

Tahoe Donner Association 2020 Budget – Workshop #3

Board, Finance Committee, Members Meeting 10/17/2019

Prepared by Michael Salmon, Director of Finance and Accounting, 10/10/2019

*9/12 and 9/20 workshops completed with review of capital and operating funds.
Today 10/17 is the 3rd and final planned budget workshop.*

This main document (G01.3) is a summary of the 2020 Budget draft. There are numerous supporting documents, as outlined in the Index below.



2020 Budget – 10/17/2019

Workshop – Documents Index

G01.3 Budget Summary Presentation (this document)

G02.3 Payroll FTE and Benefited Positions Schedules

G03.3 Pay Ranges 2020

G04 Development Fund and New Equipment Fund Reports

G05 Replacement Reserve Fund Reports

G06 RRF Reserve Study 30yr Expenditure Report Detail

G07.x Rate and Fee Schedules

G08 OPF 2020 Summary Reports

G09 OPF 2020 by NOR Component

G10 OPF 2020 by Department and Drivers (use Bookmarks to navigate)

G11.1 2019 Budget Report

G11.2 2018 Annual Report

G12.1 OPF 10yrP&L Summary 1 page per Department

G12.2 OPF 201908 P&L Detail MTH and YTD

G12.3 201908 Finance Report Package

G15.1 2018-4 Operating Fund Policy

G15.2 2019-1 Replacement Reserve Fund Policy

G15.3 2017-3 Development Fund Policy

G15.4 2017-4 New Equipment Fund Policy

Summary Presentation Index

Pages 1 -12	Overview / Governance
Pages 13 – 17	Budget Draft and Options
Pages 18 – 23	Capital Funds and Fund Transfer
Pages 24 -50	Operating Fund
Pages 51-59	Options and Closing Notes

Budget Oversight

- Governance
 - Federal State Local agencies
 - Laws and regulations
 - Sales tax audits, property tax audits, income tax audits
 - Governing Documents
 - [Fiduciary Duty](#)
 - DUTY OF CARE (Due Diligence; Duty to Investigate)
 - DUTY OF LOYALTY (No Self-Dealing)
- Board of Five (not individually)
- Finance Committee
- Members
- Management
- Internal Controls
 - Authorization Levels
- Financial Reporting/Review
 - Daily, Weekly, Monthly, Quarterly, Seasonal
 - CA Law – Civil Code 5500/5501 – Monthly Detailed Review of Financial Statements and Financial Records
 - Annual Report and Annual Audit

Governance

- California's Davis-Stirling Act laws that address reserves require disclosures and a Reserve Study to be performed every 3 years, updated annually. No specific funding levels or fund balances are required by law. However, the law does require the Board to act with ***Fiduciary Duty***.
- **Fiduciary Duty**: The director must remain focused on the best interests of the corporation. Loyalty to the corporation means subordinating personal objectives and needs to the financial requirements of the association. In this regard, Civil Code Section 1366 explicitly provides that the homeowners association shall levy regular and special assessments sufficient to perform its obligations under the governing documents and the Davis-Stirling Act, California Civil Code Section 1350.
- Budget must be communicated to members not less than 45 days and no more than 60 days prior to start of new year (ByLaws XII, Section 5). *Summary is allowed, with details later to members.*
- Civil Code §5300. Annual Budget Report.
 - (a) Notwithstanding a contrary provision in the governing documents, an association shall distribute an annual budget report 30 to 90 days before the end of its fiscal year.

2020 Budget - Planning Guidance



- **VISION** 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.
- **MISSION** Tahoe Donner is a recreational homeowner community of 6,500 property owners and over 25,000 members located within Truckee, California, five miles from Donner Lake, and 15 miles from Lake Tahoe. The association operates several recreational facilities and programs including a downhill and cross-country ski area, two restaurants, a championship golf course, equestrian center, and campground. These amenities are available for members and public access. Additionally, the Association manages other amenities for the exclusive use of the property owners and their guests, including tennis courts, hiking trails, playgrounds, pools, a beach club marina on Donner Lake, and a fitness center. Tahoe Donner is comprised of approximately 7,000 acres, with over 4,000 acres of common area, trails and open space interspersed among the community homes.
- **Guiding Principles:**
 - Support the member first and always
 - Sustain the foundation of Tahoe Donner programs and services
 - Encourage environmental stewardship
 - Engage in local community involvement and participation
 - Minimize annual operating assessment by allowing homeowners to pay for the amenities they desire to use
 - Responsibly maintain, preserve and enhance the common property
- **Next page for key direction items**

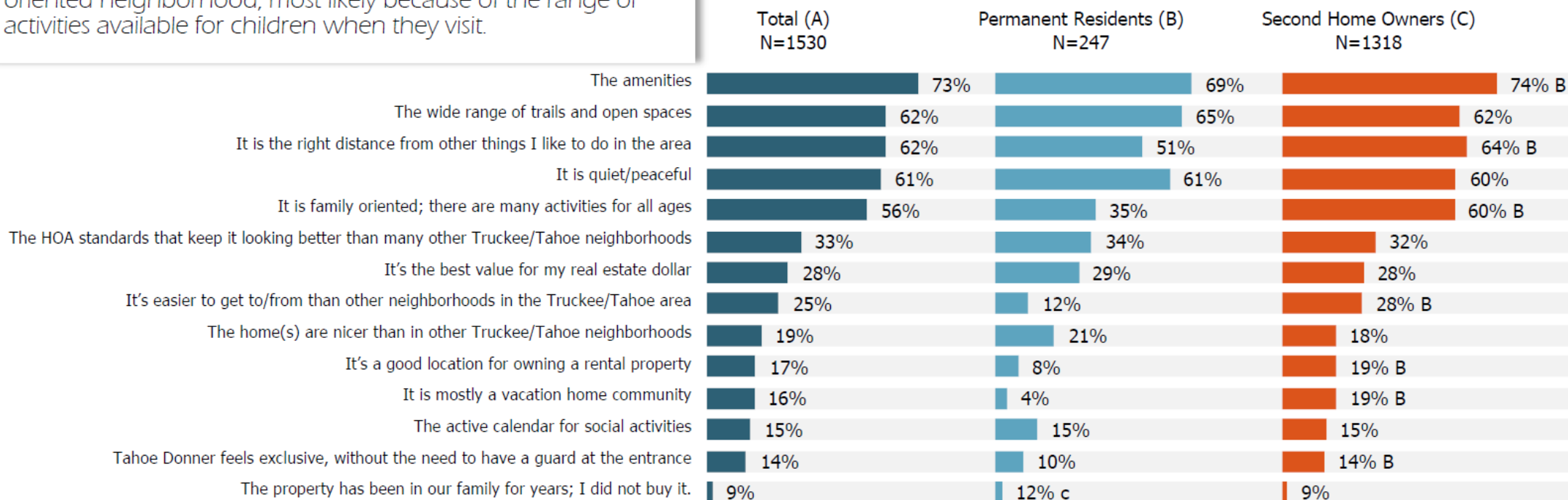
2020 Budget – Board Planning Guidance

- Aggressively address Peak Period overcrowding of all facilities, primarily via pricing (sapy)
- No costs growth, provide Board options to address
- Increase Forestry defensible space efforts
- No Banquet Event Tent at Lodge (other than 8 events on the books for 2020)
- Golf greens/remodel in 2020, factor impacts on operating results
- Governing Documents – removed from RRF, in 2020B OPF
- Covenants Enforcement, address peak summer after hours coverage

Amenities are the leading reason why owners have bought at Tahoe Donner. The range of trails and open spaces, as well as the neighborhood's location are other important reasons for choosing TD. Exclusivity was not a driver.

Compared to Permanent Residents, Second Home Owners give more importance to the ease of accessing the neighborhood and its potential for vacation rental. Second home owners are far more likely to consider TD a family oriented neighborhood, most likely because of the range of activities available for children when they visit.

Reasons For Purchase at Tahoe Donner



TD members want high excellent facilities and staffing, and want amenities to stay open, rather than to have their access restricted. There is a slight preference for keeping annual assessment fees down by having use fees cover the costs of amenities. There is a near tie on whether TD members would prefer a less exclusive HOA (41%) or a more exclusive HOA that restricts public use to amenities (38%).



Statement A

Total, N=1590

Statement B

Having amenities open to members is more important than cutting costs by limiting hours

31%

32%

19%

10%

7%

Saving maximum dollars is more important than maximizing member access

I would rather keep amenities open during off-peak periods, so that I have greater flexibility to access amenities whenever I want

29%

26%

19%

18%

8%

I would rather close amenities during off-peak periods, even if it means I have less flexibility to access amenities

I would rather amenity operating costs be spread among all members through the annual assessment

21%

15%

18%

24%

22%

I would rather amenity operating costs be paid predominantly by the members that use them

When amenities are not fully utilized by members and their guests, I would rather sell the excess capacity to the public to help defray costs.

20%

28%

14%

17%

20%

I would rather more amenities be made exclusive to Tahoe Donner members and their guests only.

I would rather have a more exclusive HOA that limits amenities to Tahoe Donner members and their guests, even if it costs me more in fees and annual dues

17%

21%

21%

24%

17%

I would rather have a less exclusive HOA that allows public access to public amenities, if it costs me less in fees and annual dues

I would rather minimize amenity use fees for members by charging a higher annual assessment

8%

14%

30%

26%

22%

I would rather minimize the annual assessment by charging members higher amenity use fees.

I would rather provide basic facilities and staffing

7%

9%

19%

30%

36%

I would rather provide excellent facilities and staffing

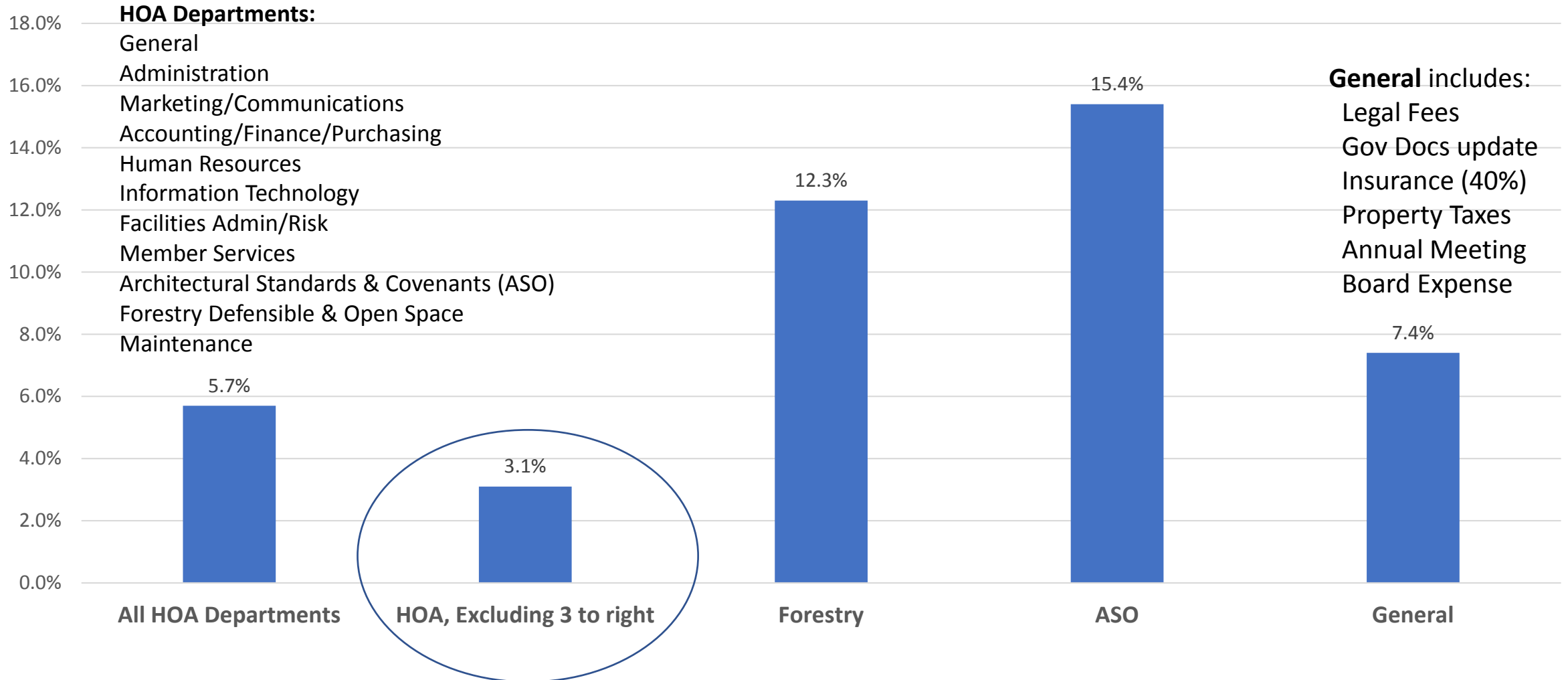
■ Strongly agree with A ■ Somewhat agree with A ■ Both about the same ■ Somewhat agree with B ■ Strongly agree with B



C7: Tahoe Donner amenities are funded through both the annual HOA assessment and user access fees. Please indicate how much you agree with statement A vs. statement B.

