

# 2019 BUDGET REPORT

## \$1,965 ASSESSMENT

AN INCREASE OF \$65 OR 3%,  
AFTER FLAT AT \$1900 FOR THREE YEARS

## \$290 RECREATION FEE

AN INCREASE OF \$20 OR 7%,  
AFTER FLAT AT \$270 FOR THREE YEARS

### DAILY ACCESS FEES PER PRIVATE AMENITY - 2019 (2018)

EFFECTIVE 1/1/2019

MEMBER - \$8 (\$6)

GUEST WITH MEMBER - \$10 (\$8)

GUEST ON GUEST CARD - \$15 (\$12)

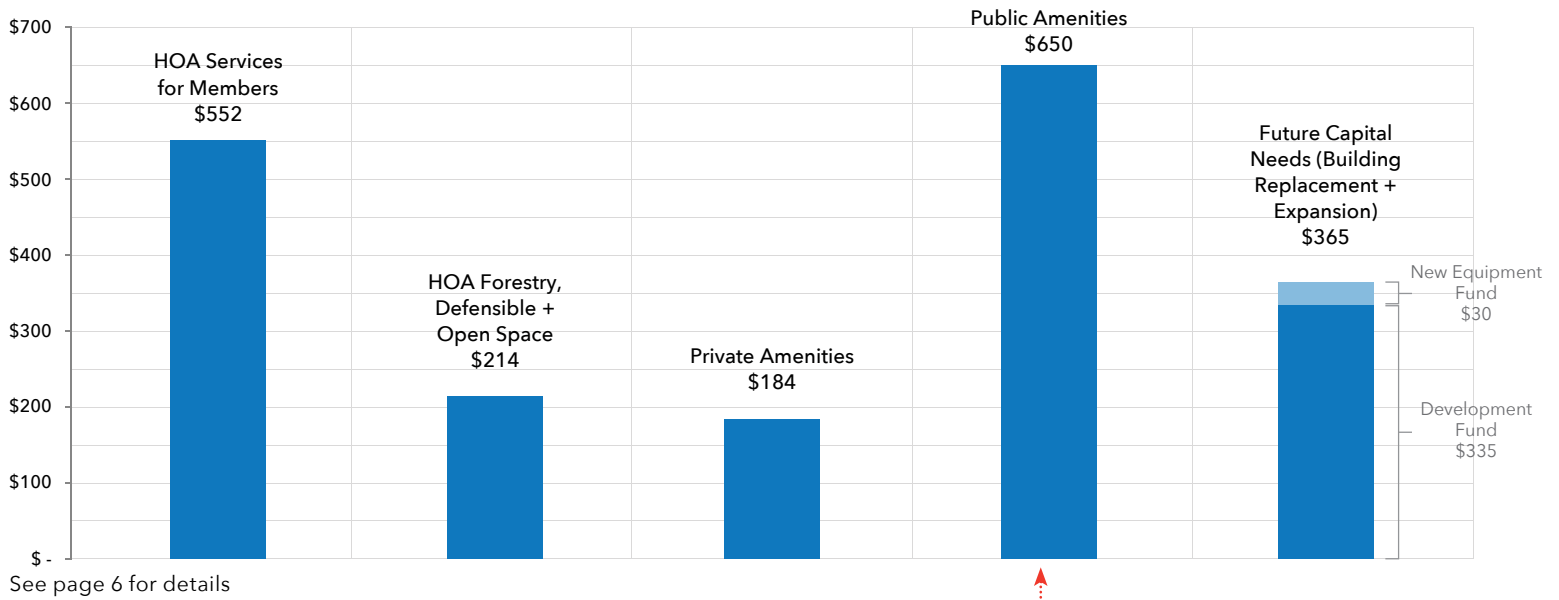
## ASSESSMENT GROWTH RATES

COMPOUND ANNUAL GROWTH RATES TO 2019

	1 YEAR	3 YEAR	5 YEAR	10 YEAR	20 YEAR	30 YEAR
Operating	-6.4%	-6.4%	0.9%	2.4%	4.0%	3.9%
Capital	13.0%	9.5%	7.4%	7.9%	8.0%	10.1%
Combined Total	3.4%	1.1%	4.2%	5.1%	5.8%	6.0%



## 2019 Budget - Per Owner Annual Assessment of \$1,965 Distribution



## INTRODUCTION

The 2019 Annual Assessment of \$1,965 reflects an increase of \$65 or 3.4% over the past three consecutive years' assessment of \$1,900.

- The \$1,085 Capital Funds portion was increased \$125 to fund future capital needs of our aging assets.
- The \$880 Operating Fund portion was decreased \$60 due to improved three-year operating revenue trends and strategic pricing increases offsetting continued cost pressures (\$30) and allocated overhead to Capital Funds accounting change (\$30).
- For Private Amenities access, the optional Recreation Fee was increased \$20 or 7% to \$290 after three consecutive years at \$270. Member daily access increased \$2 to \$8, after having no change for 11 years. Accompanied Guest daily access increased \$2 to \$10, after having no change for 11 years. Unaccompanied Guest daily access increased \$3 to \$15 from 2018.

Included in this Budget Report are new cost accounting elements which provide additional insights into the financials of your association. For 2019, we have re-introduced allocated overhead and capital costs across all amenities and departments.

A key reason for providing this information to all members is the need to understand that beyond basic operating revenues and

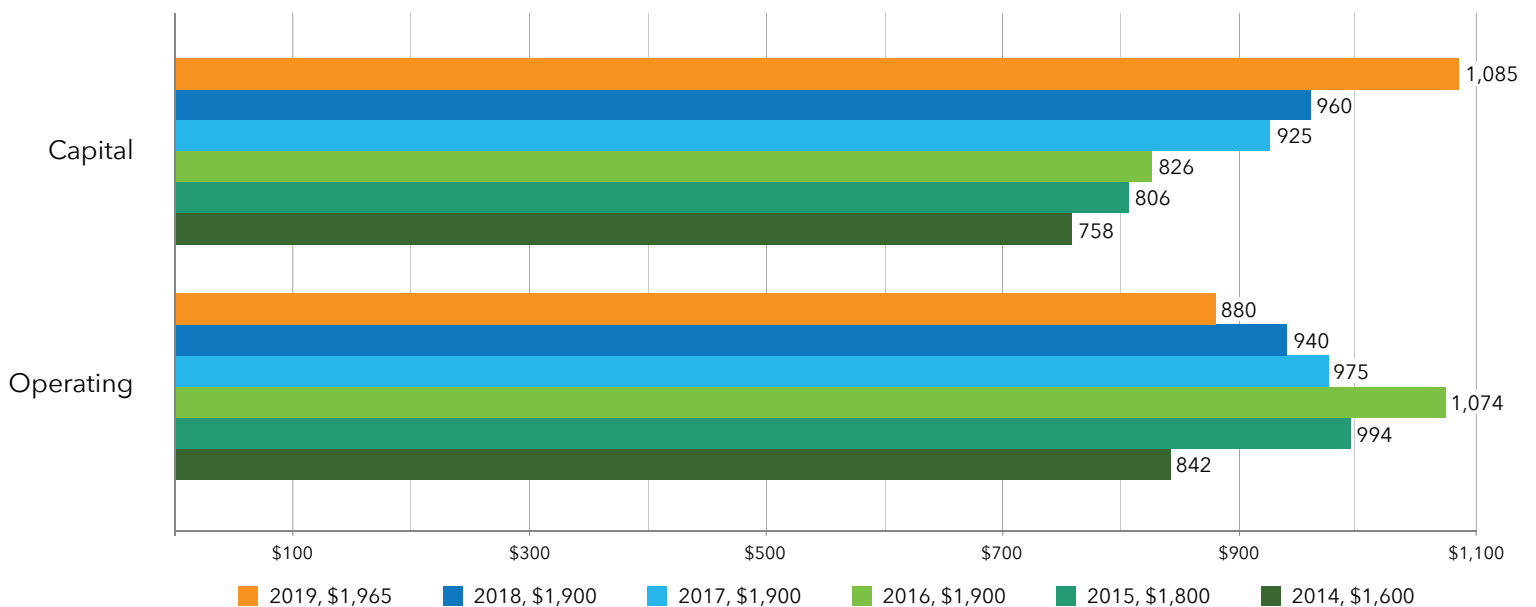
expenses, there are real significant overhead and capital costs for each of our amenities. The chart on page 3 reflects this information, as do the informative details on page 6.

Tahoe Donner Association (the Association) prepares its annual revenue and expense budget in accordance with applicable laws, its own governing documents, and budgetary policies and procedures. The Association's approved budget also reflects the fiduciary responsibility of the Board of Directors and management in protecting all Owners' investment in the Association, both for the 2019 budget year and into the future.

