibow, Dundas, Ravano, Hunter, Eyton-Lloyd, Bonzon, Melia (Call in), Johns, Stang, Mahoney

Absent: Wu (technical difficulties), Anderson

Ex-officio: Salmon

Absent: Etnyre

Board Liaisons: Connors, Koenes (Call in)

GPC Liaison: None

TD Members: Terry Watson (At-large Ad hoc Investment Subcommittee Member)

AGENDA ITEMS

1. **Call to Order, Quorum, Agenda and Report:** 15:00 pm, quorum present. Agenda approved by unanimous vote (Bonzon 1st, Mahoney 2nd). March 14, 2019, FC Report approved by unanimous vote (Eyton-Lloyd 1st, Johns 2nd).
2. **Member and Committee Member Comments:** None.
3. **Committee Management:**
 - a. Finance Committee Annual Planner: Committee presented with Annual Planner to be used in setting agendas going forward. Recommended that that monthly 5501 Subcommittee Review Report be added, done.
 - b. 5501 Subcommittee Participation: Requested FC Members to participate in next Quarter's monthly 5501 Subcommittee Meetings. Following assignments were accomplished:
 - i. April 2019 – Steve Mahoney
 - ii. May 2019 – Dave Hunter
 - iii. June 2019 – Steve Mahoney
 - c. New Member for RRSC: New member requested to replace Leibow on RRSC. Steve Mahoney volunteered; thanks Steve.
 - d. Vice Chair: Leibow requested that Dundas be approved as Vice Chair. Verbal approval.

4. **Recurring Business:**

- a. GPC Liaison Report: Dundas provided synopsis of March GPC Meeting. Information included: Capital Funds Projection, TCRC Remodel, Downhill Ski Resort financial analysis assistance, Golf Course improvements and GPC Communication Subcommittee efforts. Link for Draft GPC report is <http://www.tahoedonner.com/wp-content/uploads/2019/04/190401-GPC-Minutes-draft-2.pdf>.
- b. 5501 Subcommittee Report: Anderson and Mahoney were FC participants in March. Review went well and it was stated that this is an opportunity for members to learn more about TDA financial operations. Director Connors also backed the educational benefits and indicated the systems are running smoothly and that Director, F&A is doing a good job. Next Review is scheduled for April 23, 2019 (subject to all attendee's availability).

5. **Old Business:**

a. Ad hoc Investment Subcommittee (AHISC) Update- Kick-off meeting of the AHISC was conducted just before today's FC Meeting. AHISC participants include:

- FC Members: Anderson, Mahoney
- At-large Member: Watson
- Ex Officio Members: Treasurer, Connors: Dir, F&A, Salmon.

AHISC plans to meet Quarterly one week prior to that monthly FC Meeting. Next two meetings planned for the months of July 2019 and October 2019. In addition to guidance contained in Resolution 2015-5, Investment Policy, it was directed at the March 23, 2019 TDABOD Meeting that the AHISC focus on six tasks. These tasks have been provided to the AHISC. It was further discussed that TDA's major investment focus is safety of principal and ability to access to funds when needed.

6. **New Business:**

- a. March Preliminary Financial Results and February Report Review:
 - i. Salmon provided an overview of March 2019 preliminary Operating Fund Results, with the month's Revenues favorable \$175,000/12% and NOR favorable \$113,000/74% to Budget. A historical review of March past 10 years shows March 2019 was a record month in Revenue, Costs, and NOR (favorable record, almost breaking even for the month!).
 - ii. Visitations at all amenities were up in March while Year to Date visitations are mixed due to extremes in weather condition throughout the January – March timeframe.
 - iii. Three months YTD March 2019, revenues up 13% and costs up 5%, resulting NOR up 242% or **\$408,000 to Budget**. A great start to the fiscal year and good uptick hedge heading into an aggressive Summer budget season expectation.
 - iv. Five months of the winter season shows a positive variance to budget NORBO of \$1,032,214 and up \$1.9m to prior year same period! Tough winter weather while presenting difficult conditions has been beneficial to the Association financially due primarily to Downhill Ski results (favorable \$787,000 to budget).

- v. Operating Fund Member's Equity of \$2.9m is currently \$1,428,670 ahead of our Operating Fund Contingency Reserve of \$1,421,000 (10% of 2019 Operating Revenue).
 - vi. No questions or discussion took place pertaining to February 2019 unaudited Financial Report.
- b. Annual Report DRAFT Review: DRAFT hard copies of Annual Report were distributed to attendees. Any comments, suggestions, recommended changes needed by DFA by Monday, April 15, 2016 as deadline for May 2016 issue of TD News is upon us.
- c. CPI Modeling Project: A "strawman" Consumer Price Index (CPI) Modeling Project Paper was authored and provided to the FC by Director Connors. CPI was not favorably considered by the FC because current budgeting procedures do not properly identify and meet our needs on a year in and year out basis by more accurately forecasting the annual budgeting requirements of the organization. Each fund of the Association has specific requirements and is budgeted based on the actual needs of the organization, not some artificial benchmark. The historical performance of our annual budgets and assessments provides as an adequate indicator as to the amount of increase needed each year. Increases in recent years have been to improve the capital side of our funds to meet the constant requirement to maintain assets and protect each member's investment. Director Connors admitted that the main reason for this specific project was less about solely using CPI to construct our annual budget but to use it to create a "3 year not to exceed" budget and to provide the Board (and possibly members) with a 3 year "Annual Assessment" view. Section 2, Article IV of the TDA C&Rs requires the budget of the Association to be established that takes into consideration all common expenses for the coming year, less the anticipated revenue, which then becomes the annual assessment for the Association. This methodology is what is currently in place and establishing some artificial cap on our annual assessments does not seem appropriate. This section also establishes that the maximum the Board can raise the assessment is no more than 20% of the previous year's annual assessment in any given year. After much discussion of the pros and cons of the need for a CPI specific FC project, it was the consensus of the FC that the document would be returned to the Board of Directors and for the BOD to determine if there is still a necessity to make this major shift in our budgeting process.
- d. Review DF and RRF Activity (Jan-Mar) and CFP: Review Capital Funds Projection. The concept of reserves (buckets) for projects was discussed and is to be used going forward in order to save financial resources needed to accomplish large scale projects. Still a large requirement in the out years to save to meet requirements. Also, a need to better identify these long range, large financial resource requirements.

- e. DSL Support to the GPC – Mahoney reported on progress of providing support to the GPC with financial analysis to support the DSR Lodge Project. To date a financial model has been developed using initial information from GPC. This FC Subcommittee (Leibow, Mahoney, Dundas) have met and are scheduled to provide information to the GPC DHSR Subcommittee on April 19, 2019. Goal is to see how financials support what size facility we need for the benefit of all owner/members.

7. Next FC Meeting: May 9, 2019, 3:00 pm, Mezzanine Room, Northwoods Clubhouse

- a. **Preliminary Agenda Topics:** Chair (5 min)
 - i. April Preliminary Financial Results and March Report Review – DFA
 - ii. Review of DH and XC Ski ticket pricing – Chair/DFA
 - iii. DSL Support to the GPC – Mahoney
 - iv. GPC Liaison Report – Dundas
 - v. Review of Board’s proposed Charter changes

8. Adjournment: 5:18 pm (Stang 1st, Ravano 2nd)

Prepared and Submitted by: Corey Leibow, Chair, Finance Committee