26

NOR Loss Growth Rates – 5 Year CAGR – % Growth Rates - 2015B to 2020B



2020 BUDGET – KNOWN IMPACTS



- CA Minimum Wage increase of \$1.00/8.3% impacting ~40% of payroll dollars
- Group Health Insurance renewal +7%
- Forestry – increase spending on defensible space
- Covenants – add after-hours onsite presence in peak summer
- No Banquet Event Tent at Lodge (other than 8 events on the books for 2020)
- Golf Closure for greens and repair/remodel projects
- Tight labor market and economic conditions assumed generally the same for 2020 as 2019

~40% of Payroll Direct is entry-level skills/education level,
service positions- Seasonal employees

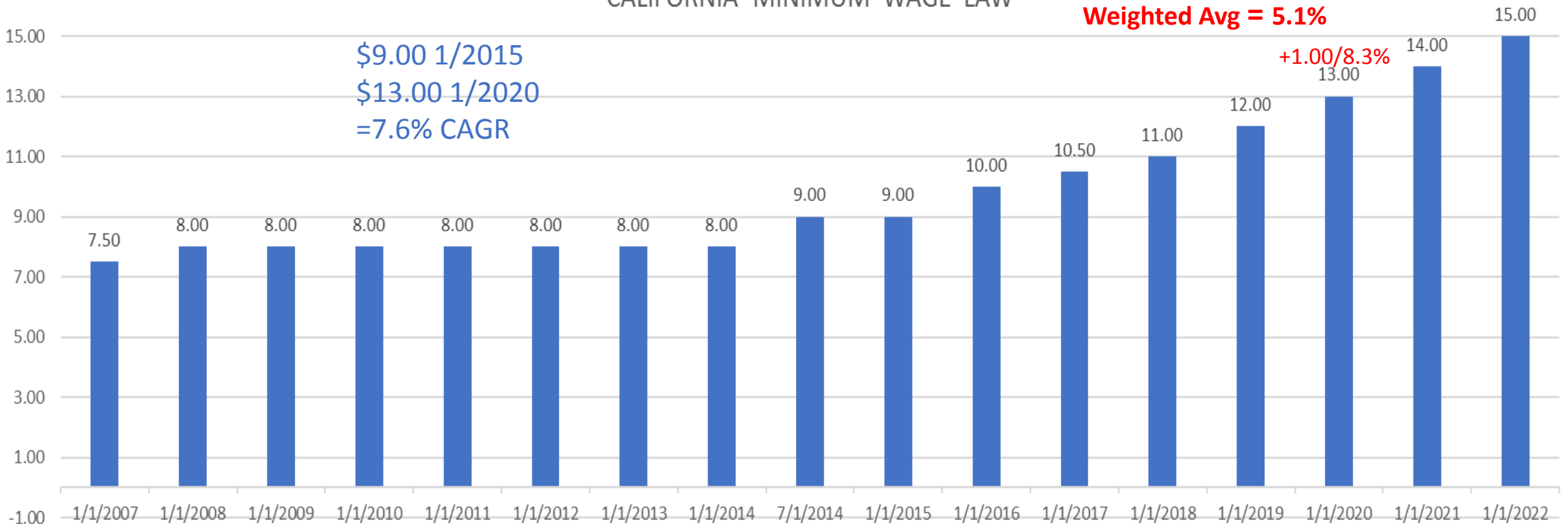
-min wage increases & compression impact have a material financial impact



CALIFORNIA MINIMUM WAGE LAW

40% at 8.3% → 3.3%
60% at 3.0% → 1.8%
Weighted Avg = 5.1%

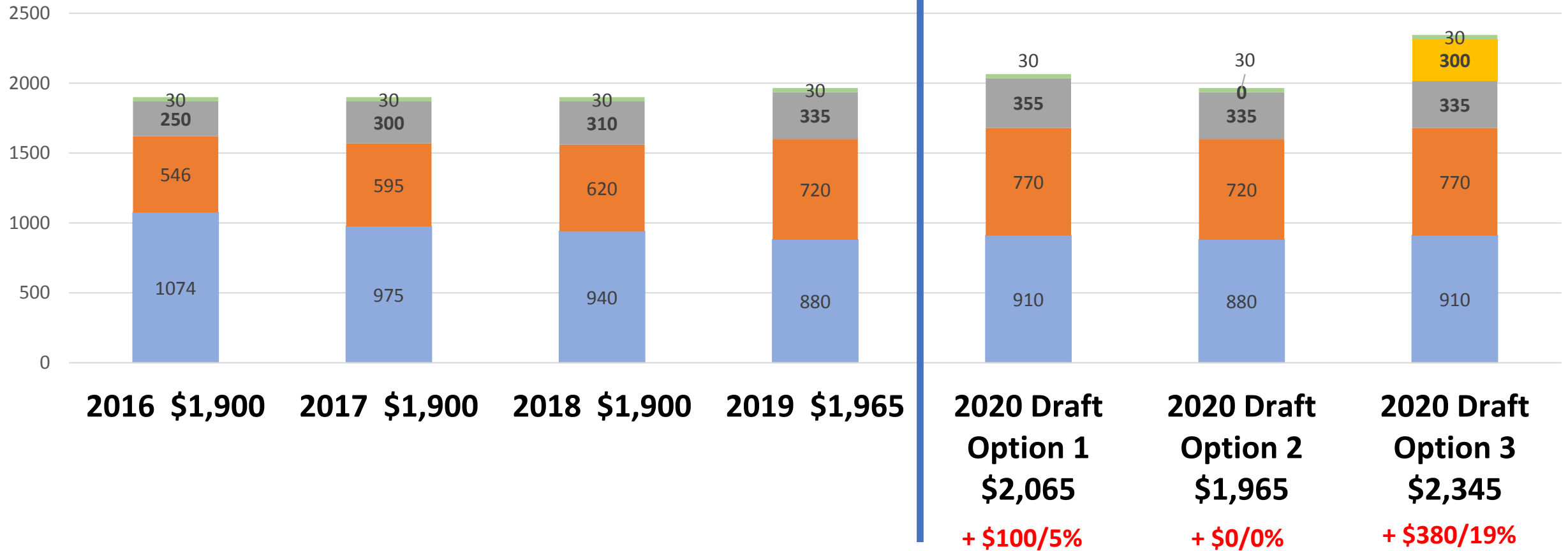
\$9.00 1/2015
\$13.00 1/2020
=7.6% CAGR



Tahoe Donner pays competitive wage rates for all positions, Seasonal and Year Round positions.



Annual Assessment per owner - 2020 10/17/19 draft



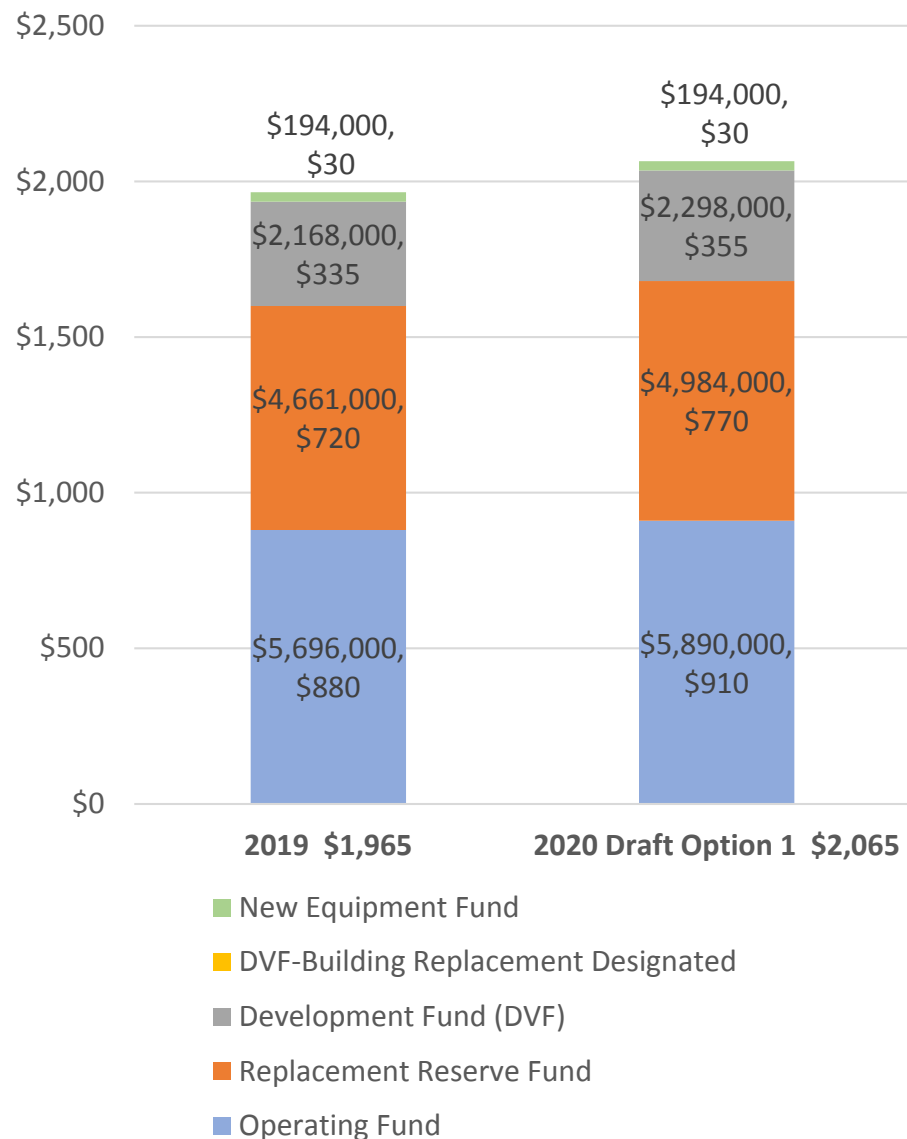
Operating Fund
Development Fund (DVF)
New Equipment Fund

Replacement Reserve Fund
DVF-Building Replacement Designated



Annual Assessment - 2020 10/17/19 draft

\$ Revenue, \$ per Owner



OPTION 1 \$2,065/owner or +\$100/5% to 2019 Budget

DVF - +20/6% or +\$129,000 for total of \$2,298,000

-modestly increase funding with know projects list exceeding funds available

- No significant increase in DVF Bldg. Replacement incremental funding

RRF - +\$50/7% or +\$324,000 for a total of \$4,984,000

-increase funding to pace inflation, plus more to help balance the over-five-years Reserve Study outlook funding % levels.

- transfer in of \$1m from operating fund in 2019

OPF + \$30/3.4% or +\$194,000

A balanced approach, consistent with prior years methodologies.

See next page for Operating Fund, option 1

2020 Budget – 10/17/2019 Draft – OPTION 1



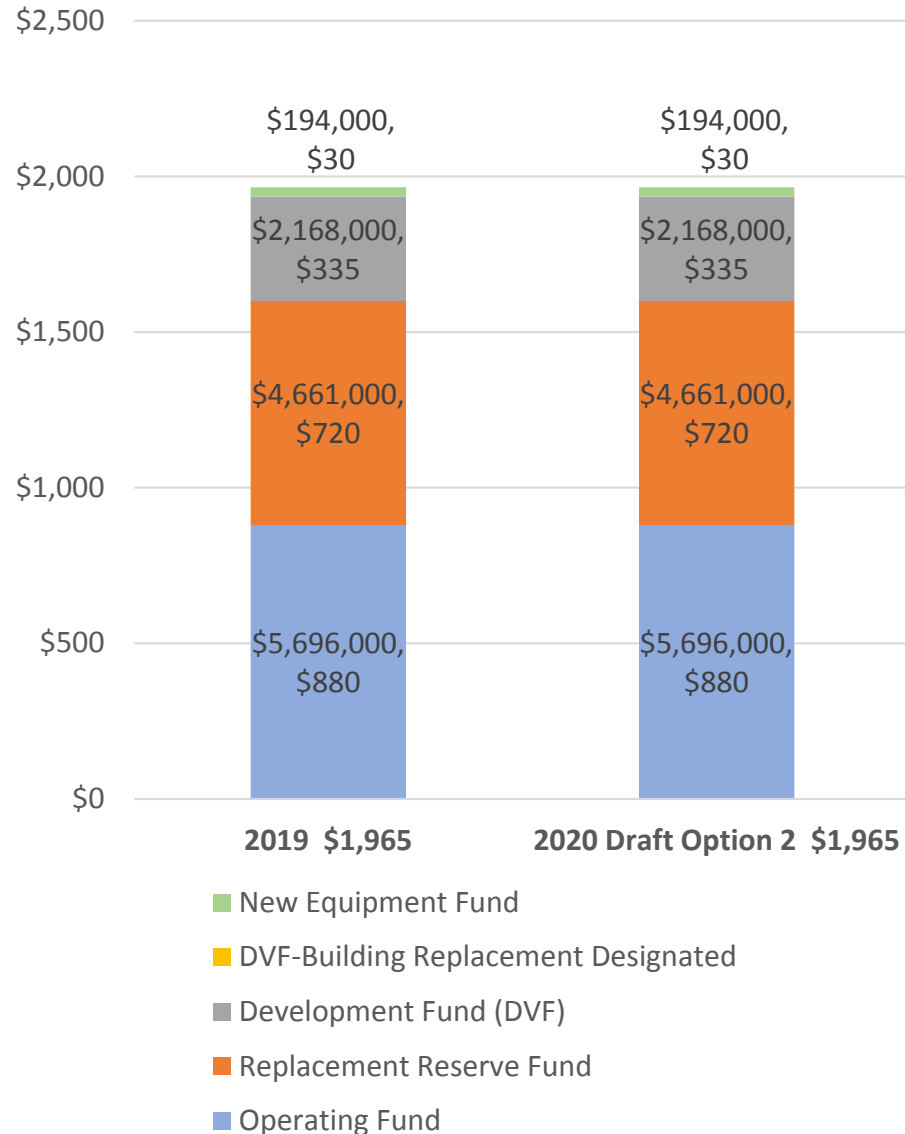
- Annual Assessment \$2065 - Increase of \$100/5% or \$8.33/month
 - + \$20/6% Development Fund +\$50/7% Replacement Reserve Fund +\$30/3% Operating Fund
- Private Amenities
 - Recreation Fee +\$60 to \$350, effective 5/1/2020
 - Daily Entry \$9 Member \$11 Guest with Member \$16 Guest on Guest Card (each up \$1) Effective 1/1/2020
 - Member Unlimited Fitness Pass increase \$50 to \$499 (LTM Qty sold 110)
 - Low to moderate price increases for all other products, Member and Guest
- Public Amenities
 - Continue aggressive price increases at DHSki and XCSki, particularly Public
 - All other Public Amenities, low to moderate price increases, Member Guest and Public
 - Factored No Tent, Golf closure due to Greens replacement/remodel, and CA Min Wage increase \$1/8%
- HOA Departments
 - Added Governing Documents update \$100,000 and Insurance increase \$160,000 (General)
 - Added peak summer covenants enforcement swing/grave \$50,000 (ASO)
 - Added Forestry defensible space resources \$357,000 (Forestry)
 - Added Financial Analyst position \$92,000 (Accounting)



Annual Assessment - 2020 10/17/19 draft

\$ Revenue, \$ per Owner

OPTION 2 \$1,965/owner or +\$0/0% to 2019 Budget



DVF – flat at \$335/owner or \$2,168,000 funding level

- plan projects within financial funding provided, prioritize
- No DVF Bldg. Replacement incremental funding