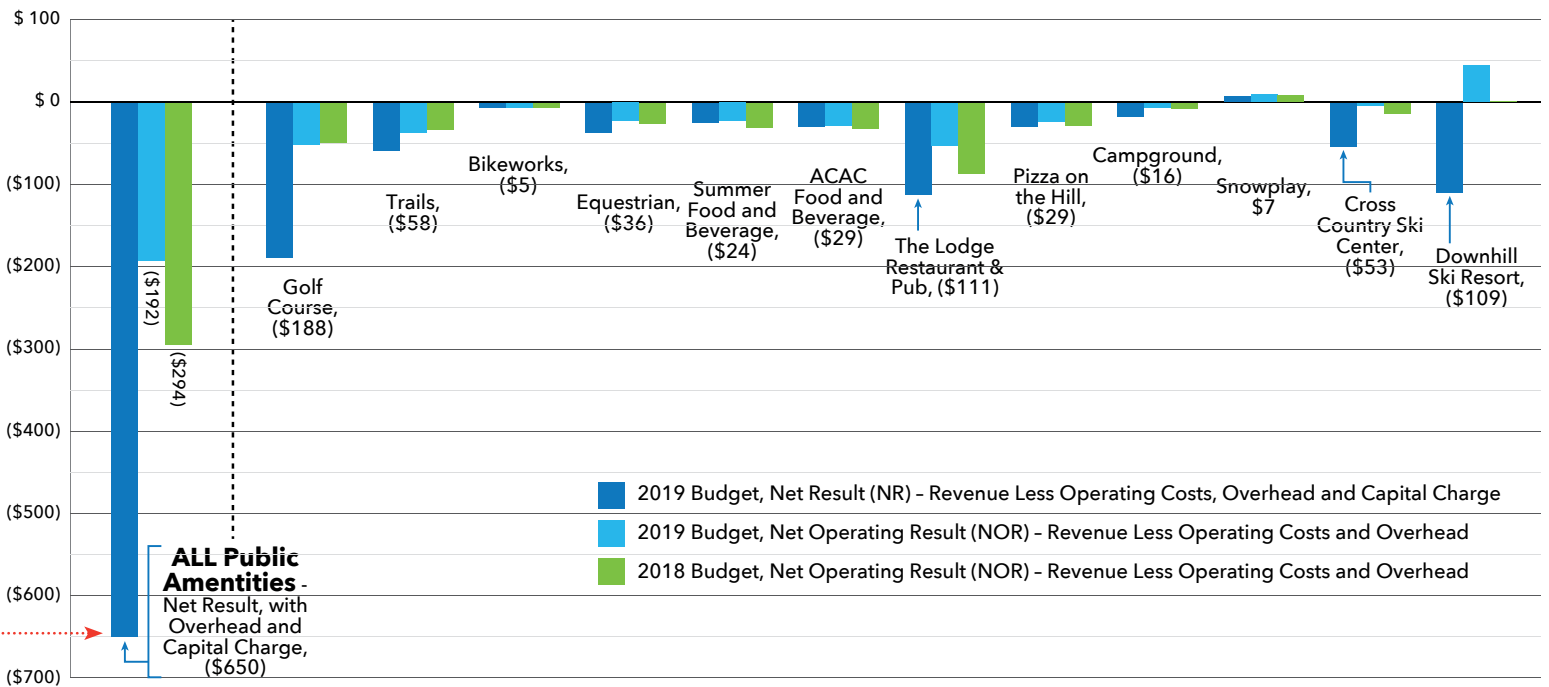
The process begins with general direction from the Board regarding influential factors, such as the level of service to be provided, new community projects, economic conditions and changes to business operations. Capital and equipment expenditure budgets are formulated to determine the funding needs for the Replacement Reserve Fund, the New Equipment Fund and the Development Fund. The operating budget is traditionally developed with attention to historical trends in revenue generation, consideration of economic factors that may influence revenue or expenses, achievable cost reductions across all departments, service levels to be achieved and staffing levels required. The Finance Committee participates in reviewing the budget prior to submittal to the Board of Directors and offers input

## Annual Assessment - Per Owner

2019 ANNUAL ASSESSMENT IS \$1,965 PER PROPERTY OWNER, AN INCREASE OF \$65 OR 3.4% FROM 2018. THE ASSESSMENT CONTRIBUTION BY FUND TYPE IS ILLUSTRATED BELOW:



## 2019 Annual Budget - Public Amenities - Per Owner Metrics



for the Board's consideration. The General Manager and Director of Finance and Accounting then present the staff-recommended budget for Board review. The Board subsequently directs staff to incorporate revisions it feels are appropriate. The 2019 Budget approved by the Board is summarized in this report.

Sincerely,

**Jeff Connors**  
Board Treasurer

**Michael R. Salmon**  
Director of Finance and Accounting

## OPERATING FUND

The Operating Fund accounts for the annual revenue and expense activities of our amenity and homeowner association service functions. Operating Fund budgets for all departments were prepared with an emphasis on managing operating costs efficiently, while continuing to provide consistent levels of service. Detailed analysis of each department were prepared and evaluated by senior management before the budget was reviewed by the Finance Committee and the Board. Methods for optimizing revenue while maintaining favorable property-owner access and rates were also examined.

**IN TOTAL, THE 2019 ASSESSMENT CONTRIBUTION TO OPERATIONS IS \$5,696,000 OR \$880 PER MEMBER-PROPERTY. THE 2019 AMOUNT REPRESENTS A 2.4% 10-YEAR COMPOUNDED ANNUAL GROWTH RATE.**

The total revenue requirement for a balanced 2019 Operating Fund budget is \$19,911,000. Operating revenues generated by users of \$14,215,000 fund 71% of the requirement (67% in 2018). The necessary funding level for operations from the Annual Assessment is \$5,696,000 or 29% of the requirement (33% in 2018). This assessment represents the shortfall of non-assessment revenue versus operating costs in the Operating Fund budget. Refer to page 6 for budget summary by activity.

The revenue requirement (or Total Operating Costs) of \$19.9 million is an increase of \$1.4 million or 7.4% to 2018 Budget, with revenues up 14%. Next section details the changes.

**OPERATING REVENUE** Budget of \$14.2m, excluding assessment, has increased \$1,755,000 or 14% more than the 2018 Budget and represents an increase of \$1,637,000 or 13% more than the 2018 Forecast. Operating revenues are subject to significant volatility due to weather. Accordingly, we have utilized multi-year averages

in establishing volume expectations. The record winters 2015/2016 and 2016/2017 have increased winter amenity revenue budgets for 2019, and our snowmaking investment has proven to provide a positive return on investment and is factored in this budget. The majority of the other amenities have seen consistent revenue and visitation growth. For 2019, we have introduced Peak Period pricing for Guests and Public (not for Members) at both Downhill Ski and Cross Country Ski, with the objective of improving the Member experience, while still growing overall revenue \$365,000. We have attempted to be financially conservative in our revenue projections while still capturing visitation trends, capital, marketing, and price initiative impacts.

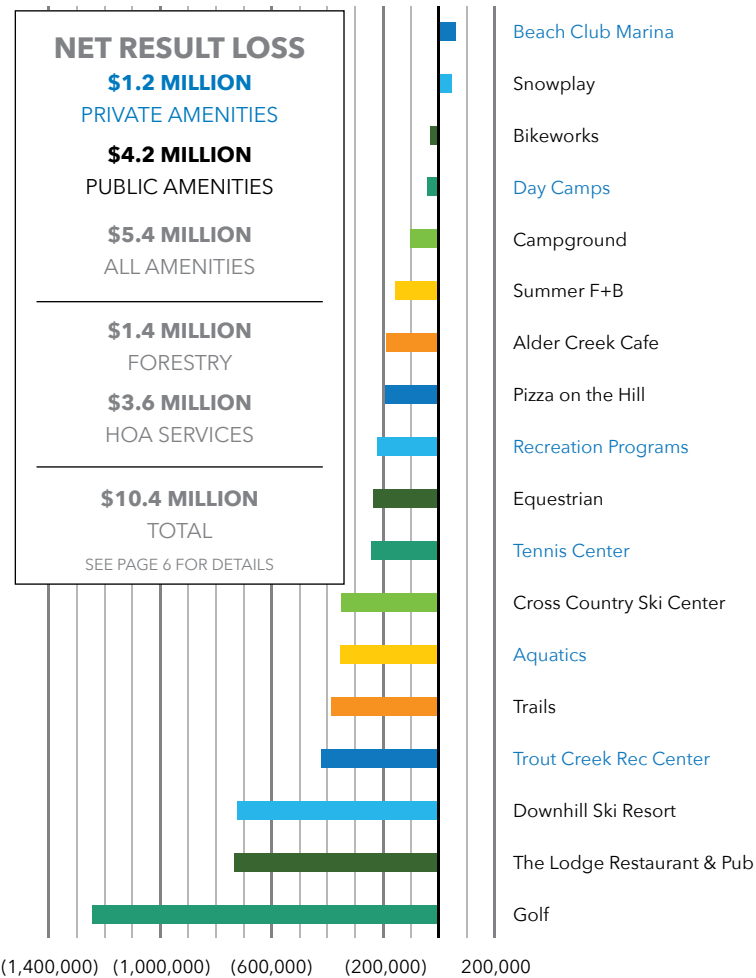
**OPERATING PAYROLL** Budget of \$13.0m represents 66% of total operating costs and reflects an increase of 7% over 2018 Budget and an increase of 7% over 2018 Forecast. A key element of any large-scale common interest development is the employees who operate and manage our amenities, support departments and administration. Operating payroll costs include wages, salaries and the associated costs of payroll taxes, workers compensation, retirement savings plan, and health insurance benefits. The increase is driven primarily by the CA minimum wage increase of \$1 or 9% from \$11 to \$12 effective 1/1/2019 (\$245,000), a merit wage increase average of 3% (\$324,000), health care costs increase of 7% (\$60,000), and an increase in Forestry personnel to add resources for chipping and defensible space efforts (\$145,000). These increases were favorably partially offset by a 11% (-\$60,000) decrease in our workers compensation insurance costs due to improved incidents experience ratings.

