

2020 BUDGET REPORT

\$2,065 ASSESSMENT

AN INCREASE OF \$100 OR 5% FROM 2019

\$350 RECREATION FEE

AN INCREASE OF \$60 OR 21% FROM 2019

FIVE YEAR GROWTH RATE OF 6%

TEN YEAR GROWTH RATE OF 5%

DAILY ACCESS FEES PER PRIVATE AMENITY - 2020 (2019)

MEMBER - \$9 (\$8)

EFFECTIVE 1/1/2020

GUEST WITH MEMBER - \$11 (\$10)

GUEST ON GUEST CARD - \$16 (\$15)

ASSESSMENT GROWTH RATES

COMPOUND ANNUAL GROWTH RATES TO 2020

	1 YEAR	3 YEAR	5 YEAR	10 YEAR	15 YEAR	20 YEAR	30 YEAR
Operating	3.4%	-2.3%	-1.8%	2.7%	2.4%	3.5%	3.6%
Capital	6.5%	7.7%	7.5%	6.7%	8.2%	8.5%	9.0%
Combined Total	5.1%	2.8%	2.8%	4.7%	5.0%	5.7%	5.6%



2020 Budget - Per Member Annual Assessment of \$2,065 Distribution



INTRODUCTION

The 2020 Annual Assessment of \$2,065 reflects an increase of \$100 or 5.1% over the 2019 assessment. The three- and five-year growth rate for the assessment is 2.8%.

- The \$1,155 Capital Funds portion was increased \$70 to fund future capital needs for our aging assets.
- The \$910 Operating Fund portion was increased \$30 due to numerous items, including increased defensible space and covenants enforcement resources, California minimum wage increase of 8% and golf closure for greens replacement and repair.
- For Private Amenities access, the optional Recreation Fee was increased \$60 or 21% to \$350. Member daily access increased \$1 to \$9. Accompanied Guest daily access increased \$1 to \$11. Unaccompanied Guest daily access increased \$1 to \$16.

For 2020, we continue to provide additional insights into the financials of your association. This is the second year with allocated overhead and capital costs tracked 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

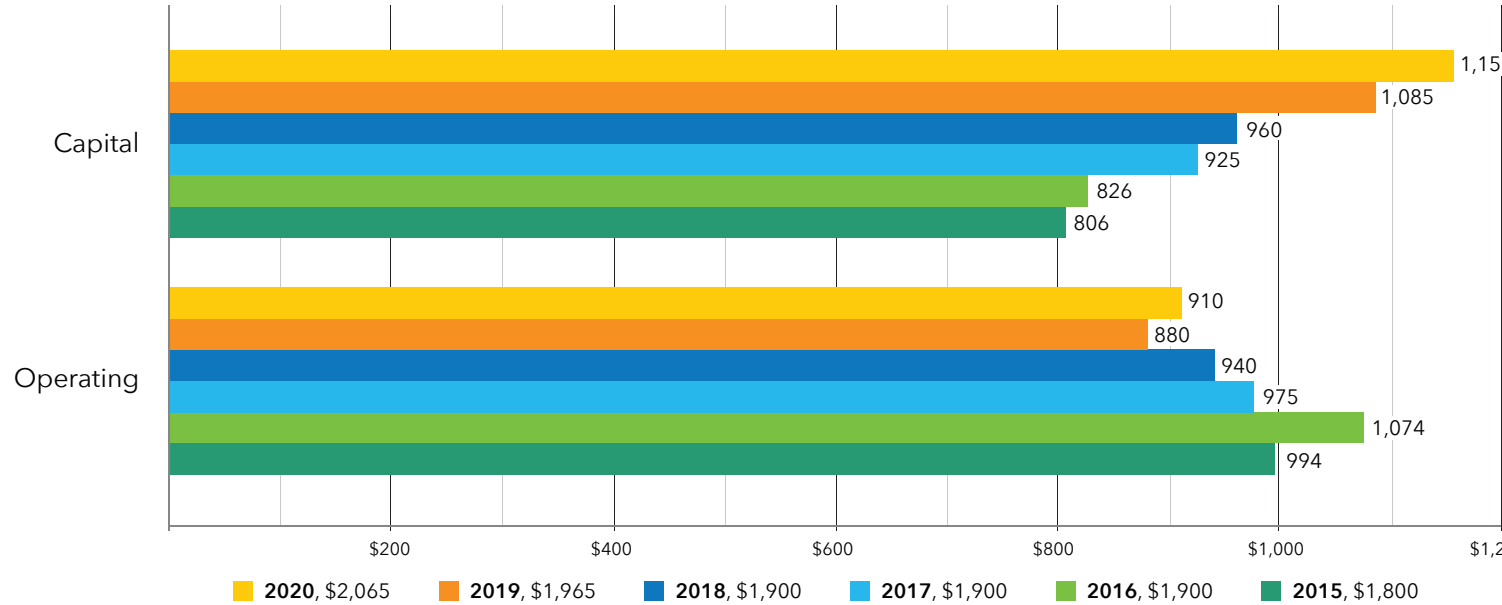
each of our amenities. The chart on page 3 reflects this information, as does the informative details on page 6.

