



FINANCE COMMITTEE MEETING REPORT

May 9, 2019

Mezzanine Room | Northwoods Clubhouse

ATTENDANCE

Members:

Present: Leibow, Dundas, Bonzon, Melia, Johns, Stang

Call-in: Eyton-Lloyd, Wu, Mahoney

Absent: Hunter, Ravano, Anderson,

Ex-officio: Salmon

Absent: Etnyre

Board Liaisons:

Call-in: Connors, Koenes

GPC Liaison: Miller, Sullivan (GPC Chair)

Staff: Robin Bennett (Exec PM/Asst to GM)

TD Members: Murrell (GPC Member, joined in progress)

AGENDA ITEMS

1. **Call to Order, Quorum, Agenda and Report:** 15:03 pm, quorum present. Agenda approved by unanimous vote (Johns 1st, Stang 2nd). April 11, 2019 Report approved by unanimous vote (Bonzon 1st, Johns 2nd).
2. **Member and Committee Member Comments:** None
3. **Committee Management:**
 - a. TDABOD Meeting Representation. Chair discussed need to have FC presence at monthly TDABOD Meeting on May 18, 2019. Bonzon agreed to attend if necessary (may not be a meeting). If meeting is rescheduled to following week, Mahoney agreed to attend.
 - b. Attendance Replies. If order to have a good count of who will be attending monthly FC Meetings, it is asked that members follow the following:
 - i. If you will be attending in person, no reply necessary. Silence indicated attendance in person.
 - ii. If you are going to call-in or be absent, please let the Chair and the Vice Chair know in advance.This will facilitate getting the meetings started on time without leaving someone out.
4. **Recurring Business:**
 - a. GPC Liaison Report – Dundas covered highlights of GPC Meeting conducted on May 6, 2019. Attended GPC Communications Subcommittee, Downhill Ski Resort Lodge Subcommittee and GPC Meetings. Subcommittees are functioning

to support tasks assigned to the GPC. Short discussion of ongoing TCRC remodel project; Phase I on target and completion of project scheduled for January 2020. Phase II to begin after the 4th of July holiday. DHSR Lodge project has shifted to the “needs analysis” in order to focus in on right sizing for structure to meet the needs of members and operations. FC Subcommittee provided a financial analysis to the DHSR Subcommittee (see c below).

- b. 5501 Subcommittee Report - April 23rd Meeting attended by Mahoney. No significant findings. It was reiterated that this is a good opportunity to get a better working knowledge of how the financial engine of TD operates. Attendees for upcoming meetings are:
 - i. May 21 – Dave Hunter
 - ii. June 25 – Steve Mahoney
 - iii. July 23 – Tom Johns
- c. DSL Financial Analysis Support to the GPC – Financial analysis for sizing options for the DHSR Lodge was provided (<https://www.tahoedonner.com/wp-content/uploads/2019/05/Observations-on-the-new-Downhill-Ski-Lodge-Sizing-Exercise-04192019-vf.pdf>). Based upon the three options considered an opinion was provided to support the larger facility as a better value to TD Owners over the long life of the facility. It would provide an improved overall experience to owners/members and their guests, improved customer service environment, and a venue that presents increased potential for use in other seasons. Thanks to Steve Mahoney for taking the lead in this request for support from the GPC.

5. New Business:

- a. April Preliminary Financial Results and March Monthly Financial Report Review:
 - i. DFA provided snapshot of April preliminary results and since the FC Meeting the April 2019 financials have been wrapped up. The following reflects the performance for April 2019.
 - 1. From the May 8th Preliminary Draft for the FC on 9th; Net Results degraded by \$39,000 due to the following:
 - a. \$17,000 more in Revenue; investment income \$15,000 (not in prelim figure), \$2,000 misc. other changes.
 - b. (\$25,000) accrual for Claims Expense regarding Insurance Claim matter with Deductible exposure (a known Contingent Liability that can be estimated).
 - c. (\$31,000) miscellaneous costs(invoices) received, end of season estimate true-ups, and misc. accruals (*the price of early prelims/fc mtgs*).
 - 2. Month of April to Budget, \$139,000 favorable in revenue, \$99,000 favorable in net.... for 71% flow-thru. YTD April Net Results are \$522,000 favorable to Budget and \$1.1 million favorable to 2018 YTD.
 - 3. Winter Season (Nov-Apr) set new favorable records in Revenue and Net Results. A great snow season and aggressive Public pricing combo! Yes, new record costs as well (have I mentioned CA Minimum Wage going up 9% on a CAGR basis 2014 to 2019,

impacting over 40% of our payroll costs). *Plenty of other cost pressures too [huge winter, FED ACA, insurance (including AB2912 law coverage mandates), credit card fees go up when revenues go up].* Winter Season is an agenda topic for our next FC meeting on 6/13.