**OPERATING EXPENSE** Budget of \$5.3m represents 26% of our total operating costs and reflects an increase of 8% to 2018 Budget and an increase of 5% to 2018 Forecast. For operating expenses, 77% of the total amount falls into nine categories, as follows. Utilities represent \$991,000 or 19% of operating expenses. Repair & Maintenance materials costs represent \$684,000 or 13% of operating expenses. Insurance represents \$590,000 or 11% of operating expenses. Government taxes, licenses, permits, fees, audit and legal costs represent \$554,000 or 11% of operating expenses. Employee-related expenses represent \$335,000 or 6% of operating expenses. Credit card merchant fees represent \$315,000 or 6% of operating expenses. Forestry contract services represent \$260,000 or 5% of operating expenses. Printing and postage costs represent \$155,000 or 3% of operating expenses. Fuel costs represent \$145,000 or 3% of operating expenses. An accounting change for allocated overhead charged to capital funds of \$197,000 reduces

operating expenses in 2019 by 4%. Budget 2019 compared to Budget 2018 expense cost increase, before this accounting change, amounts to 12% and this increase summarizes as follows: \$172,000/3% revenue growth of \$1.8m impact, \$150,000/3% inflation impact, \$111,000/2% Insurance, \$73,000/2% additional Forestry resources, and \$75,000/2% all other changes net.

**COST OF GOODS SOLD** Budget of \$1.6m represents 8% of our total operating costs. Cost of Goods Sold represents the wholesale cost of retail, food and beverage product.

**Net Result by Amenity**  
(Revenue Less Operating Costs, Overhead Allocation, and Capital Charge)



**DEVELOPMENT FUND**

The Development Fund was established as authorized in governing documents to accumulate funds for large-scale projects identified as necessary due to the new capacity requirements, or changing needs of the Association. In order to facilitate the future use of Development Fund assessments toward the funding of large-scale projects, each year projects are identified as eligible for such future funding. Projects designated as eligible, though not approved, to receive funding from future assessment contributions include building replacements, amenity expansions and additions, and recreational land and infrastructure improvements.

The 2019 Annual Assessment contribution to the Development Fund totals \$2,168,000, or \$335 per member-property, an increase of 8% over 2018. Budgeted expenditures from this component for 2019 total \$2,020,000 and include Trout Creek Recreation Center expansion, Downhill Ski Resort building replacement planning costs, Downhill Ski snowmaking Phase 2, Snowplay snowmaking, new Trails, and feasibility studies for priority one projects. **Projects scheduled for 2019 may not necessarily be expended, based on individual review/approval by the Board.** The budgeted ending

balance for the Development Fund is \$5,172,000, savings for the near-term foreseeable need to do major remodel or building replacement of the Downhill Ski Resort building.

**REPLACEMENT RESERVE FUND**

The Replacement Reserve Fund is used to account for the financial resources designated for the repair, restoration, replacement or maintenance of major common area components of the Association. Although building component replacements are included in the Replacement Reserve Fund plan, complete structure replacement is not. Funding for structure replacement is discussed below in the review of the Development Fund.

In accordance with state law and sound business practices, it is the policy of the Association to fund a reserve program that will adequately provide for repair and replacement of existing community-owned assets. A 30-year reserve funding and expenditure plan is produced every three years, and updated annually, for the purpose of scheduling and analyzing the Association's funding needs. **OVER 2,000 INDIVIDUAL ITEMS ARE TRACKED IN THIS PLAN, WITH A CURRENT REPLACEMENT VALUE OF APPROXIMATELY \$56 MILLION.** Each item is evaluated by average useful life, present age, projected remaining useful life, and estimated replacement cost. A full review of the plan was performed in 2016. Updates are conducted each year and another full review of the plan will be performed in 2019.

**REPLACEMENT RESERVE EXPENDITURES BUDGETED**

The reserve plan schedules funding for replacement, repair and/or enhancement of the Association's existing capital investments. In the year 2019, budgeted reserve expenditures total \$5.1 million, including carry-over approved projects. Components scheduled for 2019 may not necessarily be expended, based on individual and Board review. The following outlines notable 2019 budget year planned expenditure budget items:

**TROUT CREEK RECREATION CENTER, \$1,063,000:** Includes major building remodel, parking lot asphalt sealing, pool deck furniture replacement, and pool and spa machinery related component replacements.

**ADMINISTRATION, \$959,000:** Includes association-wide building deficiencies remodel estimate, governing documents complete revision project, copier leases, overhead cost allocation, and vehicle replacement.

**GOLF COURSE, \$750,000:** Includes course remodel, maintenance mowers and other equipment replacements, course irrigation items, and pathway asphalt repairs.

**INFORMATION TECHNOLOGY, \$481,000:** Includes replacement of hardware and software, fiber optic and software leases, VoIP hardware, and miscellaneous network and other equipment.

**TRAILS, \$348,000:** Trail remodels in 12 locations throughout the Association, including Nature Trail bridge and trail loop construction.

**FORESTRY, \$382,000:** Includes chip truck and gate replacements, plantation mastication and storm damage defensible space repairs.

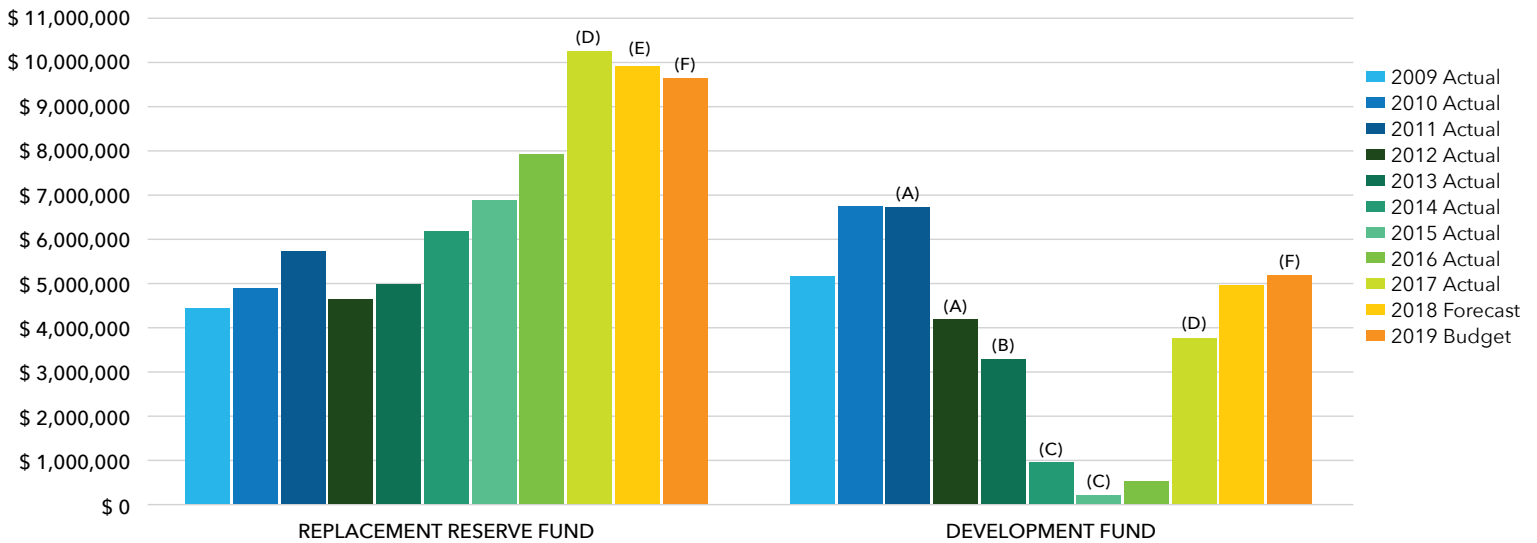
**DOWNHILL SKI RESORT, \$335,000:** Includes replacement of rental equipment, building components, lift components, food service equipment, summer trails grooming, groomer components, and snowmobile.