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 2020 budget year and into the future.

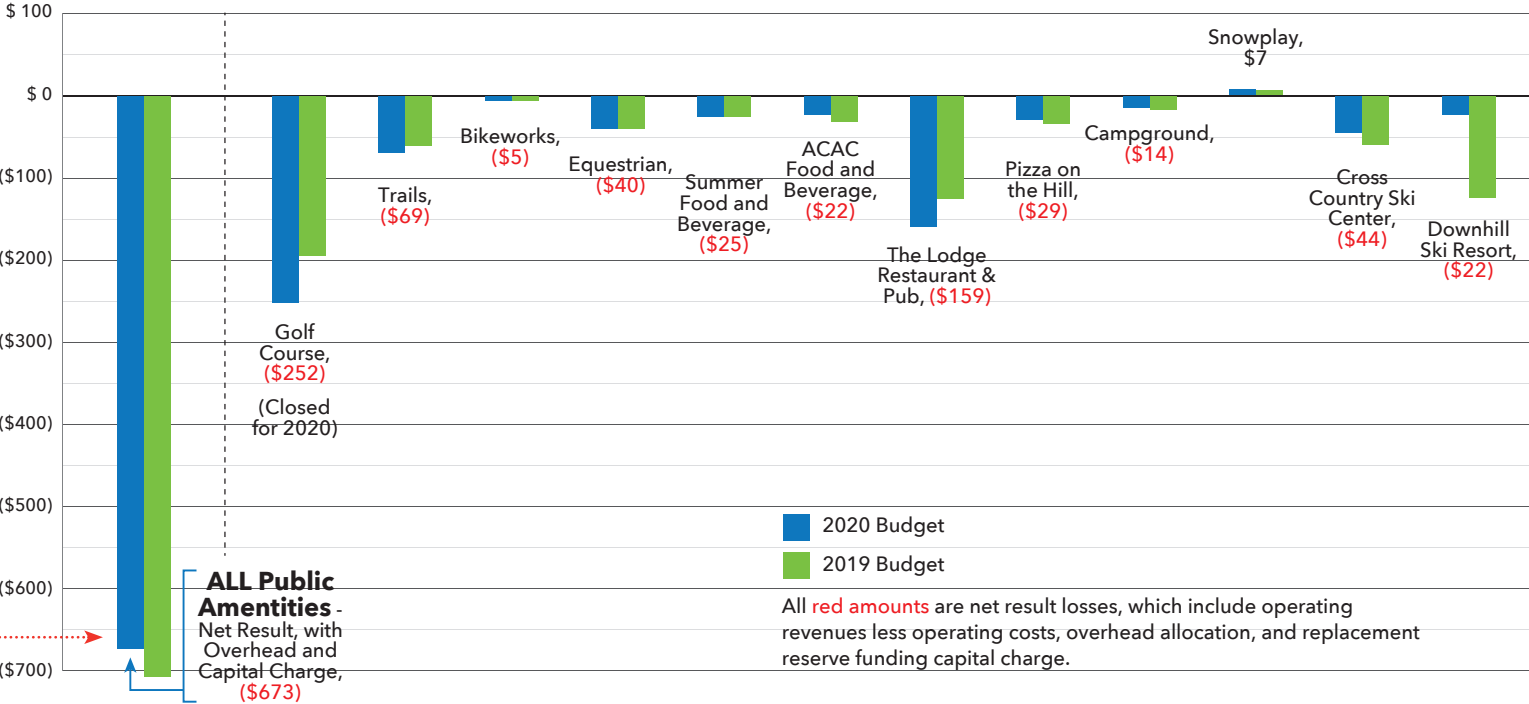
The process begins with general direction from the Board regarding influential factors, such as the level of service to be provided, new community projects, economic conditions and changes to business operations. Capital and equipment expenditure budgets are formulated to determine the funding needs 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 for the Board’s consideration.