RRF – flat at \$720/owner or \$4,661,000 funding level

- transfer in of \$1m from operating fund in 2019, otherwise hold funding flat

OPF + \$0/0% or +\$0 or \$5,696,000 funding level

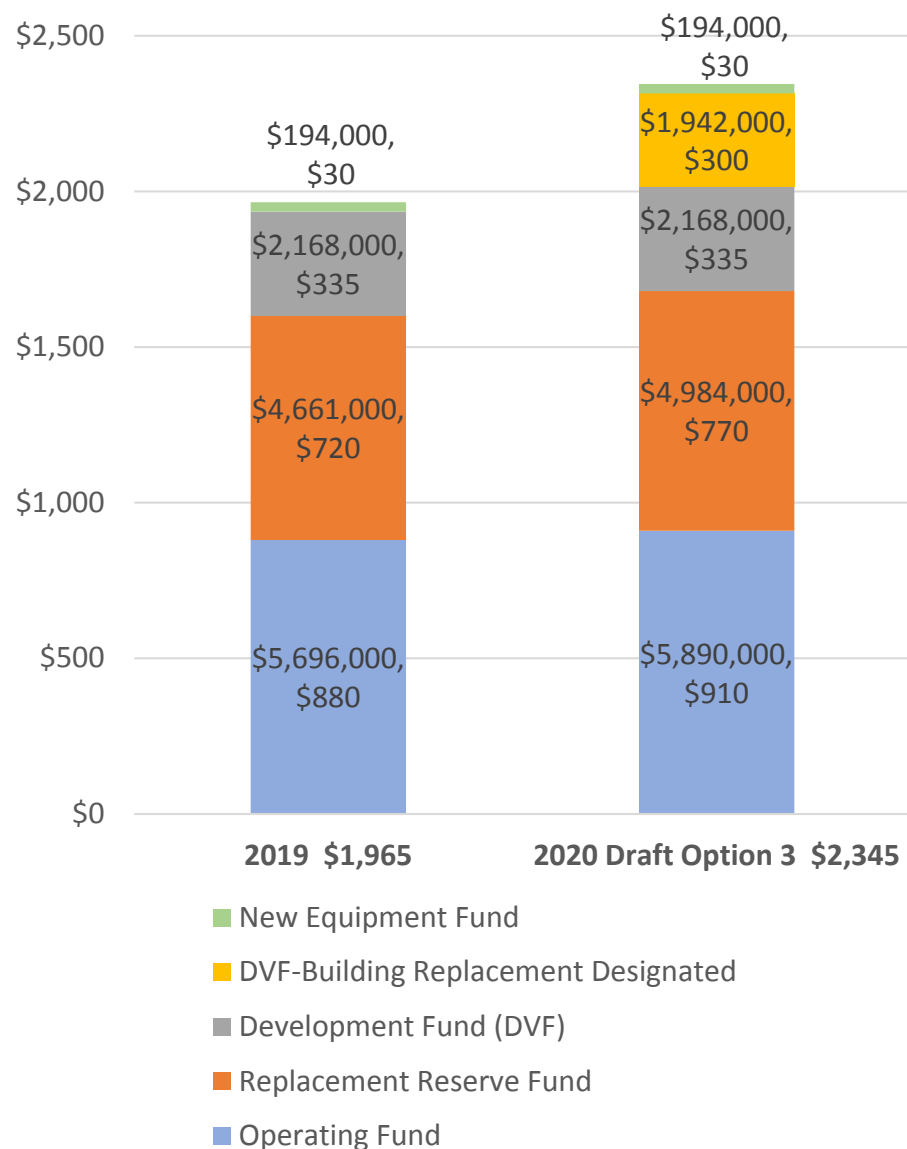
.....Adjust from Scenario 1 as follows:

- \$50,000 – Decrease Governing Documents by 50%
- \$92,000 - Drop financial analyst position
- \$20,000 - Drop HR/Safety online training services
- \$ 7,000 - Drop IT competitive wage driver from \$10k to \$3k
- \$25,000 – Pizza – change to Summer Only



Annual Assessment - 2020 10/17/19 draft

\$ Revenue, \$ per Owner



OPTION 3 \$2,345/owner or +\$380/19% to 2019 Budget

DVF - +300/90% or +\$1,942,000 for total of \$4,110,000
-hold base \$335 for known projects list exceeding funds available
-PLUS \$300 DVF Bldg. Replacement incremental funding

RRF - +\$50/7% or +\$324,000 for total funding of \$4,985,000
-increase funding to pace inflation, plus more to help balance the over-five-years Reserve Study outlook funding % levels.
- transfer in of \$1m from operating fund in 2019

OPF + \$30/3.4% or +\$194,000

A balanced approach, consistent with prior years methodologies. OPF consistent with Option 1.

Operating Fund – Members equity surplus

- Currently YTD September NOR is Favorable \$535,000
- Which places Members Equity (ME) balance as of 9/30/2019 at \$2,977,000
- Currently ME is above Target (10% of ~B19 Revenues or ~\$1,443,000) by \$1,555,000
- Minimum \$500,000 balance, per policy
- Additional Information, refer to this link
 - <https://www.tahoedonner.com/wp-content/uploads/2019/09/G03.5-Equity-Transfers-Schedule.pdf>
- Options –
 - In this draft - IN 2019, transfer \$1,000,000 to Replacement Reserve Fund and \$0 to Development Fund.
 - While technically, ~\$1.5 million eligible, recommend only transfer in 2019 \$1.0m
 - 2020B revenue of \$14.1m is understated \$1m due to Golf closure
 - 2020B revenue has increased reliance on DHSki revenues/performance
 - Can transfer additional amount post Q12020, potentially \$500,000 to Development Fund
- Board Direction

Development Fund – Option 1

\$ 6,200,000 Beginning Fund Balance, 12/31/2019

2,298,000 Annual Assessment Contribution - \$355/owner
an increase of \$129,000 or \$20/owner to 2019B

(3,089,000) Capital Expenditures, 2020 (planned, not approved)
see next page

(311,000) Payroll Direct and Allocated Overhead

124,000 Investment Income

(10,000) Income Tax Expense

(7,000) Bad Debt Expense

\$ 5,205,000 Ending Fund Balance, 12/31,2020

Savings for Building Replacement

Option 2 – DVF AA
 \$335 or \$2,169,000

Option 3 – DVF AA
 \$335 \$2,169,000
+ \$300 \$1,942,000
 \$635 / \$4,111,000

Development Fund – 2020 Spend/CFP



	Project	2020	2021	2022	2023
Association Wide	New Accessibility Improvements	150,000			
ACAC	Snowmaking on select Nordic Trails (Planning 2019) (Ph 1+2 - 2020) (Ph3 and Ph 4 post 2023)	550,000			
Downhill Ski Resort	Downhill Ski Lodge	350,000	TBD	TBD	TBD
Downhill Ski Resort	Snowmaking to Eagle Rock	550,000			
Downhill Ski Resort	Regrade Mile Run to 8% minimum slope	500,000			
The Lodge	Covered Stairway, connecting parking lots	150,000			
Trails and Open Space	Implement trail/trailhead projects on the 5YIP	150,000	75,000	75,000	
TCRC	Trout Creek Expansion	275,000			
TCRC	Snowmaking at Snowplay	185,000			
Association Wide	Feasibility Studies (Aquatics in 2020)	70,000	50,000	50,000	50,000
Association Wide	Future Land Acquisition (previous unspent \$ rolls forward)	60,000	60,000	60,000	60,000
Estimated Annual Totals, exclude RRF, Inflation Factor, and direct/allocated overhead		2,990,000	185,000	185,000	110,000
	Direct and Allocated Overhead	311,000	311,000	311,000	311,000
	Expenditures Total	3,301,000	496,000	496,000	421,000
3.0%	Inflation Factor	99,000	30,000	45,000	51,000
	Total Including Inflation	3,400,000	526,000	541,000	472,000
2019	< BASELINE YEAR FOR INFLATION FACTOR				
2.0%	Interest Income	124,000	104,000	144,000	187,000
8.0%	Income Tax Expense	10,000	8,000	12,000	15,000
	Bad Debt Expense	7,000	7,000	7,000	7,000
	Member Equity Transfer (Projected)				
20	<Years: Normalized Contributions >	355	375	395	415
6473	Annual Contribution	2,298,000	2,427,000	2,557,000	2,686,000
	Beginning	6,200,000	5,205,000	7,195,000	9,336,000
	Ending	5,205,000	7,195,000	9,336,000	11,715,000
		Yr 2020	Yr 2021	Yr 2022	Yr 2023

~\$3.5 million of DHSki lodge building replacement will be funded from RRF components

Reasonableness test
 $11.7 + 3.5 = 15.2m$
 $\$15.2m / \$700/sf =$
 $\sim 21,700sf$

Yellow at bottom is DHSki building savings in DVF projection

New Equipment Fund –

\$ 120,000 Beginning Fund Balance, 12/31/2019

194,000 Annual Assessment Contribution - \$30/owner
no change from 2019B

(80,000) Capital Expenditures, 2020

- Payroll Direct and Allocated Overhead

5,000 Investment Income

- Income Tax Expense

- Bad Debt Expense

239,000 Ending Fund Balance, 12/31/2020

Savings for future new equipment needs

NEF - 2020 Expenditures 10/17/2019 DRAFT

Zendesk Expansion	\$ 20,000
Trails - Bear Boxes 3 Singles	\$ 4,000
Financial Analyst - Laptop	\$ 3,000
Broadband Solutions - Forestry	\$ 10,000
Website enhancements, ADA	\$ 15,000
Contingency	\$ 28,000
Total 2020 Expenditures	\$ 80,000

Not in draft budget...
 \$70,000 – Financial Planning and Analysis software

Replacement Reserve Fund – Option 1



<u>\$12,400,000</u>	Beginning Fund Balance, 12/31/2019 <i>includes \$1.0m transfer in from OPF in 2019</i>
4,984,000	Annual Assessment Contribution - \$770/owner <i>an increase of \$324,000 or \$50/owner vs 2019B</i>
(7,087,000)	RRF Expenditures, 2020 Budget <i>see next page</i>
(211,000)	Payroll Direct \$134,000 & Allocated Overhead \$77,000
244,000	Investment Income
(24,000)	Income Tax Expense
(13,000)	Bad Debt Expense
<u>10,293,000</u>	Ending Fund Balance, 12/31/2020

Option 1

Year	Annual Percent Change to Capital / Reserve Assessment	Capital / Reserve Account Beginning Balance	Expired Useful Life of Components Expressed in Dollars aka "Fully Funded"	Percent Ratio of Fully Funded Value to Capital / Reserve Balance
1/1/2020	6.93%	12,400,000	40,699,922	30.47%
1/1/2021	7.00%	10,293,487	41,304,767	24.92%
1/1/2022	7.00%	9,809,441	42,543,244	23.06%
1/1/2023	7.00%	11,072,433	44,901,807	24.66%
1/1/2024	7.00%	10,117,810	44,749,468	22.61%
1/1/2025	4.00%	12,701,894	47,701,956	26.63%
1/1/2026	4.00%	11,456,002	46,369,941	24.71%
1/1/2027	4.00%	13,504,271	48,718,921	27.72%
1/1/2028	4.00%	14,964,470	50,157,829	29.83%
1/1/2029	4.00%	15,714,829	51,050,015	30.78%
1/1/2030	4.00%	16,678,388	52,068,576	32.03%

Replacement Reserve Fund – 2020 Expenditures



2020 Budget - RRF Expenditures for 2020 by Location

Sum of Future Replacement Cost (Current Budgeted Cost)			
Row Labels	Capital	Expense	Grand Total
Administration	528,379	42,125	570,504
Bikeworks	23,238		23,238
Campground		2,018	2,018
Capital Projects		215,626	215,626
Cross Country	124,832	31,969	156,802
Equestrian Center	13,029	4,099	17,128
Forestry	45,895	121,982	167,877
General Maintenance		8,185	8,185
Golf Complex		2,018	2,018
Golf Course	2,411,406	67,143	2,478,550
IT	153,955	467,713	621,668
Maintenance	76,635		76,635
Marina	84,096	30,123	114,218
No.Woods Pool-Bldg.	2,947		2,947
Northwoods	18,066	38,057	56,123
Pizza	5,106		5,106
Recreation	10,529	8,087	18,615
Ski Area - Mtn Ops	156,953	33,449	190,401
Ski Area - Mtn Ops - Lift Maintenance	130,924	14,491	145,414
Ski Area - Mtn Ops - Rental-Retail	97,497		97,497
Ski Area - Mtn Ops - Top Shop		10,124	10,124
Ski Area - Mtn Ops - Winter Food-Beverage	4,657		4,657
Snowplay		25,646	25,646
Tennis Complex	56,942	14,544	71,486
The Lodge	50,978	12,456	63,434
Trails	988,209	22,100	1,010,309
Trout Creek BLDG	971,199	59,930	1,031,128
Trout Creek POOLSPA	104,668	5,578	110,246
Grand Total	6,060,138	1,237,462	7,297,600
Less Payroll Direct and Allocated Overhead (Capital Projects)		(211,000)	(211,000)
Rounding	(138)	538	400
TOTAL RRF Expenditures, 2020 Budget	\$ 6,060,000	\$ 1,027,000	\$ 7,087,000

Expenditure Notables:

\$1,622,000 Golf Repairs/Remodel (Golf)
 \$ 724,000 Greens replacement (Golf)
 \$ 825,000 TCRC remodel completion (Trout)
 \$ 639,000 Nature Loop replacement(Trails)
 \$ 510,000 CASp Projects (Administration)
 \$ 207,000 E-store replacement (IT)
 \$ 152,000 Coyote Crossing soft costs (Trails)
 \$ 122,000 SEuerV road soft costs (Trails)
\$ 116,000 Shuttle Bus replacement (Ski Area)
 \$ 4,917,000 total of notables
 \$ 2,170,000 all other projects