**MAINTENANCE, \$132,000:** Includes fuel tanks, boat/RV storage lot asphalt repairs, mailbox repairs, flooring replacements, and software replacements.

**CROSS COUNTRY SKI CENTER, \$114,000:** Includes replacement of rental, biathlon and grooming equipment, summer trails grooming, and asphalt sealing.

**BEACH CLUB MARINA, \$110,000:** Includes furniture and rental equipment replacements, asphalt sealing, and state lands lease.

## Key Fund Balances Reserved for Future Capital Needs of the Association Members' Equity (as of December 31, 20xx)



(A) Expenditures include the Euer Valley Land purchase in 2011 and 2012.  
 (B) Expenditures include The Lodge Restaurant & Pub expansion.  
 (C) Expenditures include the Alder Creek Adventure Center building construction in 2014 and 2015. Snowmaking in 2015.  
 (D) Balance includes Operating Fund transfers in of \$1.5 million to Replacement Reserve Fund and \$1.8 million to Development Fund.  
 (E) Balance includes Operating Fund transfers in of \$500,000 to Replacement Reserve Fund. Expenditures include Snowbird Lift replacement.  
 (F) For 2019 Capital Expenditure discussion; see page 5 for Replacement Reserve and page 8 for Development.  
 The 2019 Budget expenditures for Development Fund are \$2,020,000 and for Replacement Reserve Fund are \$5,117,000.  
 All budgeted expenditures over \$50,000 are subject to review and approval by the Board of Directors prior to expenditure.

## ASSESSMENT AND RESERVE FUNDING DISCLOSURE SUMMARY

(CA CIVIL CODE SECTION 5570)

The current regular assessment per ownership interest is \$1,965 per year. The updated 30-year funding and expenditure plan, utilizing a 3% annual inflation of repair and replacement costs, requires a contribution to the Reserve Fund of \$720 per property for 2019 - an increase of \$100 or 16% over 2018. This amounts to a 2019 contribution to the Reserve Fund of \$4,661,000. There are no additional regular or special assessments anticipated for the reserve program or for other purposes, at this time.

Based upon the most recent reserve study and other information available to the Board of Directors, the currently projected reserve account balances will be sufficient at the end of each year to meet the Association's obligation for repair and/or replacement of major components during the next 30 years. This projection is principally based on the future funding plan, which requires a minimum 4% annual increase to the contribution until the fund achieves a percent funded level minimum of 25% and until the fund balance is equal to or exceeds 10% of Net Replacement Reserve Assets (as defined in Policy Resolution 2013-3).

All major components are included in the reserve study and are included in its calculations. Components with an estimated remaining useful life of more than 30 years are not included in the reserve calculation. The Development Fund section of this report contains additional information.

Based on the method of calculation in paragraph (4) of subdivision (b) of CA Civil Code Section 5570, the estimated amount required in the Reserve Fund at the end of the current fiscal year is \$35,625,001\*, based in whole or in part on the last reserve study and update prepared by management and Hughes Reserves & Asset Management, Inc. as of October 2018. The projected Reserve Fund cash balance at the end of the current fiscal year is \$9,900,000, resulting in reserves being 27.8% funded at this date. If an alternate, but generally accepted, method of calculation is also used, the required reserve amount is \$9,900,000; this alternate method being the threshold pooling method. This difference (\$25.7 million) equates

## REPLACEMENT RESERVE FUND ANALYSIS

TAHOE DONNER ASSOCIATION 2019 BUDGET	Total Current Replacement Cost	Allocation of Accumulated Funds (12/31/18)	100% Funded Allocation (12/31/18)
Golf	\$ 11,334,231	\$ 2,485,173	\$ 8,942,856
Downhill Ski Resort	10,711,557	1,546,737	5,565,912
Administration	6,053,041	1,250,590	4,500,228
The Lodge Restaurant & Pub	3,781,328	665,122	2,393,432
Cross Country Ski Center	3,744,281	431,990	1,554,510
General + Building Maintenance	3,604,792	534,094	1,921,931
Trout Creek Recreation Center	3,458,635	793,357	2,854,885
Tennis Center	1,936,516	411,001	1,478,982
Trails	1,924,393	361,301	1,300,138
Aquatics	1,863,606	220,160	792,242
Information Technology	1,863,256	304,822	1,096,896
Forestry/Defensible Space	1,717,563	239,684	862,501
Beach Club Marina	1,210,614	220,674	794,093
Equestrian	928,426	77,566	279,120
Campground	634,425	120,586	433,928
Recreation Programs	570,385	97,632	351,327
Pizza on the Hill	480,691	81,391	292,885
Snowplay	210,655	32,805	118,047
Alder Creek Cafe	161,889	18,216	65,549
Bikeworks	30,712	7,098	25,541
<b>TOTALS</b>	<b>\$ 56,220,996</b>	<b>\$ 9,900,000</b>	<b>\$ 35,625,001</b>

Note: Projected accumulated funds at 12/31/18 equal approximately 27.8% of the 100% funded total based on the method of calculation in Section 1365.2.5(b)(4) of the Civil Code. The financial representations set forth in this summary are based on the best estimates of the preparer at this time. The estimates are subject to change. Remaining and useful lives vary between 1 and 30 years.

(Continued on p. 8)

2019 BUDGET SUMMARY - OPERATING FUND							
	Operating Revenue	Operating Costs Total	Net Operating Result Before Overhead	Allocated Overhead	Net Operating Result	Capital Charge	Net Result
	(REV)	(OCT)	(NORBO)	(AOH)	(NOR)	(CC)	(NR)
<b>PRIVATE AMENITIES</b>							
Trout Creek Recreation Center	\$ 1,094,000	\$ (1,000,900)	\$ 93,100	\$ (280,700)	\$ (187,600)	\$ (226,000)	\$ (413,600)
Beach Club Marina	750,000	(468,900)	281,100	(133,800)	147,300	(89,000)	58,300
Tennis Center	213,000	(216,200)	(3,200)	(90,100)	(93,300)	(144,000)	(237,300)
Aquatics	241,000	(252,400)	(11,400)	(197,800)	(209,200)	(137,000)	(346,200)
Recreation Programs	180,000	(230,800)	(50,800)	(133,300)	(184,100)	(31,000)	(215,000)
Day Camps	275,000	(238,900)	36,100	(67,000)	(30,900)	(9,000)	(39,900)
<b>TOTAL PRIVATE AMENITIES</b>	<b>2,753,000</b>	<b>(2,408,100)</b>	<b>344,900</b>	<b>(902,700)</b>	<b>(557,800)</b>	<b>(636,000)</b>	<b>(1,193,800)</b>
<b>PUBLIC AMENITIES</b>							
Downhill Ski Resort	3,895,000	(3,118,000)	777,000	(482,900)	294,100	(1,002,000)	(707,900)
Cross Country Ski Center	1,043,000	(845,300)	197,700	(220,300)	(22,600)	(320,000)	(342,600)
Snowplay Sledding + Tubing	282,000	(165,900)	116,100	(56,700)	59,400	(15,000)	44,400
Equestrian	255,000	(320,000)	(65,000)	(75,500)	(140,500)	(91,000)	(231,500)
Campground	70,000	(75,500)	(5,500)	(36,100)	(41,600)	(59,000)	(100,600)
Trails	1,000	(173,100)	(172,100)	(61,600)	(233,700)	(144,000)	(377,700)
Bikeworks	117,000	(112,700)	4,300	(33,800)	(29,500)	(2,000)	(31,500)
Golf	1,160,000	(1,264,400)	(104,400)	(222,900)	(327,300)	(887,000)	(1,214,300)
Summer Food + Beverage	270,000	(358,000)	(88,000)	(51,200)	(139,200)	(13,000)	(152,200)
Alder Creek Cafe	450,000	(533,600)	(83,600)	(88,100)	(171,700)	(13,000)	(184,700)
The Lodge Restaurant & Pub	2,630,000	(2,550,000)	80,000	(417,000)	(337,000)	(380,000)	(717,000)
Pizza on the Hill	603,000	(636,200)	(33,200)	(118,500)	(151,700)	(37,000)	(188,700)
<b>TOTAL PUBLIC AMENITIES</b>	<b>10,776,000</b>	<b>(10,152,700)</b>	<b>623,300</b>	<b>(1,864,600)</b>	<b>(1,241,300)</b>	<b>(2,963,000)</b>	<b>(4,204,300)</b>
<b>TOTAL AMENITIES</b>	<b>13,529,000</b>	<b>(12,560,800)</b>	<b>968,200</b>	<b>(2,767,300)</b>	<b>(1,799,100)</b>	<b>(3,599,000)</b>	<b>(5,398,100)</b>
<b>HOMEOWNERS ASSOCIATION SERVICES + AMENITIES SUPPORT</b>							
General	-	(1,060,600)	(1,060,600)	(1,207,200)	(2,267,800)	-	(2,267,800)
Marketing + Communications	210,000	(743,700)	(533,700)	533,700	-	-	-
Facility Administration + Risk Management	-	(339,900)	(339,900)	339,900	-	-	-
Administration	184,000	(809,200)	(625,200)	625,200	-	(499,000)	(499,000)
Information Technology	-	(677,400)	(677,400)	677,400	-	(105,000)	(105,000)
Accounting + Finance	6,000	(821,200)	(815,200)	815,200	-	-	-
Human Resources	-	(412,400)	(412,400)	412,400	-	-	-
Architectural Standards Office	196,000	(437,600)	(241,600)	(124,100)	(365,700)	-	(365,700)
Member Services	34,000	(284,500)	(250,500)	250,500	-	-	-
Forestry, Defensible + Open Space	56,000	(1,135,100)	(1,079,100)	(184,300)	(1,263,400)	(122,000)	(1,385,400)
Maintenance	-	(825,600)	(825,600)	825,600	-	(336,000)	(336,000)
<b>TOTAL HOMEOWNERS ASSOC</b>	<b>686,000</b>	<b>(7,547,200)</b>	<b>(6,861,200)</b>	<b>2,964,300</b>	<b>(3,896,900)</b>	<b>(1,062,000)</b>	<b>(4,958,900)</b>
<b>TOTAL</b>	<b>14,215,000</b>	<b>(20,108,000)</b>	<b>(5,893,000)</b>	<b>197,000</b>	<b>(5,696,000)</b>	<b>(4,661,000)</b>	<b>(10,357,000)</b>