4. As of April 30th, 2019; your association has \$74.7 million in Total Assets, up 7% to April 2018 and members equity is \$66.2 million or \$10,223 per member, up 7% to April 2018. Operating Fund member equity of \$3.0 million is \$1.5 million in excess of policy target balance. The Association is at its strongest financial position on record.
 5. The full report for April is on our website:
<https://www.tahoedonner.com/members/association-management/financials/reports/>.
- ii. Member raised concern about continued increases in legal expenses. After discussion requested that Treasurer Connors provide information on this subject at the June 2019 FC Meeting; he agreed. No further discussion points about posted March Monthly Financials. Report can be found at the following link: <https://www.tahoedonner.com/wp-content/uploads/2019/04/2019-03-Finance-Package.pdf>.
 - b. Review ski season demand pricing impact: Analysis of demand pricing can be found at: (<https://www.tahoedonner.com/wp-content/uploads/2019/05/DHski-Peak-Xmas-and-Pres-20190508.pdf>). This reflects that establishing demand pricing had a positive effect on revenue during the 2018/19 Holiday Peak Periods. This aggressive concept was also bolstered by favorable snowmaking conditions and large snowfall over the season. It is unknown how this will be received in the future since some people expressed displeasure with significant increases over previous years. Increases were focused primarily on public and non-accompanied guests. Large snowfall days also negatively impacted upon skier visits, which is always a risk.
 - c. Review the financial impact of use of our amenities by the “Public”: Committee reviewed and discussed analysis of public financial impact at Downhill Ski Resort (<https://www.tahoedonner.com/wp-content/uploads/2019/05/DHski-Public-Impact-18.19-Season.pdf>). Analysis reflects that the public net positive impact on revenue for 2018/2019 to be \$1,875,000. That equates to \$290 per Owner and depending upon financial performance for the rest of 2019 has potential to provide great leverage on the budgeting process for 2020. Must realize that this was a good downhill ski season and some years will be leaner. To combat downturns due to low snow years we have a robust Operating Fund Contingency Reserve as weather insurance. Also reflected is that the estimated 39% public participation contributes 54% of the gross revenue of the amenity. Bottom line is that the public participation is a benefit to all Owners.
 - d. Review of Board’s proposed Charter changes: Due to time and in view of TDABOD not needing until June 2019 Meeting this was deferred to June 2019 FC Meeting, June 13, 2019.

- e. 2019 Audit/Tax Services Request for Proposal (RFP): Committee reviewed document to establish a subcommittee for the purpose of selecting a new independent auditor and tax services firm. Robust discussion ensued centered around the need for such an action. The need for such action unclear since;
 - i. TDA has a great working relationship with existing firm.
 - ii. Fees charged are very fair, probably below market due to long working relationship for both parties.
 - iii. TDA is satisfied with current auditing firm and is without issue.
 - iv. It was stated by a number of former Board members that are now members of the finance Committee that a formal RFP process was conducted within the last 5 years which resulted in the retention of our current firm.
 - v. Transition to new firm would unduly and significantly increase the workload of both F&A Department as well as increase the length of the total audit process.

In view of the many processes currently in place (Annual Audit, Annual Budget Process, Monthly Financial Reviews, meetings between the Treasurer and DFA, and new 5501 Subcommittee Monthly Review) it does not seem that a change in firms is prudent in view of potential increase in the cost of service and time that would be required to forge new working relationships. Two members voiced concern about the length of time we have been using the same firm (13 years). Others were not concerned with this circumstance, therefore voted (10 -2, Johns 1st, Mahoney 2nd) to refer action back to the TDABOD for reevaluation to ensure it is the direction of the full Board.

6. Next FC Meeting: June 13, 2019, 3:00 - 5:00 pm, Mezzanine Room, Northwoods Clubhouse:

- a. **Preliminary Agenda Topics:**
 - i. GPC Liaison Report - Dundas/Miller
 - ii. 5501 Subcommittee Report - Mahoney/DFA/Treasurer
 - iii. May Preliminary Financial Results and April Monthly Financial Report Review – DFA
 - iv. Pricing elasticity models on all major amenities – Chair/DFA
 - v. Winter Amenities Financial Review – DFA
 - vi. Legal Expense Review – Connors, Treasurer

7. Adjournment: 5:13 pm (Mahoney 1st, Johns 2nd)

Prepared and Submitted by Corey Leibow, Chair, Finance Committee