Operating Fund - Methodology

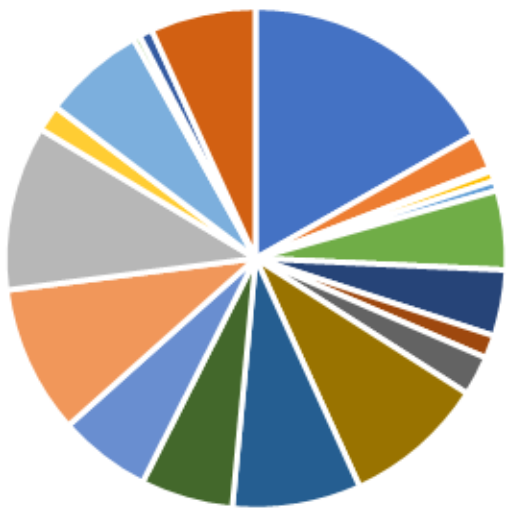
- Top Down and Bottom Up Drivers
- Planning Guidance
- Normalization starting point, 3-Year Average adjusted for known Baseline changes
 - Not a simple 3-year average (start with this and add for pricing changes/other anomalies)
- Drivers for 2020 (change drivers impacting Revenue and Costs, by Department)
 - Pricing changes – revenues and costs
 - Capital and BoD impacts – board specific initiatives and capital spend impacts
 - Merit impacts – isolate this driver, capped
 - Strategic
 - Regulatory – California Minimum Wage increases \$1.00/8% from \$12.00 to \$13.00 on 1/1/2020
 - Other

Membership Engagement, Communications aka “Marketing”

Time and Effort of Team



Summer Fun Guide (SFG)
Weekly Activity Guide (WAG)



- Magazine
- SFG
- WAG
- Annual Report
- Budget Report
- Association Related Initiatives
- Website Maintenance, refresh and updates
- Apps -Sum/Winter/Golf
- Maps
- Email Marketing
- Special Initiatives (Programs, Surveys/FlashVote/Likemoji /Ambassador)
- Program Launches / Campaigns
- F&B Seasonal Change overs / promotions, menus, signage *
- Marquee + Special Events *
- Amenity Marketing / Branding / Content Creation / Signage / Web
- Advertising (Strategy, Programming, Sales, Sponsorships)
- Social Media
- Group Sales
- PR / Press Releases
- Team + Program Management

2020 Budget Workshop 10/17/2019

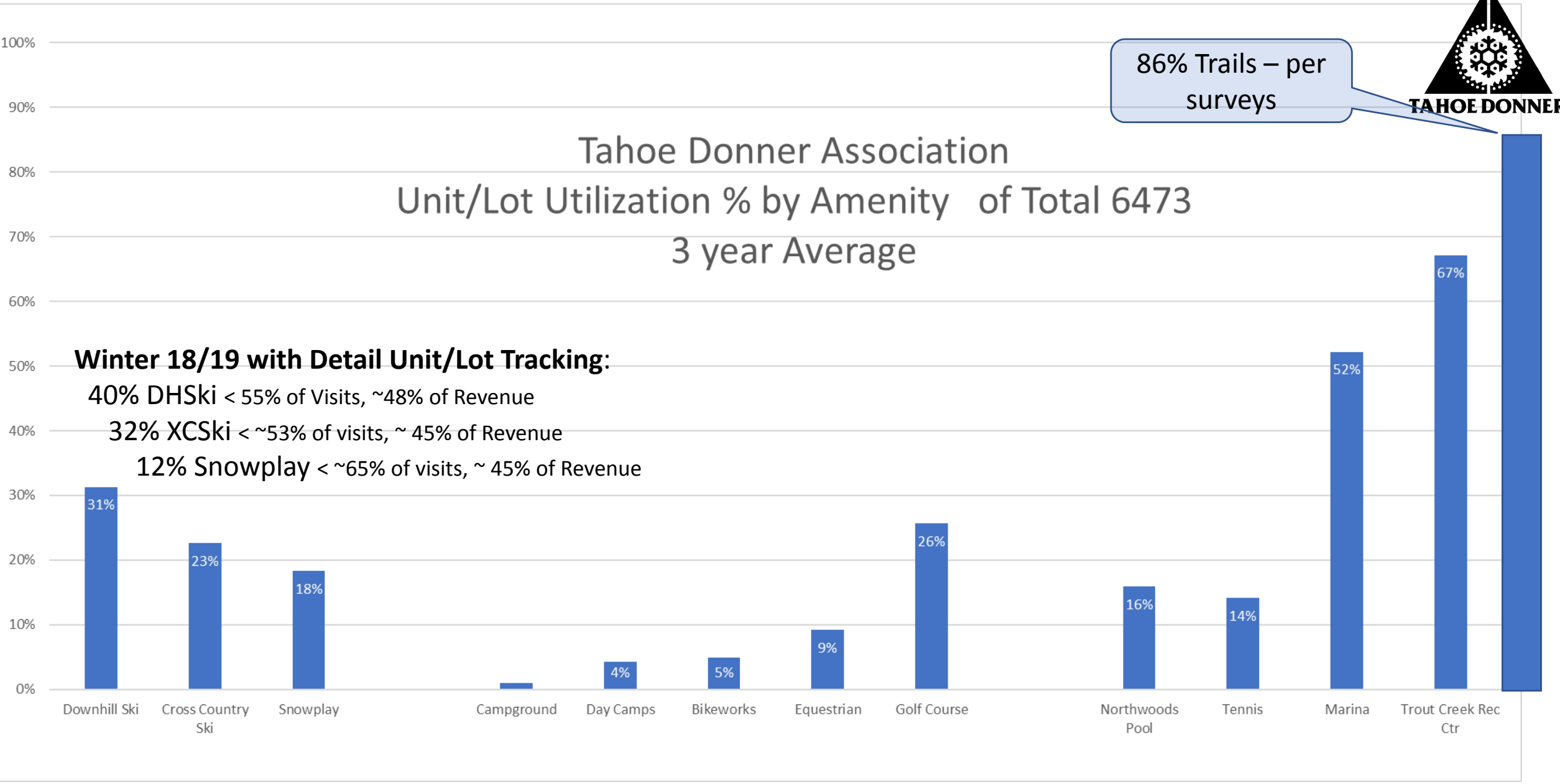
Keynote:
The overwhelming majority of department’s efforts are focused on Member communications. Much of the ‘paid advertising’ is targeted at members through online advertising



86% Trails – per surveys

Tahoe Donner Association
Unit/Lot Utilization % by Amenity of Total 6473
3 year Average

Winter 18/19 with Detail Unit/Lot Tracking:
40% DHSki < 55% of Visits, ~48% of Revenue
32% XCSki < ~53% of visits, ~ 45% of Revenue
12% Snowplay < ~65% of visits, ~ 45% of Revenue

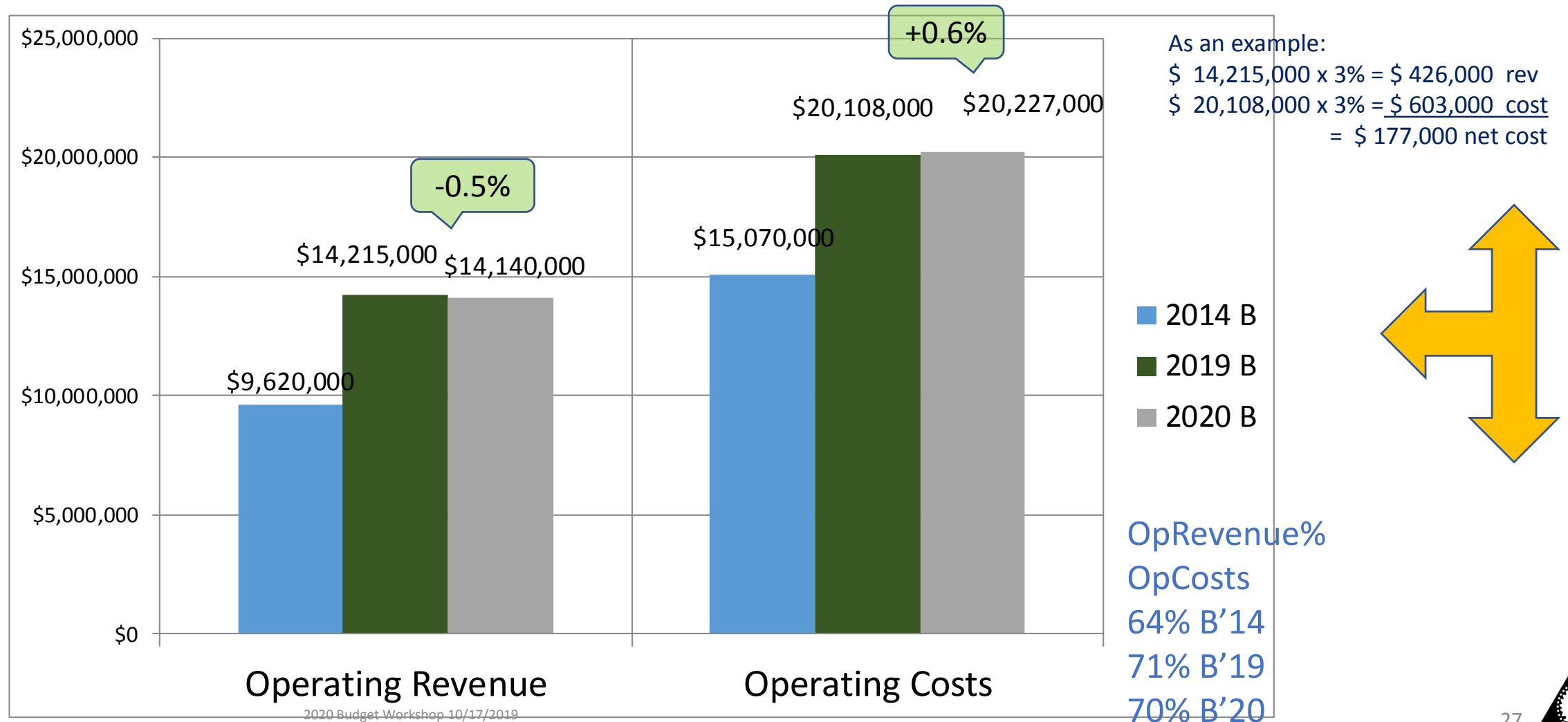


Operating FUND

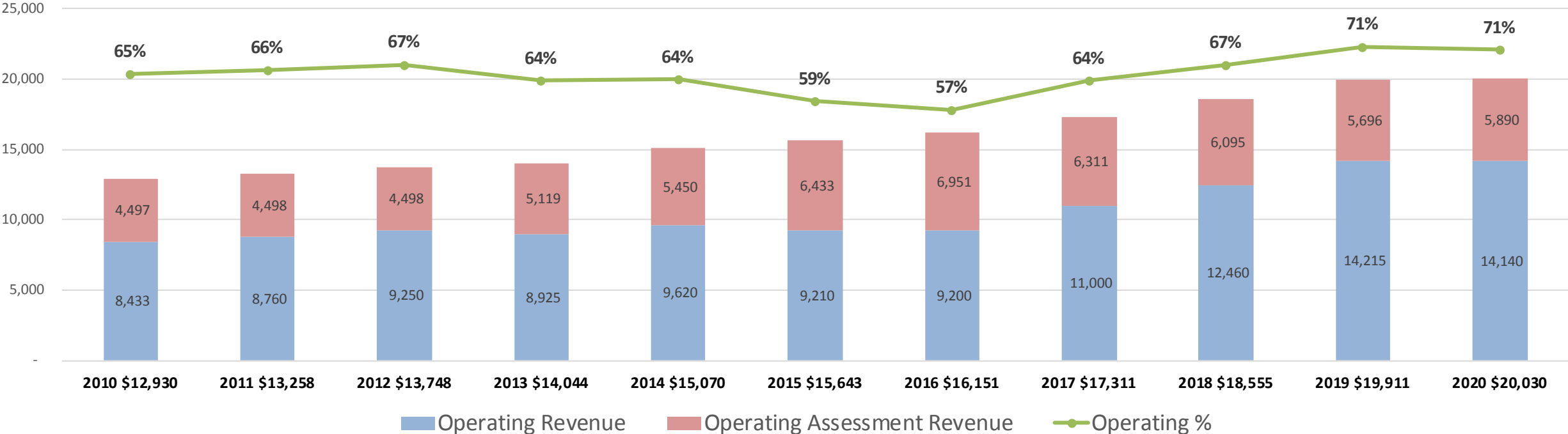
2020 Budget Draft 10/17/2019

Being an HOA, Operating Costs are Greater than Operating Revenues.....

if both grow at 3%, Costs growth in Dollars is **greater** than the Revenue growth in Dollars



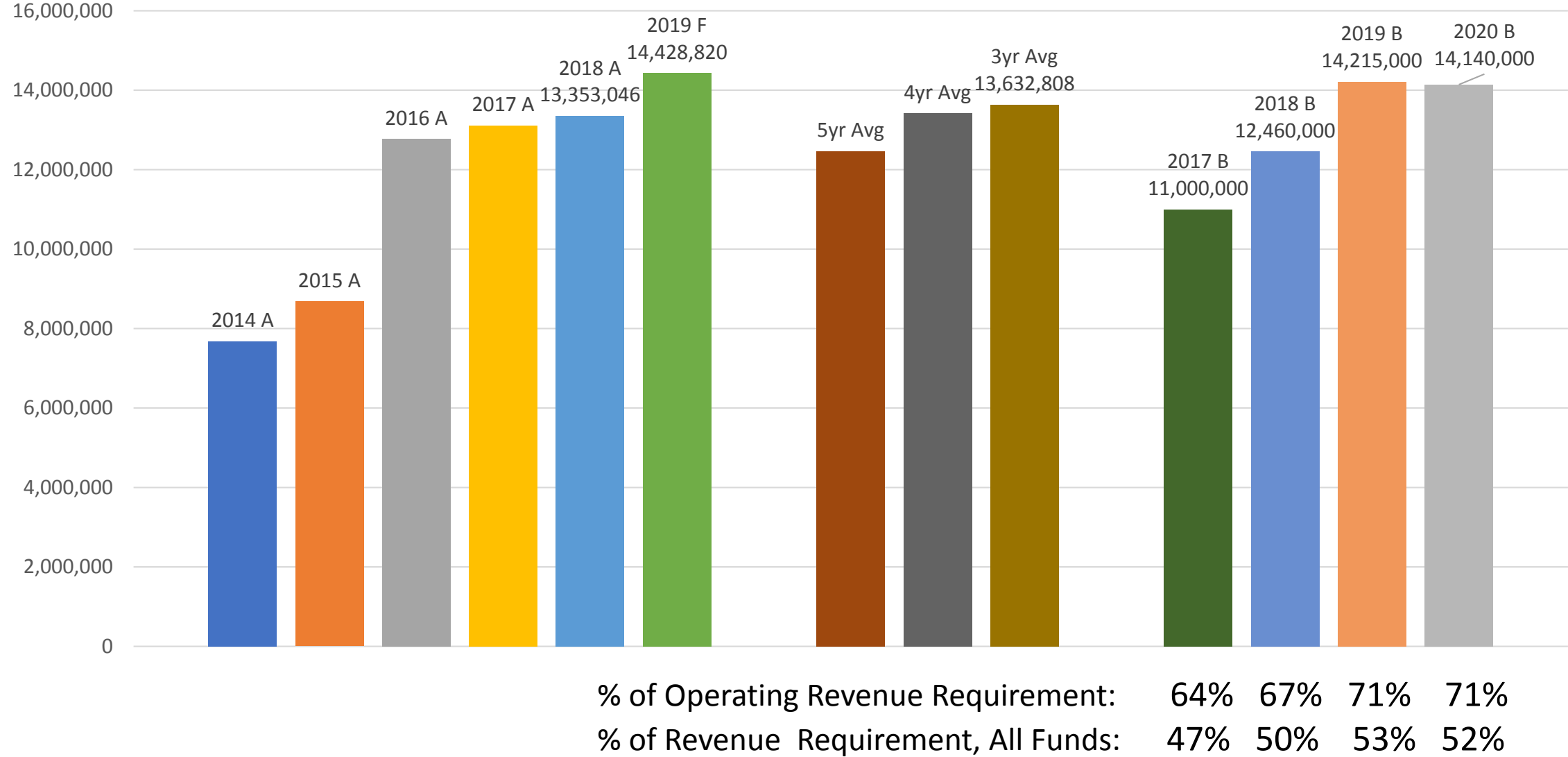
Operating Fund Revenue Mix - Budget - 10+1 Years Dollars in Thousands