Net Operating Result (NOR) is defined as the net result of Operating Revenue less Operating Costs (cost of goods sold, payroll, and expenses) and less Allocated Overhead. NOR for each department does not include any capital costs. Net Result (NR) presented is NOR including a capital charge.

Capital Charge (CC) is the Replacement Reserve Fund annual assessment contribution amount.

# of Properties = 6,473

**2019 BUDGET PER PROPERTY**

REV (OCT+AOH) =NOR (CC) =NR

\$ 169	\$ (198)	\$ (29)	\$ (35)	\$ (64)
116	(93)	23	(14)	9
33	(47)	(14)	(22)	(37)
37	(70)	(32)	(21)	(53)
28	(56)	(28)	(5)	(33)
42	(47)	(5)	(1)	(6)
<b>425</b>	<b>(511)</b>	<b>(86)</b>	<b>(98)</b>	<b>(184)</b>

602	(556)	45	(155)	(109)
161	(165)	(3)	(49)	(53)
44	(34)	9	(2)	7
39	(61)	(22)	(14)	(36)
11	(17)	(6)	(9)	(16)
0	(36)	(36)	(22)	(58)
18	(23)	(5)	(0)	(5)
179	(230)	(51)	(137)	(188)
42	(63)	(22)	(2)	(24)
70	(96)	(27)	(2)	(29)
406	(458)	(52)	(59)	(111)
93	(117)	(23)	(6)	(29)
<b>1,665</b>	<b>(1,857)</b>	<b>(192)</b>	<b>(458)</b>	<b>(650)</b>

<b>2,090</b>	<b>(2,368)</b>	<b>(278)</b>	<b>(556)</b>	<b>(834)</b>
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-	(350)	(350)	-	(350)
32	(32)	-	-	-
-	-	-	-	-
28	(28)	-	(77)	(77)
-	-	-	(16)	(16)
1	(1)	-	-	-
-	-	-	-	-
30	(87)	(56)	-	(56)
5	(5)	-	-	-
9	(204)	(195)	(19)	(214)
-	-	-	(52)	(52)
<b>106</b>	<b>(708)</b>	<b>(602)</b>	<b>(164)</b>	<b>(766)</b>

<b>2,196</b>	<b>(3,076)</b>	<b>(880)</b>	<b>(720)</b>	<b>(1,600)</b>
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Individual amounts may not sum to total due to rounding.

**2019 BUDGET SUMMARY - BY FUND**

# of Properties = 6,473

2019 Budget \$ per Property

**OPERATING FUND**

Beginning Balance, Start of Year	\$ 1,750,000	\$ 270
Assessment Contribution	5,696,000 A1	880
Net Operating Results	(5,696,000)	(880)
<b>Operating Fund, Year End Balance</b>	<b>\$ 1,750,000</b>	<b>\$ 270</b>

**REPLACEMENT RESERVE FUND**

Beginning Balance, Start of Year	\$ 9,900,000	\$ 1,530
Assessment Contribution	4,661,000 A2	720
Interest Income	172,000	27
Salvage Receipts	30,000	5
Income Tax and Other Expense	(26,000)	(4)
Expenditures for Capital Additions	(3,721,000)	(575)
Major Repairs, Maintenance and Lease Expenses	(1,396,000)	(217)
<b>Replacement Reserve Fund, Year End Balance</b>	<b>\$ 9,620,000</b>	<b>\$ 1,486</b>

**NEW EQUIPMENT FUND**

Beginning Balance, Start of Year	\$ 54,000	\$ 8
Assessment Contribution	194,000 A3	30
Interest Income	3,000	0
Expenditures for Capital Additions	(187,000)	(29)
<b>New Equipment Fund, Year End Balance</b>	<b>\$ 64,000</b>	<b>\$ 10</b>

**DEVELOPMENT FUND**

Beginning Balance, Start of Year	\$ 4,950,000	\$ 765
Assessment Contribution	2,168,000 A4	335
Interest Income	86,000	13
Income Tax and Other Expense	(12,000)	(2)
Expenditures for Capital Additions	(2,020,000)	(312)
<b>Development Fund, Year End Balance</b>	<b>\$ 5,172,000</b>	<b>\$ 799</b>

**Combined CAPITAL FUNDS ACTIVITY**

Expenditures for Capital Additions	\$ (5,928,000)	\$ (916)
Major Repairs, Maintenance and Lease Expenses	(1,396,000)	(216)
<b>Combined CAPITAL FUNDS ACTIVITY - Total</b>	<b>\$ (7,324,000)</b>	<b>\$ (1,132)</b>

**2019 ANNUAL ASSESSMENT RECAP**

Operating Fund	\$ 5,696,000 (A1)	\$ 880	45%
Replacement Reserve Fund	4,661,000 (A2)	720	37%
New Equipment Fund	194,000 (A3)	30	1%
Development Fund - Regular Designated	2,168,000 (A4)	335	17%
Capital Funds, Subtotal	\$ 7,023,000	\$ 1,085	55%
<b>Annual Assessment - Total</b>	<b>\$ 12,719,000</b>	<b>\$ 1,965</b>	<b>100%</b>

Members Equity Beginning Balances are based on Forecasted 2018 results, not Actual. Actual results may vary from Budget. This Fund Summary excludes the Property Fund which accounts for the Association's investment in property and equipment. The Property Fund activities include capitalization of property and equipment purchased and depreciation expense.

(Continued from p. 5)

to an estimated \$3,974 per member-property.

\* This amount is calculated based on a straight-line method, wherein each component must stand alone, not utilizing the cash flow method of funding, also known as the pooling method.

Based on the method of calculation in paragraph (4) of subdivision (b) of Section 5570 of the Civil Code, the estimated amount required in the Reserve Fund at the end of each of the next five budget years is \$35.6m 2019, \$35.8m 2020, \$36.1m 2021, \$38.7m 2022, \$39.1m 2023, and the projected Reserve Fund cash balance in each of those years, taking into account only assessments already approved and other known revenues, is \$9.9m 2019, \$9.6m 2020, \$7.6m 2021, \$8.3m 2022, \$6.9m 2023, leaving the reserve at 18% funded in 2023. If the reserve funding plan approved by the Association is implemented, the projected Reserve Fund cash balance in each of those years will be \$9.9m 2019, \$9.6m 2020, \$7.8m 2021, \$8.8m 2022, \$8.1m 2023, leaving the reserve at 21% funded in 2023.

The Replacement Reserve Fund Analysis on page 5 summarizes the component values by area and the projected available funding for repairs and replacements. The full reserve study plan with a more detailed listing of the individual plan components is available to any member upon request.

Note: The financial representations set forth in this summary are based on the best estimates of the preparer at that time. The estimates are subject to change. At the time this summary was prepared, the assumed long-term before-tax interest rate earned on reserve funds was 2% per year, and the assumed long-term inflation rate to be applied to major component repair and replacement costs was 3% per year.

## NEW EQUIPMENT FUND

The New Equipment Fund is used to acquire new items identified as necessary to be more efficient in operations, or to provide new services to the membership. The 2019 assessment contribution to the fund totals \$194,000, or \$30 per property owner, consistent with the 2018 contribution. Fund expenditures are budgeted at \$187,000 and include new amenities and maintenance equipment, CRM software, and recreation equipment. The fund is projected to have a 2019 year-end balance of approximately \$64,000 after budgeted contributions and expenditures.

## POLICIES AND PROCEDURES REGARDING DELINQUENT ASSESSMENT ACCOUNTS

The Annual Property Owner Assessment is due January 1, and becomes delinquent January 15 of the year of that Annual Assessment. Special Individual Assessments (Architectural Standards, Covenants and Forestry Assessments, Fines and Inspection Fees) are due thirty (30) days after invoicing and delinquent fifteen (15) days thereafter. Delinquent accounts are subject to the following schedule of procedures and charges. (The actions indicated below will not be taken until at least the date specified, but may occur at a later date due to scheduling considerations.)

### ANNUAL ASSESSMENT

March 2: DELINQUENCY FEE (10% OF ASSESSMENT BALANCE) is charged to the account; also, interest equal to the maximum allowed by law (currently 12% per annum) begins to accrue on the delinquent assessment balance.

April 1: Notice of pending suspension of membership rights (eligibility for candidacy to serve as a director, to vote in any election, to access the amenities as a member) for failure to pay the assessment and of the Member's right to a prior hearing thereon, and notice of intent to record a lien against the Member's property to secure amounts owed, is sent to Owner(s) of Record via certified mail.

April 15: Assessment Lien recorded against property; LIEN FEE OF \$185 is charged to the account; approximate effective date of suspension of membership rights, which shall remain in effect until

the account is brought current; if requested, hearing on pending suspension of membership rights must be completed at least five (5) days prior to the suspension's effective date.

May 1: Interest begins accruing on Delinquency Fee.

June 15: Delinquent accounts become subject to all appropriate collections/legal recourses, including FORECLOSURE of the Assessment Lien, to recover amounts owed. All costs and fees related to such actions, including attorneys' fees, become the property owner's obligation.

July 1: Interest begins accruing on Lien Fee.

### SPECIAL INDIVIDUAL ASSESSMENT(S)

60 days after invoicing: DELINQUENCY FEE (10% OF ASSESSMENT BALANCE) is charged to the account; also, interest equal to the maximum allowed by law (currently 12% per annum) begins to accrue on the delinquent assessment balance.

120 days after invoicing: If applicable, Assessment Lien recorded against property; LIEN FEE OF \$185 is charged to the account; approximate effective date of suspension of membership rights, which shall remain in effect until the account is brought current or compliance is achieved; if requested, hearing on pending suspension of membership rights must be completed at least five (5) days prior to the suspension's effective date; interest begins accruing on Delinquency Fee.

165 days after invoicing: Delinquent accounts become subject to all appropriate collections/legal recourses, including FORECLOSURE.

105 days after invoicing: If applicable, Assessment Lien recorded against property; LIEN FEE OF \$185 is charged to the account; approximate effective date of suspension of membership rights, which shall remain in effect until the account is brought current or compliance is achieved; if requested, hearing on pending suspension of membership rights must be completed at least five days prior to the suspension's effective date; interest begins accruing on Delinquency Fee.

165 days after invoicing: Delinquent accounts become subject to all appropriate collections/legal recourses, including FORECLOSURE of the Assessment Lien, to recover amounts owed. All costs and fees related to such actions, including attorneys' fees, become the property owner's obligation.

180 days after invoicing: If applicable, interest begins accruing on Lien Fee.

### RECEIPT, APPLICATION OF PAYMENTS AND PAYMENT PLANS

Timeliness of payments in relation to the imposition of penalties, etc., in accordance with this schedule shall be determined by:

Official USPS postmark date appearing on the envelope in which a payment is received through the mail (private postage meter dates are ignored). Any other method of delivery (i.e. hand-delivered payments, overnight services, electronic payments) are considered delivered on date of receipt of payment. Send payments to: Tahoe Donner Association, ATTN: Accounting, 11509 Northwoods Blvd., Truckee, CA 96161.

It is the Association's policy to apply payments received as follows: First, to the oldest unpaid Assessment. Second, to the Interest and Penalties (Delinquency Fee, Lien Fee, costs of collection, etc.) related to that oldest unpaid Assessment. Next, to the second-oldest Assessment, followed by the Interest and Penalties related to that second-oldest Assessment. This sequence continues until the most recent Assessment is paid, the Interest and Penalties related to that most recent Assessment are then paid.

An Assessment payment plan can be established with the association, the plan length terms do not extend beyond the end of the applicable assessment year for payment in full; including delinquency fee, finance charges, and any other charges, as applicable.



Civil Code Section 5310 requires the following notices:

## **NOTICE ASSESSMENTS AND FORECLOSURE**

This notice outlines some of the rights and responsibilities of owners of property in common interest developments and the associations that manage them. Please refer to the sections of the Civil Code indicated for further information. A portion of the information in this notice applies only to liens recorded on or after January 1, 2003. You may wish to consult a lawyer if you dispute an assessment.

## **ASSESSMENTS AND FORECLOSURE**

Assessments become delinquent 15 days after they are due, unless the governing documents provide for a longer time. The failure to pay Association assessments may result in the loss of an owner's property through foreclosure. Foreclosure may occur either as a result of a court action, known as judicial foreclosure or without court action, often referred to as nonjudicial foreclosure. For liens recorded on and after January 1, 2006, an association may not use judicial or nonjudicial foreclosure to enforce that lien if the amount of the delinquent assessments or dues, exclusive of any accelerated assessments, late charges, fees, attorney's fees, interest, and costs of collection, is less than one thousand eight hundred dollars (\$1,800). For delinquent assessments or dues in excess of one thousand eight hundred dollars (\$1,800) or more than 12 months delinquent, an association may use judicial or nonjudicial foreclosure subject to the conditions set forth in Article 3 (commencing with Section 5700) of Chapter 8 of Part 5 of Division 4 of the Civil Code. When using judicial or nonjudicial foreclosure, the Association records a lien on the owner's property. The owner's property may be sold to satisfy the lien if the amounts secured by the lien are not paid. (Sections 5700 through 5720 of the Civil Code, inclusive)

In a judicial or nonjudicial foreclosure, the Association may recover assessments, reasonable costs of collection, reasonable attorney's fees, late charges, and interest. The Association may not use nonjudicial foreclosure to collect fines or penalties, except for costs to repair common areas damaged by a member or a member's guests, if the governing documents provide for this. (Section 5725 of the Civil Code)

The Association must comply with the requirements of Article 2 (commencing with Section 5650) of

Chapter 8 of Part 5 of Division 4 of the Civil Code when collecting delinquent assessments.

If the Association fails to follow these requirements, it may not record a lien on the owner's property until it has satisfied those requirements. Any additional costs that result from satisfying the requirements are the responsibility of the Association. (Section 5675 of the Civil Code)

At least 30 days prior to recording a lien on an owner's separate interest, the Association must provide the owner of record with certain documents by certified mail, including a description of its collection and lien enforcement procedures and the method of calculating the amount. It must also provide an itemized statement of the charges owed by the owner. An owner has a right to review the Association's records to verify the debt. (Section 5660 of the Civil Code)

If a lien is recorded against an owner's property in error, the person who recorded the lien is required to record a lien release within 21 days, and to provide an owner certain documents in this regard. (Section 5685 of the Civil Code)

## **ASSESSMENTS AND FORECLOSURE, CONTINUED**

The collection practices of the Association may be governed by state and federal laws regarding fair debt collection. Penalties can be imposed for debt collection practices that violate these laws.