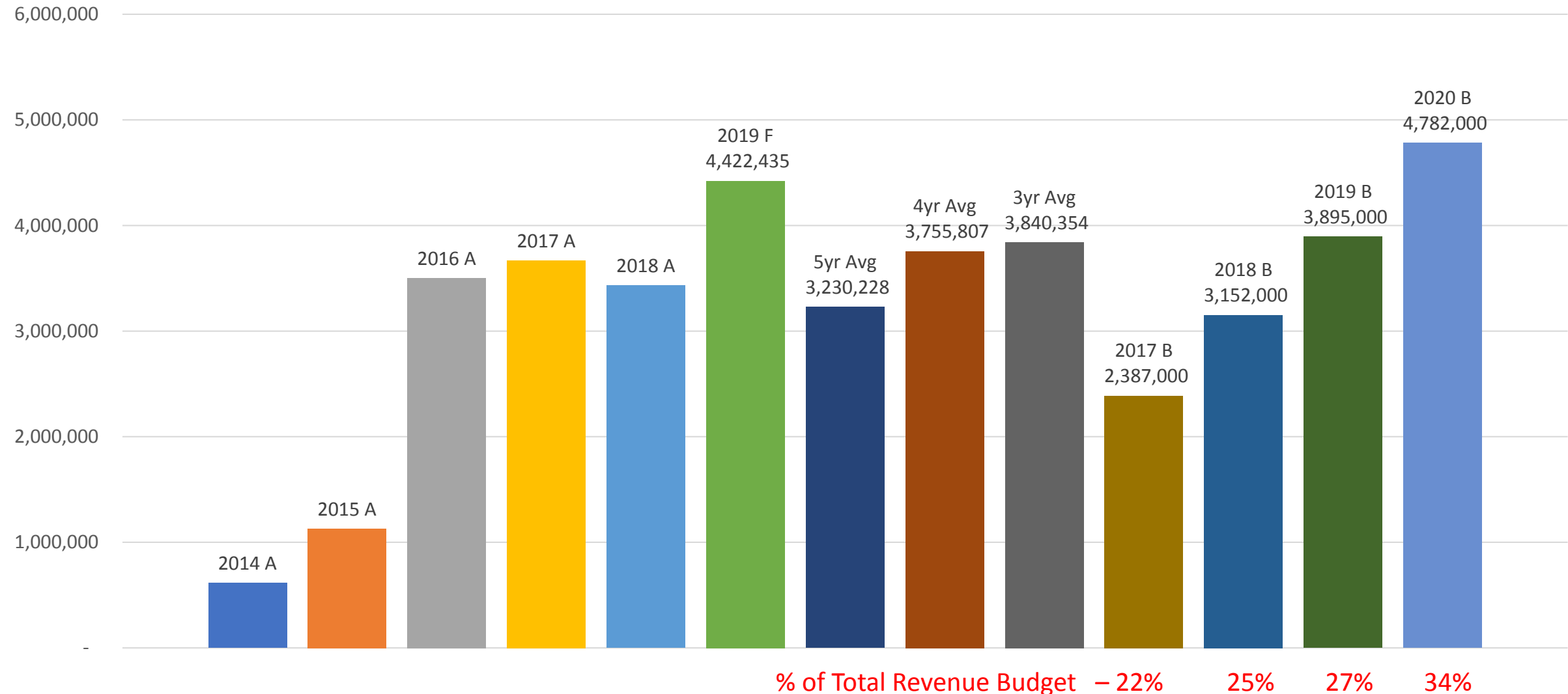
	CAGR-10yr	CAGR-5yr
Operating Revenue	5.30%	8.95%
Operating Assessment Revenue	2.74%	-1.75%
Operating Total	4.47%	5.07%
CA Minimum Wage	4.97%	7.63%

2020 Budget has anomaly of golf closure.

Operating Fund – Operating Revenue



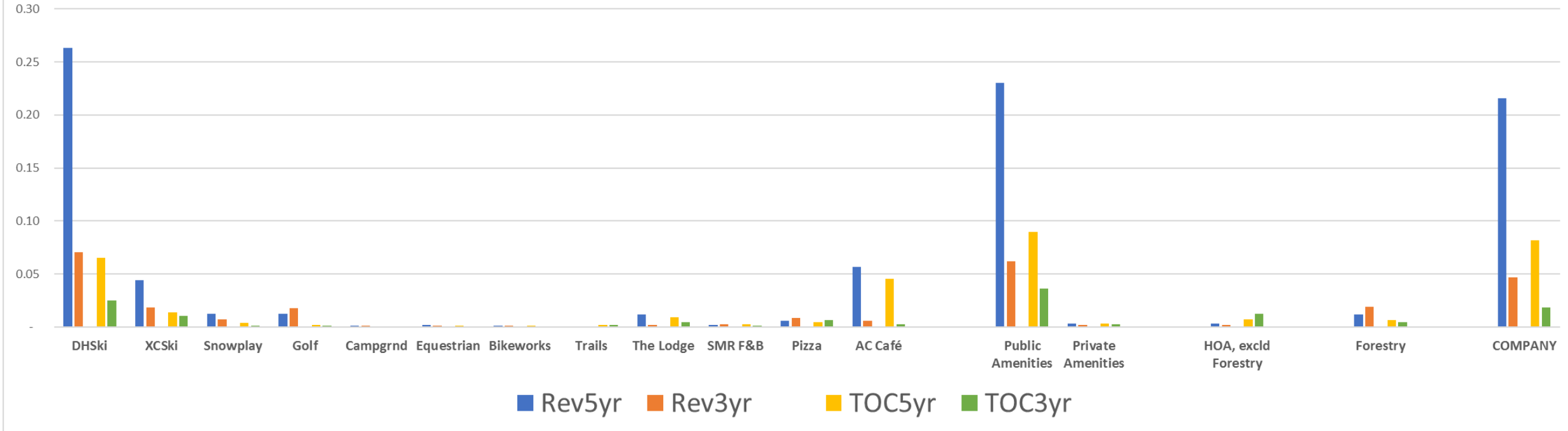
Operating Fund – Downhill Ski Revenue



Historical Volatility



Weighted Average Standard Deviations - 5yr versus 3yr - Operating Revenue and Total Operating Costs
(2015-2018 Actual, 2019 Forecast-5yr) (2017-2018 Actual, 2019 Forecast - 3yr)



Small or no bars does not equate to no volatility, rather that based on the dollar amounts to company total, the volatility is not as meaningful.

Keynote:

DHSki has significant impact on financial outcome (should not be a surprise)

DHSki's 3yr volatility is significantly lower than 5yr, due in large part to Snowmaking investment.

This translates to Company total volatility as well.

Operating Revenues — User Rates and Fees - Keynotes



- Private Amenities, access –
 - Daily
 - 2018: \$6 Member \$8 Guest with Member \$12 Guest on Guest Card
 - 2019: \$8 Member \$10 Guest with Member \$15 Guest on Guest Card
 - 2020: \$9 Member \$11 Guest with Member \$16 Guest on Guest Card
 - **Each up \$1 for 2020 (valid for Day, all private amenities, not per Amenity per day) {+\$45,000 Revenue}**
 - Recreation Fee
 - 5/1/2018-4/30/2019 : \$270 up to 4p, \$100 5th \$100 6th \$100 7th \$100 8th
 - 5/1/2019-4/30/2020 : \$290 up to 4p, \$125 5th \$125 6th \$125 7th \$125 8th
 - 5/1/2020-4/30/2021 : \$350 up to 4p, \$145 5th \$145 6th \$145 7th \$145 8th **Snowplay still included.**
 - **Increase of \$60 or 21% or \$15 per person if 4p on RecFee----for a YEAR's access. {+\$160,000 Revenue}**
- Trout | Tennis | Marina | Aquatics | Day Camps
 - Non Access Products 3%-5% price increases across most all products
 - Member Unlimited Fitness Annual Pass – increase \$449 to \$499 (*still well below Market*) (Qty110)
 - Marina, increase rental rates, MBR slightly below market, GST is at or slightly above market

Operating Revenues — User Rates and Fees - Keynotes

- Downhill Ski, Cross Country Ski and Snowplay
 - Price increases Tickets/Ski School, more aggressive with Public and even higher Public pricing during Peak Periods. Rentals are at Market.
 - **SIMPLIFY** – the Member/Guest/Public tracking (Tickets and Rental and Ski School) of individuals in 18/19 Season immensely complexed customer and employee experience.
 - Management is actively researching solutions to simplify product offerings, while still obtaining meaningful MGP information by operation.
 - A Member Discount #% by Amenity concept is being reviewed, the E-store and other system improvements necessary. Considered for 2021 live at this time.
 - Snowplay viewed at Max for Public. Continue M/G/P different products.
- Equestrian Bikeworks Campground
 - near Market in these lines; miscellaneous price increases, see fee schedules
- Golf
 - No rate changes for 2020, course budgeted NOT TO OPEN. Driving Range prices, same as 2019.
- The Lodge, Pizza and Alder Creek Café
 - Menu price increases on average 2-4%

Operating Fund



	Revenue		Costs		N O R	
2019 Budget	14,215,000		19,911,000		(5,696,000)	(880) per owner
simple 3yr avg adj	(582,000)	-4%	(953,000)	-5%	371,000	
adj for price	1,066,000	7%	709,600	4%	356,400	
TL Normalization	484,000	3%	(243,400)	-1%	727,400	
2020 Baseline	14,699,000	3%	19,667,600	-1%	(4,968,600)	
			(243,400)			

simple 3yr average 2019F, 2018A, 2017A

adj for pricing changes / merit/caminwage impacts, vacancies, anomolies

3yr avg plus pricing changes/merit/caminwage impacts & anomaly adj

starting point for 2020 drivers Rev+2% Costs-0%

2020 DRIVERS:

Pricing, non-RecFee	626,000	4%	127,800	1%	498,200
Pricing, Recreation Fee	160,000		-	0%	160,000
Merit Pay increases			257,500	1%	(257,500)
Regulatory, CA Min Wage			258,700	1%	(258,700)
Regulatory, Insurance/Taxes			185,000	1%	(185,000)
Governing Docs			100,000	1%	(100,000)
ASO			50,000	0%	(50,000)
The Lodge	(375,000)	(0)	(170,800)	-1%	(204,200)
Golf	(1,130,000)	-8%	(785,800)	-4%	(344,200)
Summer F&B	(100,000)	(0)	(75,400)	0%	(24,600)
Forestry			356,300	2%	(356,300)
Snowplay	20,000	0	16,400	0%	3,600
Downhill Ski	131,000	1%	74,300	0%	56,700
Cross Country Ski	25,000	0	23,400	0%	1,600
Alder Cr Café	80,000	1%	43,600	0%	36,400
Reorg savings	-	-	(168,300)	-1%	168,300
General			20,000	0%	(20,000)
IT			10,000	0%	(10,000)
HR			3,000	0%	(3,000)
Company-wide, Payroll Burden			63,000	0%	(63,000)
Company-wide 1% Savings			(28,900)	0%	28,900
All other changes	4,000	0%	2,600	0%	1,400

2020 Change Drivers:

pricing increases, ccfees on rev increase, inflation, health ins 7%

Recreation Fee, \$290 to \$340, +\$60/21%, change to 5-8, \$125to\$145

Overall Cap 3.0%, effective post-ca min wage, 2.2%

CA Min Wage increase \$12.00 to \$13.00, +\$1.00 or 8.3%

General Dept - Insurance \$160,000 and Property Taxes \$25,000

General Dept - Governing Documents update

ASO - Summer season Swing/Grave patrol streets service

no Tent impact on 2020 (to have 8 events / \$140k OTB)

Course closure, due to Greens/Remodel Capital Project

Course closure, impact on snack bar/lunch at The Lodge

Increase defensible space cost efforts 33% to B19 (also incr in B19)

Capital Impact (CI) on Dec'20, Snowplay (snowmaking)

Capital Impact (CI) on Dec'20, Downhill Ski (snowmaking)

Capital Impact (CI) on Dec'20, Cross Country Ski (snowmaking)

banquet events growth (no Tent at Lodge, other growth)