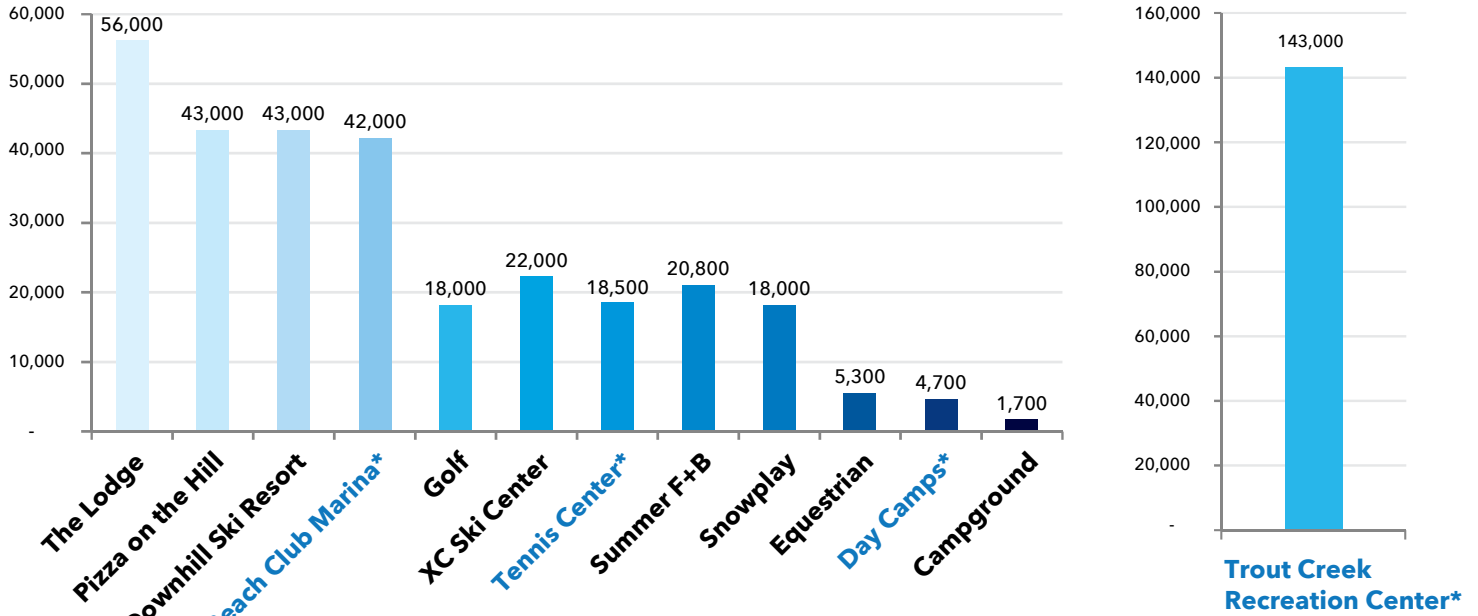
## **PAYMENTS**

When an owner makes a payment, he or she may request a receipt, and the Association is required to provide it. On the receipt, the Association must indicate the date of payment and the person who received it. The Association must inform owners of a mailing address for overnight payments. (Section 5655 of the Civil Code)

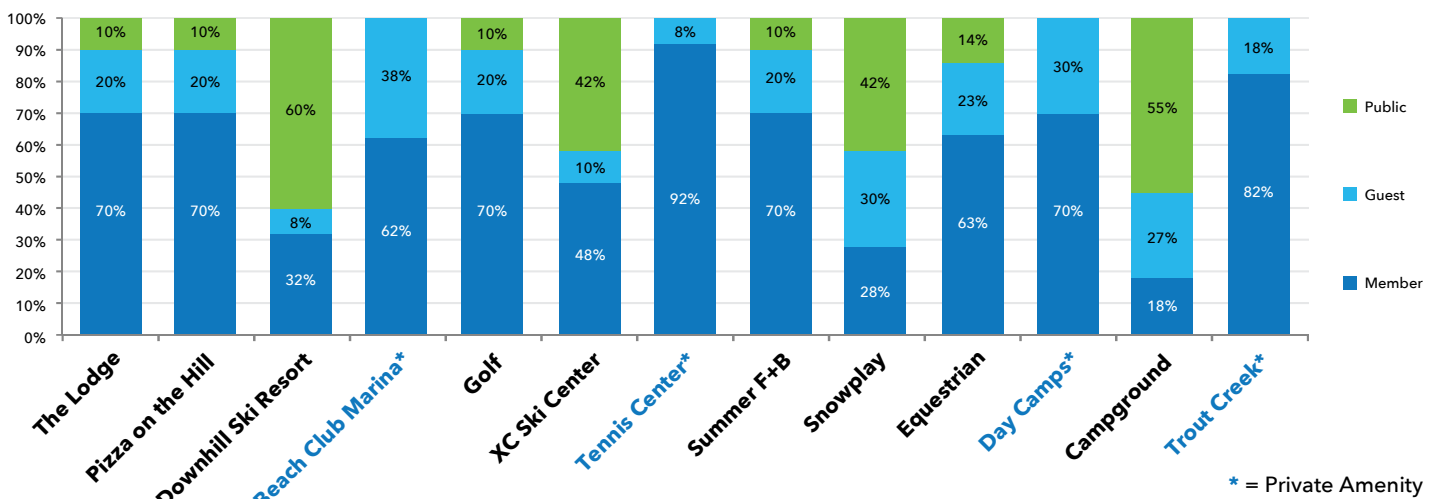
In addition, an association may not initiate a foreclosure without participating in alternative dispute resolution with a neutral third party as set forth in Article 3 (commencing with Section 5925) of Chapter 10 of Part 5 of Division 4 of the Civil Code, if so requested by the owner. Binding arbitration shall not be available if the Association intends to initiate a judicial foreclosure.

An owner is not liable for charges, interest, and costs of collection, if it is established that the assessment was paid properly on time. (Section 5685 of the Civil Code)

## 2019 Budget - Amenity Visitation Metrics



## 2019 Budget - Visitation Mix (Estimated)



## MEETINGS AND PAYMENT PLANS

An owner of a separate interest that is not a timeshare may request the Association to consider a payment plan to satisfy a delinquent assessment. The Association must inform owners of the standards for payment plans, if any exist. (Section 5665 of the Civil Code)

The Board of Directors must meet with an owner who makes a proper written request for a meeting to discuss a payment plan when the owner has received a notice of a delinquent assessment. These payment plans must conform with the payment plan standards of the Association, if they exist. (Section 5665 of the Civil Code)

## NOTICE OF RIGHTS AND OBLIGATIONS RELATING TO GOVERNING DOCUMENT ENFORCEMENT:

The provisions of Tahoe Donner Association's Governing Documents (Declaration of Covenants and Restrictions, Bylaws, Articles of Incorporation, and Association Rules) may be enforced by the Association or by any owner, and the prevailing party in such an action is entitled to an award of reasonable attorney's fees and costs. However, before most Governing Document enforcement actions may be taken to court, Civil Code Section 5935 requires the initiating party to serve a Request for Resolution (the "Request") upon the other parties to the dispute. The objective of the Request must be

to encourage the recipient opposing parties to agree to resolve the matter through arbitration, mediation, or some other form of alternative dispute resolution ("ADR"). The form and details of the ADR process, and whether its result will be binding or non-binding on the parties, must be agreed upon by the parties. If you receive a Request, you have 30 days to either accept or reject the ADR proposal. If you do not respond to the party issuing the Request within that time, you will be deemed to have rejected the proposal. If the Request is rejected, the other party may file a suit. You should be advised that failure by any member of the Association to comply with the pre-filing requirements of section 5935 of the Civil Code may result in the loss of your rights to sue the Association or another member of the Association regarding enforcement of the Governing Documents. In a Governing Document enforcement lawsuit, the court may also consider a party's refusal to participate in ADR in determining an attorney's fee award. With regard to internal dispute resolution, Tahoe Donner Association follows the process described in section 5915 of the Civil Code. For more information, please contact the Association offices.

As required by California Civil Code section 5300(b)(9), the following is a summary of Tahoe Donner Association's insurance coverages:

**PROPERTY INSURANCE POLICY:** Granite State Insurance Co.; Limit - \$56,901,562 Deductible - \$5,000 per occurrence for buildings, contents, lifts, moveable equipment etc., and \$1,000 per occurrence for golf carts and tee to greens.

**GENERAL LIABILITY POLICY:** Granite State Insurance Co.; Limit - \$1,000,000; General Aggregate - \$1,000,000 per occurrence; Deductible - \$15,000 per occurrence.

**EXCESS LIABILITY (UMBRELLA) POLICY:** National Union Fire Insurance Co of PA Limit - \$25,000,000; General Aggregate - \$50,000,000; Deductible - \$10,000 per occurrence. Additional excess liability coverage over the current Umbrella; Starstone.; Limit - \$15,000,000; Aggregate - \$50,000,000; Navigators; Limit - \$9,000,000.

**CRIME POLICY:** Granite State Insurance Co.; Limit - \$500,000; Deductible - \$5,000 per occurrence; Additional excess crime coverage; Travelers; Limit - \$1,000,000 (through 12/31/18) then increased limit to \$5,000,000 from 01/01/2019; Deductible - \$505,000 per occurrence; Additional excess crime coverage eff. 01/01/19 Great American Insurance Co., Limit \$15,000,000.

**EARTHQUAKE AND FLOOD INSURANCE POLICY:** Granite State Insurance Co; Limit - \$3,000,000 per occurrence; Earthquake Aggregate - \$3,000,000; Deductible - \$100,000; Flood Deductible - \$50,000.

**POLLUTION POLICY:** Markel (Evanston); Limit - \$1,000,000 per occurrence; General Aggregate \$2,000,000; Deductible - \$10,000

**TERRORISM/SABOTAGE/ACTIVE SHOOTER POLICY:** Lloyds; \$47,901,562 terrorism/sabotage limits; \$1,000,000 per occurrence for active shooter/malicious acts limits; Deductible - \$5,000

**INLAND MARINE:** Granite State Insurance Co.; Limit - \$6,782,043; Deductible - \$5,000 per occurrence.

**DIRECTORS AND OFFICERS LIABILITY INSURANCE:** Navigators.; Limit - \$5,000,000; Deductibles - Non-Indemnifiable Loss: None; Indemnifiable Loss: \$50,000.

**BOILER & MACHINERY COVERAGE:** Granite State Insurance Co.: Limit - \$47,901,562; Deductibles - \$5,000 minimum for compressors, motors, pumps, equipment generating electricity, and property damage

**BUSINESS AUTOMOBILE:** Granite State Insurance Co.; Limits - \$1,000,000; Deductibles - \$3,000 for vehicles and \$5,000 for large vehicles and equipment per occurrence; No deductible, if claim against us.

**DIGITAL RISK:** HISCOX 100% LLOYD'S; LIMITS - \$1,000,000; DEDUCTIBLE - \$5,000 PER OCCURRENCE.

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## **THE CIVIL CODE REQUIRES THAT THE FOLLOWING STATEMENT APPEAR:**

"This summary of the Association's policies of insurance provides only certain information, as required by Section 5300 of the Civil Code, and should not be considered a substitute for the complete policy terms and conditions contained in the actual policies of insurance. Any Association member may, upon request and provision of reasonable notice, review the Association's insurance policies and, upon request and payment of reasonable duplication charges, obtain copies of those policies. Although the Association maintains the policies of insurance specified in this summary, the Association's policies of insurance may not cover your property, including personal property or real property improvements to or around your dwelling, or personal injuries or other losses that occur within or around your dwelling. Even if a loss is covered, you may nevertheless be responsible for paying all or a portion of any deductible that applies. Association members should consult with their individual insurance broker or agent for appropriate additional coverage." In fact, since all of our common areas and facilities are owned solely by the Association as a corporate entity, and not by the Association's individual members, the insurance carried by the Association insures only the Association, and only with regard to its actions and its property. It does not insure individual members, their property (individual homes and lots) or their actions."

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## **ANNUAL POLICY STATEMENT SUMMARY (California Civil Code 5310(a), 4040)**

### **Association's Designated Recipient**

Mail or Personal Delivery: Board, Tahoe Donner Association, 11509 Northwoods Blvd., Truckee, CA 96161  
Email: [Board@TahoeDonner.com](mailto:Board@TahoeDonner.com)

### **Right of Notice to Two Addresses**

A member may submit a request to have notices sent to up to two different specified addresses.

### **General Notice Location**

11509 Northwoods Blvd, Truckee, CA 96161 and [tahoedonner.com](http://tahoedonner.com)

### **Right to Receive General Notice by Individual Delivery**

A member has the option to receive general notices by individual delivery.

### **Right to Receive Board Minutes**

A member has a right to board meeting minutes, other than an executive session.

Minutes are available at the General Notice Locations indicated above. Upon request the minutes can be mailed to the member.

### **Statement of Assessment Collection Policies & Assessment Collection & Lien Policy**

The statement of assessment collection and lien policies is provided on pages 8-11 of this budget report document.

### **Governing Document Enforcement and Fine Policy**

Governing Documents, Resolutions & Policies, refer to [tahoedonner.com/governing-documents](http://tahoedonner.com/governing-documents)  
Rules and Fines, refer to [tahoedonner.com/covenants-rules](http://tahoedonner.com/covenants-rules)

### **Dispute Resolution Procedure Summary**

Refer to Notice of Rights and Obligations section on page 10.

### **Architectural Guidelines and Procedures**

Refer to [tahoedonner.com/architectural-standards](http://tahoedonner.com/architectural-standards)

### **Overnight Payment Mailing Address**

Accounting, Tahoe Donner Association, 11509 Northwoods Blvd., Truckee CA 96161

### **45-Day Notices**

Tahoe Donner Association, 11509 Northwoods Blvd., Truckee CA 96161 and [tahoedonner.com/45-day-notice](http://tahoedonner.com/45-day-notice)

### **Charges for Documents Provided**

The association may charge members for the direct and actual cost of copying and redacting documents. However, associations may not charge a fee that exceeds the amount necessary to defray the costs for which it is levied. Also, the association must inform the member of the cost before copying the requested documents.

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## **VISION STATEMENT**

*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.*

# 2019 BUDGET SUMMARY

## \$1,965 ANNUAL ASSESSMENT

(PER OWNER PROPERTY)  
(DUE 1/1/2019)

### VERSUS 2018 – AN INCREASE OF \$65 OR 3.4%

- + \$100 Increase Reserve Funding, to ensure adequate funds to replace aging infrastructure of the Association, protecting your home values
- + \$55 Regulatory cost increases from California minimum wage (up \$1/9%), Insurance, and Health Insurance renewal
- + \$50 Merit rate of pay increase average of 2.8% for personnel
- + \$25 Increase Development Funding, to address the changing needs of the members and eventual building replacement needs
- + \$34 Increase forestry resources toward defensible space efforts, adding a third chipping crew and shortening zones cycle from 8 to 6 years
- \$70 Operating revenue growth driven by past three years actual results +126, partially offset by costs growth 3yr average (\$56)
- \$116 Pricing increases in user fees, with aggressive public/guest increases
- \$13 All other changes, net increase

**= + \$65 OR 3.4% TOTAL CHANGE IN ANNUAL ASSESSMENT**

## \$290 RECREATION FEE

(EFFECTIVE 5/1/2019)

## DAILY ENTRY FEES

(EFFECTIVE 1/1/2019)

### AN INCREASE OF \$20 OR 7%. WHY?

The optional yet ever-popular Recreation Fee (valid for up to 4 individuals) equates to as low as \$6.04 per person per month for unlimited access to all private amenities and Snowplay.

The Recreation Fee allows cardholders unlimited access to Trout Creek Recreation Center, Beach Club Marina, Northwoods Pool, the Tennis Center, and Snowplay from May 1-April 30.

The Recreation Fee and Daily Entry Fees have been increased to offset increased operating costs, and guest fees were increased to further address demand impacts of guests on private amenities.

### PRIVATE AMENITY DAILY ENTRY FEES, PER AMENITY (EFFECTIVE 1/1/2019)

- Daily Entry Fees, Member (non-Recreation Fee): \$8, +\$2 (at \$6 for past 11 years)
- Daily Entry Fee, Guest (with Member): \$10, +\$2 (at \$8 for past 11 years)
- Daily Entry Fee, Guest (without Member): \$15, +\$3 (new in 2018 at \$12)

## FACTS AND FIGURES ABOUT YOUR ASSOCIATION

ESTIMATES AS OF  
NOVEMBER 2018 /  
SUBJECT TO CHANGE

- 6,473 Member Property Owners
- 25,000 Members
- 84% Second Homeowners
- Established 1971
- 90% Built-out
- Owned and Managed by the Property Owners
- \$26.9 Million Budget for 2019
- \$64 Million in Total Assets
- 7,300 Acres
- 26 Buildings
- 120,000 Square Feet of Conditioned Space
- 2,500 Trees Planted in 2018
- Over 55,000 Trees Planted in Past Decade
- 68 Miles of Paved Public Roads
- 60 Miles of Trails (and More Planned)
- \$3.8 Billion Estimated Tahoe Donner Community Real Estate Value

### OWN AND OPERATE

- Golf Course
- Beach Club Marina
- Downhill Ski Resort
- Cross Country Ski Center
- Snowplay Sledding + Tubing
- Equestrian Center
- Tennis Center
- Pools
- Recreation Center
- Day Camps
- Restaurants
- Retail Shops