2.5 positions and other, portion not in Normalization to Baseline above

a/v costs over baseline for recordings of meetings

IT dept competitive wage, continued high turnover at current rates

HR online training services for work comp/safety/risk training

Premiums increase of +7% Medical, +4% Dental primary drivers

1% cost savings goal for all departments/managers, op expenses

Numerous depts misc and Payroll Burden increases impact

2020 Budget	14,140,000	-0.5%	20,030,000	0.6%	(5,890,000)	(910)
	(75,000)		119,000		(194,000)	-3.4%

net 3.4% unfavorable NOR change

B2B Change

119,000	0.6%	Net Cost Growth B2B
(82,000)	-0.4%	Regulatory/BoD Strategic Items
201,000	1.0%	Excluding Regulatory/BOD Strategic Items

B2B cost growth is 0.6%

Excluding the blue shaded items from prior page, cost growth B2B is 1.0%

2020 Budget - Full Time Benefited Employees

- 90 – 2019 Budget, 95 authorized with potential ACA Impacts
- 91 – 2020 Budget, 95 authorized with potential ACA Impacts
 - Changes B 2 B
 - (1) Director of Food and Beverage
 - (1) Group Sales Position
 - (1) Human Resources assistant
 - + 1 Forestry resource addition
 - + 1 Maintenance, one position qualifies due to ACA
 - + 1 Communications/Marketing Dept - contract worker reclassified to EE
 - + 1 Financial Analyst Position

+1 net change in FTYR (Full Time Year Round) benefited positions

Payroll – Full Time Equivalents (FTEs)

Operating Fund



	2019 Forecast	2020 Budget
Private Amenities	29	29
Public Amenities	123	111
HOA/Amenity Support	62	65
Total	214	205

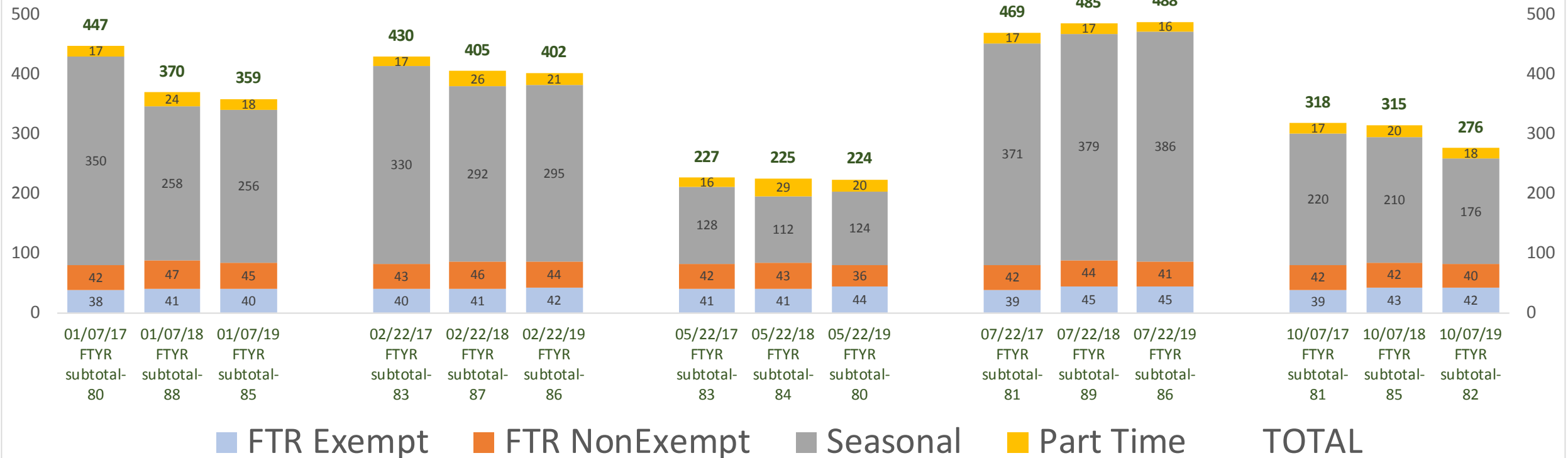
Public Amenities decrease due to Golf closure for 2020 and event tent elimination.

Full Time Year Round (benefited position) Changes to 2019 Forecast:

+ 1 Financial Analyst (Accounting)

+1 Defensible Space Coordinator (Forestry)

Employee Headcounts 2017 2018 2019 select pay periods



Totals include capital project specific seasonal labourers HC, if any. ~12HC in 10/7 total.

95 FTR authorized in Budget 2019

The FTYR Exempt includes Seasonal Salaried, ie not on benefits.

95 FTR proposed in Budget 2020

Winter:(1) Tickets/Rentals/Retail Manager Summer:(2) Campground and Tennis manager.

chart source file name- Payroll FTEs 2020 Budget.xls

- \$ 10,401,000 2019 Forecast
- 134,000 adjust for baseline revenue & known changes/vacancies etc. by department
- \$ 10,535,000 = Baseline for 2019 before Drivers

- 222,000 Merit increases 3.0%, net overall 2.1%

- (400,000) Capital/Board impacts (C)

- (79,000) Strategic impacts (S)

- 202,000 Regulatory impacts of CA Minimum Wage

(CA MinWage impact, increasing \$1/8% from \$12.00 to \$13.00 1/1/2020)

C (456,000) – Golf closure impact, golf depts
 C (30,000) – Summer F&B- no golf impact
 C (70,000) – The Lodge- no banquet tent events impact
 C 112,000 – Forestry – increased resources defensible space
 C 29,000 – DHSki – snowmaking expansion impact Dec'20
 C 10,000 – XC Ski – snowmaking impact Dec'20
 C 5,000 – Snowplay – snowmaking impact Dec'20

S (130,000) – Reorg impacts, portion not in baseline adj
 S 70,000 – ACG/FIN – Financial Analyst (FTYR)
 S 16,000 – Alder Cr Café – Banquet revenue driver wages
 S 10,000 – IT – competitive wage adj
 S 8,000 – Forestry – competitive wage adj
 S (20,000) – Admin – Co-wide Vacancy Factor
 S (15,000) – The Lodge – Efficiency target
 S (10,000) – XC Ski – Efficiency target
 S (11,000) – DHSki School – efficiency target
 S 3,000 – all other, misc

- \$ 10,480,000 = Budget 2020 Payroll Direct 10/17/2019 Draft

Operating Fund – Payroll Burden



Payroll Burden - Employer costs directly associated with direct payroll compensation and related core benefits.

Payroll Burden						Budget 2020			Budget 2020 versus	
		Actual 2017	Actual 2018	Budget 2019	Forecast 2019	Amount	% of TL	per 6473	Forecast 2019 Inc (Decr)	
A	Group Insurance	697,265	798,753	937,000	908,000	970,000	35%	\$ 150	62,000	7%
B	Payroll Taxes	989,858	973,442	1,149,000	1,082,000	1,135,000	41%	\$ 175	53,000	5%
C	Retirement Plan	140,232	152,229	205,000	179,000	205,000	7%	\$ 32	26,000	15%
D	Workers Compensation	774,092	528,500	569,000	528,000	450,000	16%	\$ 70	(78,000)	-15%
Total Payroll Burden		\$ 2,601,447	\$ 2,452,924	\$ 2,860,000	\$ 2,697,000	\$ 2,760,000	100%	\$ 426	\$ 63,000	2%
<i>TL Salaries & Wages, Direct(PD)</i>		<i>9,571,886</i>	<i>10,150,705</i>	<i>10,515,000</i>	<i>10,401,241</i>	<i>10,480,000</i>			<i>78,759</i>	<i>1%</i>
Group Insurance % PD		7.3%	7.9%	8.9%	8.7%	9.3%			0.005	6%
Payroll Taxes		10.3%	9.6%	10.9%	10.4%	10.8%			0.004	4%
Retirement Plan		1.5%	1.5%	1.9%	1.7%	2.0%			0.002	14%
Workers Compensation Ins.		8.1%	5.2%	5.4%	5.1%	4.3%			(0.008)	-15%
Total Payroll Burden		27.2%	24.2%	27.2%	25.9%	26.3%			0.004	2%

See next page for drivers by Category

Operating Fund – Payroll Burden



A Group Insurance

Key Assumptions: 7% Medical, 4% Dental, 0% Vision premiums cost increase in October 2019 (renewal date).

Budget 2020: 91 full time employees

Budget 2019: 90 full time employees

Premium split No Change in 75% ER / 25% EE split.

B Payroll Taxes

6.2 SocSec + 1.5 Medicare + 3.3 UI/FUTA = ~11.0% CA UI adds ~ 2% in overall.

Key Assumptions: No increase in Social Security (6.2%) or Medicare (1.45%) employer match.

Changes '19 to '20 no material impact. No increase in FUTA/SUI unemployment rates.

C Retirement Plan

Key Assumptions: Currently there are ~65 active participants. Add Safe Harbor provisions. No change to Employer match %s/Caps.

D Workers Compensation Insurance

Key Assumptions: Decrease in overall rate, due to market conditions and improvement in claims experience factor. Followed by renewal increase ~5% in Oct-Dec.

Operating Fund - Expenses



Below provides an overview of the Association's core expense categories (non-payroll), which accounts for 93% of Expense (non-payroll) total costs.

Rank®	Expense	Actual 2017	Actual 2018	Budget 2019	Forecast 2019	Budget 2020			Budget 2020 versus					
						Amount	% of TL	per 6473	3yr Average		Budget 2019		Forecast 2019	
									Inc (Decr)		Inc (Decr)		Inc (Decr)	
1	Utilities	1,067,602	1,082,159	1,126,340	1,171,567	1,140,000	21%	\$ 176	32,891	3%	13,660	1%	(31,567)	-3%
2	Insurance (GL/PropCas)	432,535	476,875	590,000	590,000	750,000	14%	\$ 116	250,197	50%	160,000	27%	160,000	27%
3	R&M Bldg/Grnds/Equip(a)	637,777	596,644	639,830	688,502	660,000	12%	\$ 102	19,026	3%	20,170	3%	(28,502)	-4%
4	Forestry Contract Work	187,272	318,391	262,560	262,246	474,000	9%	\$ 73	218,030	85%	211,440	81%	211,754	81%
5	Staff Expenses, excld EE Housing	305,827	272,245	344,911	313,492	335,000	6%	\$ 52	37,812	13%	(9,911)	-3%	21,508	7%
6	Taxes, Property/Income	219,033	242,975	291,000	288,692	315,000	6%	\$ 49	64,767	26%	24,000	8%	26,308	9%
7	Credit Card Fees	266,238	287,114	307,140	329,956	315,000	6%	\$ 49	20,564	7%	7,860	3%	(14,956)	-5%
8	Fuel & Oil	155,171	147,179	158,740	193,090	170,000	3%	\$ 26	4,853	3%	11,260	7%	(23,090)	-12%
9	License Fees Permits	108,270	132,085	119,050	146,430	145,000	3%	\$ 22	16,072	12%	25,950	22%	(1,430)	-1%
10	Employee Housing(n)	141,200	137,589	137,400	144,645	140,000	3%	\$ 22	(1,145)	-1%	2,600	2%	(4,645)	-3%
11	Printing, TDNews/Brochures (t)	177,208	114,328	132,760	129,983	135,000	2%	\$ 21	(5,506)	-4%	2,240	2%	5,017	4%
12	Linen Service	119,674	136,683	128,159	127,415	115,000	2%	\$ 18	(12,924)	-10%	(13,159)	-10%	(12,415)	-10%
13	Janitorial Svcs/Supplies	99,091	101,627	94,050	97,258	100,000	2%	\$ 15	675	1%	5,950	6%	2,742	3%
14	Legal Fees	67,310	126,053	105,000	92,793	100,000	2%	\$ 15	4,615	5%	(5,000)	-5%	7,207	8%
15	Governing Docs Update	-	-	-	27,353	100,000	2%	\$ 15	90,883	997%	100,000	#####	72,648	266%
16	Advertising	96,308	80,472	119,130	89,761	100,000	2%	\$ 15	11,153	13%	(19,130)	-16%	10,239	11%
17	R&M Golf Course(w)	87,171	63,561	68,100	77,450	45,000	1%	\$ 7	(31,061)	-41%	(23,100)	-34%	(32,450)	-42%
18	All Other Expenses	263,769	294,344	495,830	396,368	372,000	7%	\$ 57	53,840	17%	(123,830)	-25%	(24,368)	-6%
	Total Operating Expense	4,431,455	4,610,323	5,120,000	5,167,000	5,511,000	100%	\$ 851	774,741	16%	391,000	8%	344,000	7%

Total is before Allocated Overhead

NOTE - All Other Expenses includes +\$50,000 in ASO for contract services add B'20.

NOTE - Staff Expense includes +\$20,000 in online Training services add B'20.

® Rank - Based on Budget 2020 amounts.

(a) R&M for this Expense analytic excludes inter-dept labor costs charged out.

(t) TDNews is ~70% of this line item.

(w) Golf course specific R&M costs (seed/sod, fertilizers, top dressings, sand rock gravel, pesticides, irrigation repairs)

(n) Employee housing new for 2017. 2020 Rent revenue budget of \$110,000, nets to ~\$30,000 net cost.

Amenities – Cost Recovery Ratios (CRR)

CRR = Revenue divided by Costs

Operating Fund



Department	NOR	NOR	<i>Fav (Unfav)</i>	
	CRR	CRR	<i>Change</i>	<i>B2B</i>
	<u>2020B</u>	<u>2019B</u>	<u>B2B</u>	<u>% Chg</u>
Total Private Amenities	90%	83%	7%	9%
Total Public Amenities	92%	90%	3%	3%
Total Amenities	92%	88%	4%	4%

CRRs before Overhead (NORBO) are greater than 100%

- 124% Privates
- 111% Publics
- 114% Combined

4% Improvement in CRR, despite Golf closure for 2020 and eliminating Tent events

See next 2 pages for by Amenity metrics

Amenities – Cost Recovery Ratios (CRR)

CRR = Revenue divided by Costs

Operating Fund



Department	NOR	NOR	<i>Fav (Unfav)</i>	
	CRR	CRR	<i>Change</i>	<i>B2B</i>
	<u>2020B</u>	<u>2019B</u>	<u>B2B</u>	<u>% Chg</u>
Private Amenities	CRR = COST RECOVERY RATIO			
Trout Creek Recreation Cent	93%	85%	8%	9%
Beach Club Marina	138%	124%	13%	11%
Tennis Center	77%	70%	7%	11%
Aquatics	59%	54%	6%	11%
Recreation Programs	54%	49%	5%	10%
Day Camps	91%	90%	1%	1%
Total Private Amenities	90%	83%	7%	9%

Amenities – Cost Recovery Ratios (CRR)

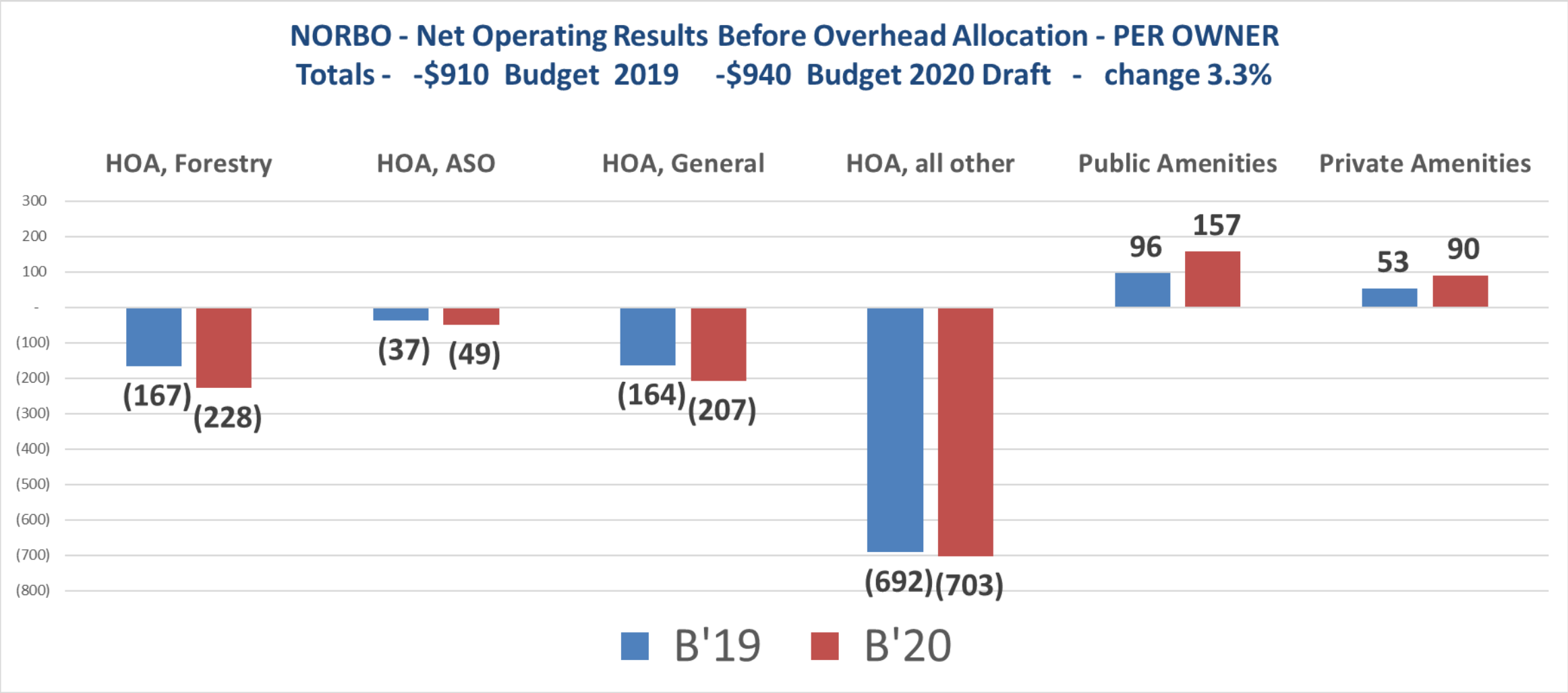
CRR = Revenue divided by Costs

Operating Fund

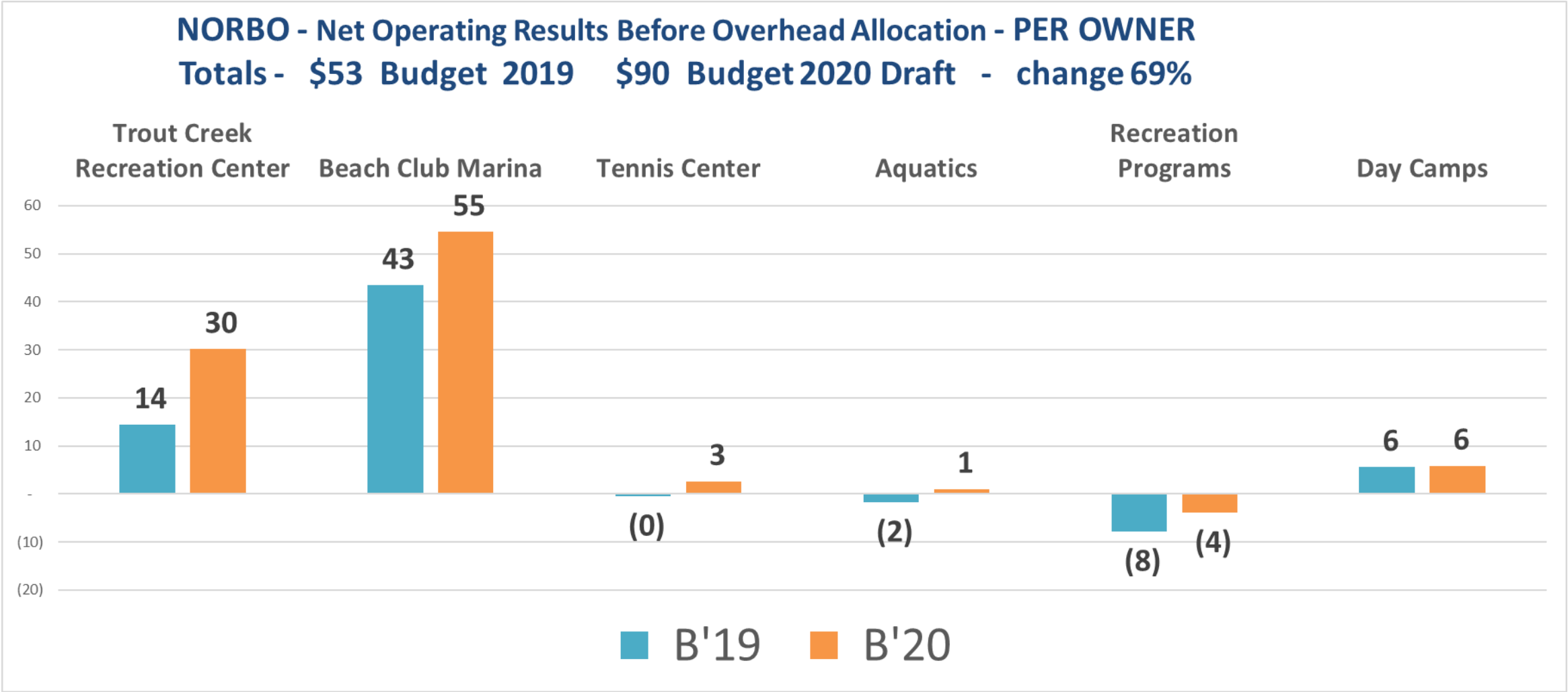


Department	NOR	NOR	<i>Fav (Unfav)</i>	
	CRR	CRR	<i>Change</i>	<i>B2B</i>
	<u>2020B</u>	<u>2019B</u>	<u>B2B</u>	<u>% Chg</u>
Public Amenities				
Downhill Ski Area	128%	108%	20%	18%
Cross Country Ski Area	108%	98%	10%	11%
Snowplay	134%	127%	7%	5%
Equestrian	63%	64%	-2%	-2%
Campground	81%	63%	18%	29%
Trails	1%	0%	0%	96%
Bikeworks	88%	80%	9%	11%
Golf	4%	78%	-74%	-95%
Summer Food and Beverage	54%	66%	-12%	-18%
Alder Creek Café	83%	72%	11%	15%
The Lodge	81%	89%	-7%	-8%
Pizza on the Hill	78%	80%	-2%	-2%
Total Public Amenities	92%	90%	3%	3%

Operating Fund



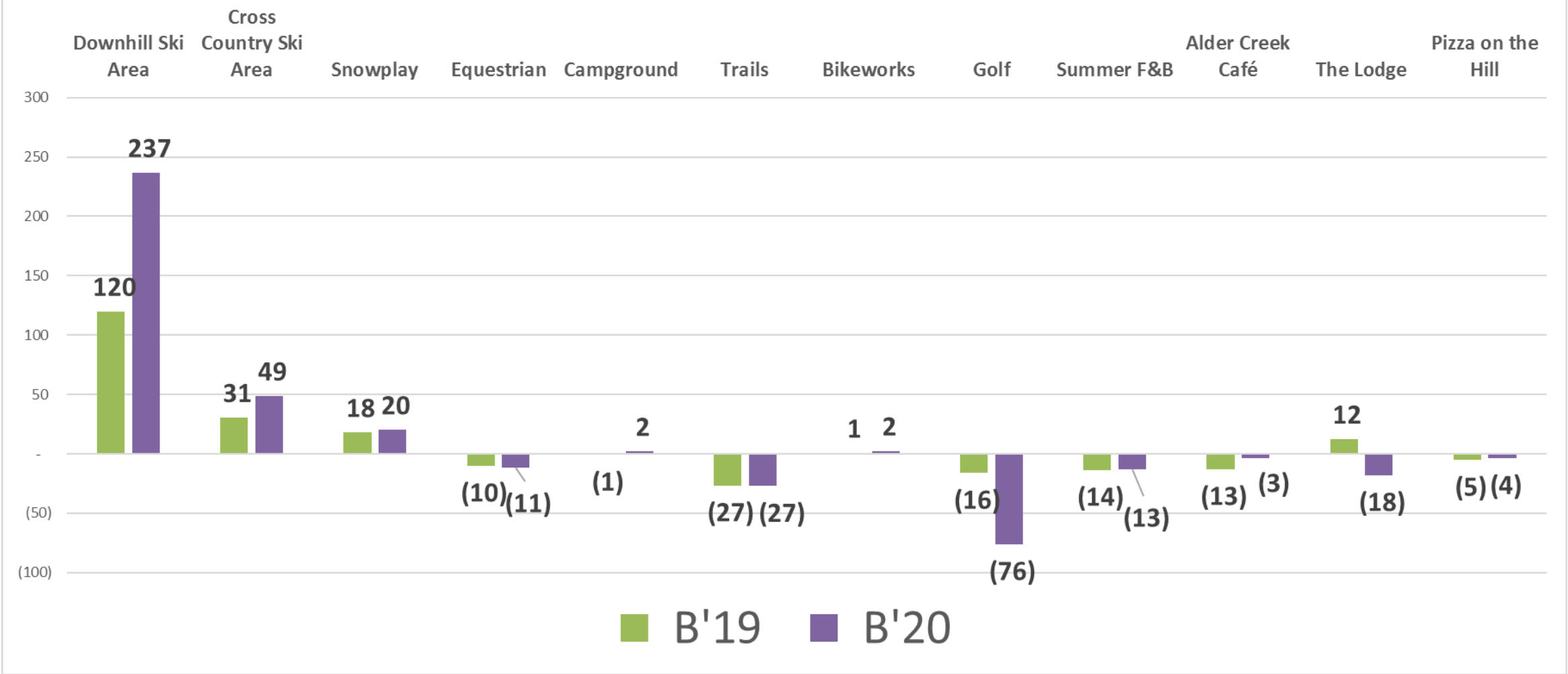
Operating Fund – Private Amenities - NORBO



Operating Fund – Public Amenities - NORBO



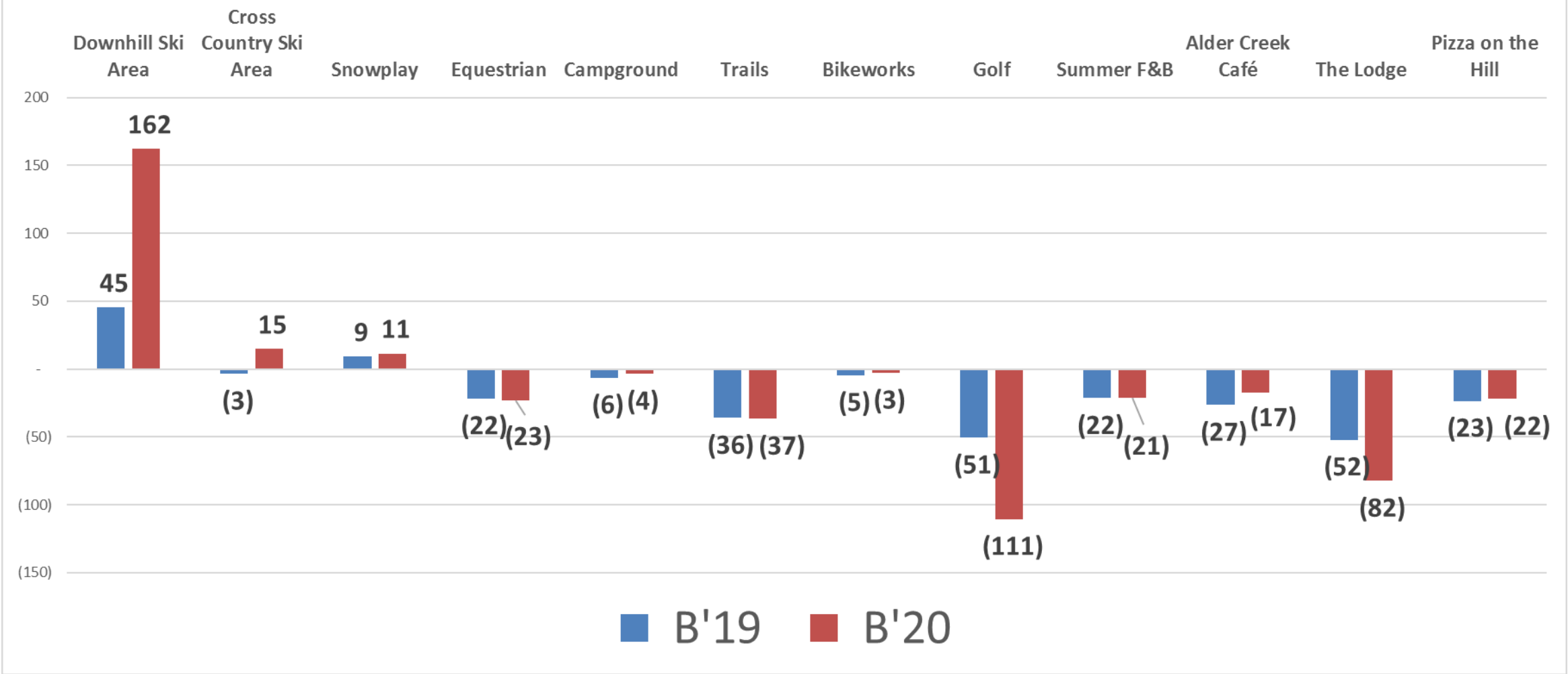
NORBO - Net Operating Results Before Overhead Allocation - PER OWNER
Totals - \$96 Budget 2019 \$157 Budget 2020 Draft - change 63%



Operating Fund – Public Amenities - NOR



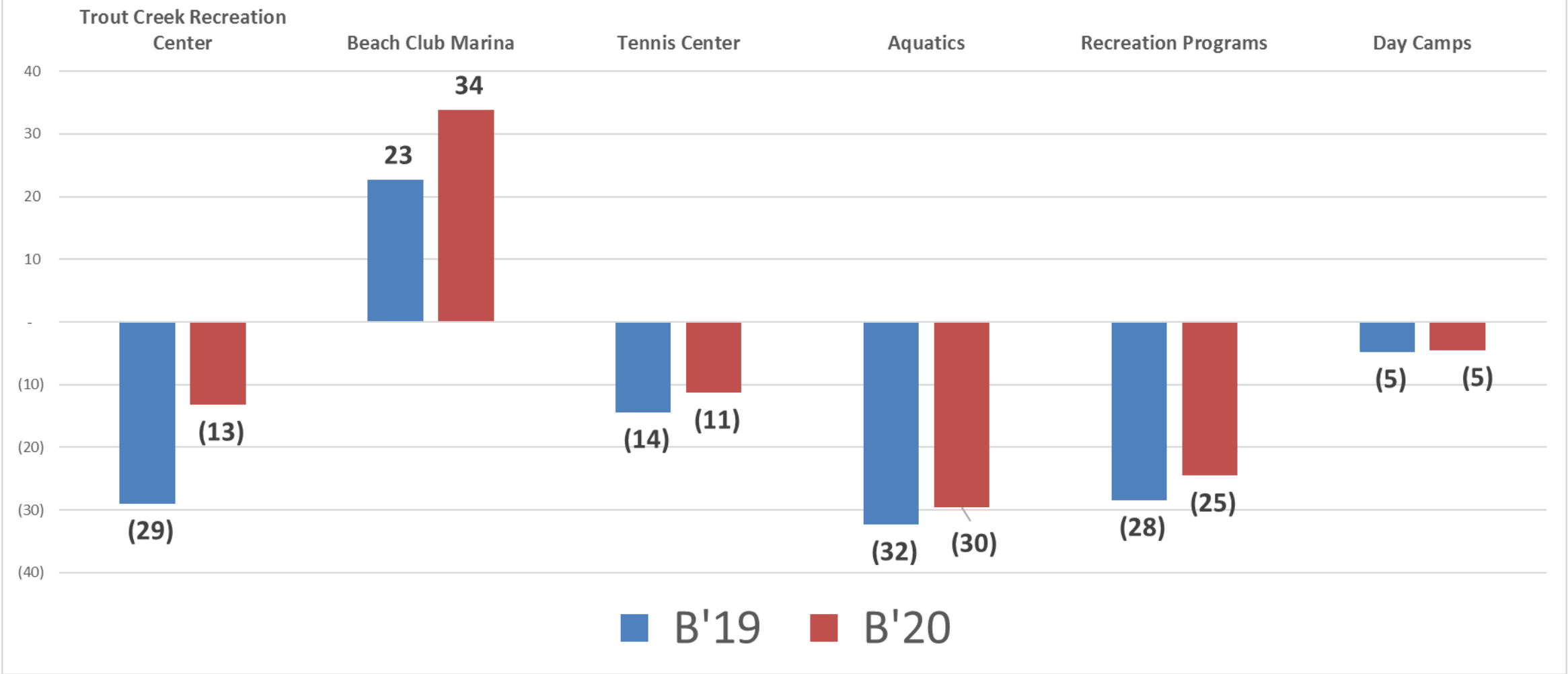
NOR - Net Operating Results AFTER Overhead Allocation - PER OWNER
Totals - -\$192 Budget 2019 -\$131 Budget 2020 Draft - change 32%



Operating Fund – Private Amenities - NOR



NOR - Net Operating Results AFTER Overhead Allocation - PER OWNER
Totals - -\$86 Budget 2019 -\$49 Budget 2020 Draft - change 43%



Operating Fund – Options

Budget 2019
10/17/2019 Draft, Option 1 - Budget 2020
change

<u>Revenue</u>	<u>Costs</u>	<u>NOR</u>	<u>Per 6473</u>
14,215,000	19,911,000	(5,696,000)	(880)
14,140,000	20,030,000	(5,890,000)	(910)
(75,000)	119,000	(194,000)	(30)
-0.5%	0.6%	3.4%	3.4%



ITEMS NOT IN CURRENT DRAFT Option1 - above

Department	Change Description	<u>Increase (Decrease)</u>		<u>Fav (Unfav)</u>	<u>Per</u>
		<u>Revenue</u>	<u>Costs</u>	<u>NOR</u>	<u>6473</u>
1 IT	add A/V Tech position, FTYR		68,000	(68,000)	(10.5)
2 Private Amenities	add new Guest Card annual activation fee \$500/card (CEst.2000qty)	1,000,000	30,000	970,000	149.9
3 ASO	add \$150 annual STR registration fee	125,000	4,000	121,000	18.7
4 Trails	Drop Trail Rangers		(19,000)	19,000	2.9
5 Trails	reduce Trails maintenance to bare minimum (2p crew)		(50,000)	50,000	7.7
6 Recreation	Drop Truckee Thursdays Shuttle program		(10,000)	10,000	1.5
7 Equestrian	change to Boarding Only operation	(224,000)	(291,000)	67,000	10.4
8 Aquatics	close TCRC recreation pool in winter months		(20,000)	20,000	3.1
9 Marina	increase labor efficiencies goal		(15,000)	15,000	2.3
10 Pizza	Option 2 Item - change to Peak Summer only	(280,000)	(305,000)	25,000	3.9
11 General	Option 2 Item - decrease Governing Documents estimate		(50,000)	50,000	7.7
12 Accounting	Option 2 Item - eliminate Financial Analyst		(92,000)	92,000	14.2
13 HR	Option 2 Item - eliminate HR Safety online training services		(20,000)	20,000	3.1
14 IT	Option 2 Item - decrease IT competitive wage driver \$10k to \$3k		(7,000)	7,000	1.1

Tahoe Donner Association
ALL FUNDS
 2020 Budget - Annual

additional options schedule - Type 2 - no change in Annual Assessment - ACG CHANGES

Change Description		<u>Operating</u> <u>Fund</u>	<u>Replacement</u> <u>Reserve Fund</u>	<u>Development</u> <u>Fund</u>	<u>New</u> <u>Equipment</u> <u>Fund</u>	<u>Net Change</u>	<u>Absolute</u> <u>Value, Per</u> <u>6473</u>
1	Merge NEF into DVF <i>NEF has been in place for 19 years, formally established in 2000.</i>			194,000	(194,000)	-	30.0
3	Drop Overhead Allocation to Capital Funds <i>Overhead is new for 2019, at the request of Board/Director Connors.</i>	197,000	(77,000)	(120,000)	-	-	30.4
5	Drop Payoll Direct Charge to Capital Funds <i>Real direct costs to operate the capital funds, cost charging in place for over 10 years.</i>	335,000	(138,000)	(197,000)	-	-	51.8
						-	-
	Totals	532,000	(215,000)	(123,000)	(194,000)	-	-
	Per 6473	82	(33)	(19)	(30)	-	

Above items listed at the request of Director Connors. The items have not been discussed by the Finance Committee.
 None of the above changes are recommended by Management. **See next page for additional information**

Notes to Financial Statements, excerpt from Note 2 Significant Accounting Policies and commentary in yellow



- **Basis of presentation** – The Association’s governing documents provide certain guidelines for governing its financial activities. To ensure observance of limitations and restrictions on the use of financial resources, the Association maintains its accounts using fund accounting. Financial resources are classified for accounting and reporting purposes in the following funds established according to their nature and purpose:
 - Operating Fund – Used to account for financial resources available for the general operations of the Association.
 - Replacement Reserve Fund – Used to account for financial resources designated for the repair, restoration, replacement or maintenance of, or litigation involving repair, restoration, replacement or maintenance of, major components which the Association is obligated to repair, restore, replace or maintain and for which the replacement reserve fund was established.
 - New Equipment Fund – Used to account for financial resources designated for the purchase of new machinery, equipment, furnishings and fixtures.
 - Development Fund – Used to account for financial resources designated for use in the acquisition and enhancement of facilities, equipment and other resources.
 - Property Fund – Used to account for the Association’s investment in its common property and equipment, and other Association real property

Fund-based accounting, or fund accounting, is a system used by nonprofit organizations and government agencies to manage their money. Fund accounting differs in purpose from the system used in regular for-profit businesses because the goal is to maintain accountability and track how funding is used rather than monitor the profitability of a company.

Fund accounting is unique to nonprofit organizations. Most readers of commercial financial statements are not familiar with this type of accounting. As a result, fund accounting, while adding financial transparency, can be confusing to new readers of nonprofit financial statements.

DVF has been intended for General Plan items, identified for funding new facilities or additions to existing facilities.

NEF has been intended for identified new equipment, furnishings, and fixtures for existing operations.

Additional information, next page

Salient Financial Policies

- New Equipment Fund
 - [Resolution 2017-4](#)

Excerpt from NEF Policy

The NEF is developed annually by the General Manager to estimate the new equipment requirements of the Association based on a comprehensive review of operational needs, membership desires, and forthcoming changes not otherwise covered by other reserved capital funds. Qualifying individual new equipment assets are valued in excess of \$2,000.

- Development Fund
 - [Resolution 2017-3](#)

Excerpts from DVF Policy

PURPOSE

The Development Fund is established as a reserve account in accordance with the Association's Governing Documents to be maintained and administered on an annual basis to finance capital improvement projects; including real estate acquisitions, building upgrades and additions, and building replacements that do not qualify for funding from the Replacement Reserve Fund. While the Replacement Reserve Fund provides reserves for the replacement of individual building components, it does not provide funding for the functional obsolescence or structural replacement of existing buildings or new facilities.

The Development Fund is necessary to keep the Association's amenities and operational infrastructure from deteriorating and becoming functionally obsolete, to keep the community vibrant, to meet current operational demands, to enhance the benefit enjoyed by the ownership, and to protect each Owner's investment in the Association.

The Development Fund, used in conjunction with and in addition to the reserves provided by the Replacement Reserve Fund, enables the Association's Board of Directors (Board) to plan and execute capital improvement projects identified in the Capital Projects Process (CPP) and derived from other sources that are approved by the Board of Directors on behalf of all Owners.

DEVELOPMENT FUND PLAN

The Board has charged the General Plan Committee (GPC) to work together with Association management, members, the Finance Committee (FC), and the Board, to develop a CPP that identifies capital improvement projects to address the present and future needs of the Association.

The result of this collaboration is the 20-year Capital Funds Projection (CFP) that contains anticipated capital improvement projects which are reviewed and adopted by the Board. It is anticipated that the content of the CFP will be reviewed annually in accordance with the annual Financial Planning and Budget Procedures⁴ and will be formally updated as needed. Any changes or updates to the CFP will be reviewed and approved by the Board.

Additionally, capital improvement projects not included in the CFP may be recommended and designated by the Board each year as part of the annual Financial Planning and Budgeting

2020 Budget – 10/17/2019 Draft – Financial Reporting



- Tahoe Donner Association has consistently used Fund Accounting, consistent with Generally Acceptable Accounting Principals (GAAP), and reporting has been consistent by Fund.
- Review of several other large scale HOA Budgets and Incline General Improvement District
 - They do not factor capital costs in departmental operating results
- Certain Board members would like to see departmental results including overhead, some excluding overhead. Some want to see including all capital costs, others want to see including only RRF Expense Expenditures.
- Based on the above variety of viewpoints; All the various viewpoints shall be presented. None of these views changes the 'bottom line' for the Company as a whole. See next page.

2020 Budget – 10/17/2019 Draft – Financial Reporting



- NORBO – Net Operating Results Before Overhead
 - Operating Fund Revenues minus Operating Fund Expenses, before Overhead Allocation
- NOR – Net Operating Results, including Overhead Allocation
- EBITDA – NOR minus Replacement Reserve Fund Expense Expenditures (RRFEE)
- EBIT – EBITDA minus Capital Charge (RRF AA Funding Requirement, less RRFEE)
- Net Income = EBIT adjusted for Depreciation Expense versus RRF factors
 - Required to sync with GAAP Financials at a consolidated level
- Above reporting will be enabled starting 1/2020.

2020 Budget – Timeline

- Workshop #1 – 9/12/2019 - Capital Funds focused
- Workshop #2 – 9/20/2019 - Operating Fund focused
- Workshop #3 / BoD Action Noticed – 10/17/2019 -
 - Documents posted on 10/10
 - final review and 2020 Budget Approval
- Board Meeting – 10/19/2019 - *Budget Approval Required*

2020 Budget – Board APPROVAL

- Operating Fund
 - Excess Members Equity Transfer(s), **in 2019**
 - Rates and Fees
 - Revenues, Cogs
 - Costs – Payroll, Payroll Burden, Expenses
- Replacement Reserve Fund – assessment funding level, expenditure*
- Development Fund – assessment funding level, expenditures*
- New Equipment Fund – assessment funding level, expenditures*

* Expenditure budgets are the plan. Individual projects over \$50,000 are subject to Board review and approval prior to execution.

- Annual Assessment – Scenario 1 could be readily adjusted with +\$x to Development Fund – Building Designated amount
- Other *minor adjustment to & between departments allowed between draft and final details/Budget Report. Examples include another change from Nonexempt(NE) to Exempt(E) due to ACA, Payroll Burden refinement between NE/E and or between departments.*

Thank you for viewing.

Questions

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