Annual Assessment - Per Owner

2020 ANNUAL ASSESSMENT IS \$2,065 PER PROPERTY OWNER, AN INCREASE OF \$100 OR 5.1% FROM 2019. THE ASSESSMENT CONTRIBUTION BY FUND TYPE IS ILLUSTRATED BELOW:



2020 Annual Budget - Public Amenities - Per Member Metrics



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 2020 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 was 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 2020 ASSESSMENT CONTRIBUTION TO OPERATIONS IS \$5,890,000 OR \$910 PER MEMBER-PROPERTY. THE 2020 AMOUNT REPRESENTS A 2.7% 10-YEAR COMPOUNDED ANNUAL GROWTH RATE.

The total revenue requirement for a balanced 2020 Operating Fund budget is \$20,030,000. Operating revenues generated by users of \$14,140,000 fund 71% of the requirement (71% in 2019). The necessary funding level for operations from the Annual Assessment is \$5,890,000 or 29% of the requirement (29% in 2019). 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 \$20.0 million is an increase of \$119,000 or 0.6% to the 2019 Budget, with operating revenues down 0.5%. Next section details the changes.

OPERATING REVENUE Budget of \$14.1m, excluding assessment, has decreased \$75,000 or 0.5% less than the 2019 Budget and represents a decrease of \$290,000 or 2% less than the 2019 Forecast. Operating revenues are subject to significant volatility due to weather. Accordingly, we have utilized multi-year averages

in establishing volume expectations. Recent favorable winter snow conditions and our proven Downhill Ski snowmaking investment have increased winter amenity revenue budgets for 2020 by \$1.1m or 21% compared to the 2019 budget. The golf course closure in 2020 for greens replacement and repair results in a \$1.1m or 97% decrease in revenue compared to the 2019 budget. For 2020, we continue the 2019-introduced Peak Period pricing for Guests and Public (not for Members) at both Downhill Ski Resort and Cross Country Ski Center, with the objective of improving the Member experience. 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 \$13.2m represents 66% of total operating costs and reflects a decrease of 1% under the 2019 budget and an increase of 1% over the 2019 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 decrease is driven primarily by the CA minimum wage increase of \$1 or 8% from \$12 to \$13 effective 1/1/2020 (\$259,000), a merit wage increase average of 3% (\$258,000), a financial analyst position addition (92,000), health care costs increase of 7% (\$63,000), and an increase in Forestry personnel to add resources for defensible space efforts (\$144,000). These increases were favorably offset by a decrease in our workers compensation insurance costs, golf payroll decrease due to closure of course for 2020 and organizational changes net savings.

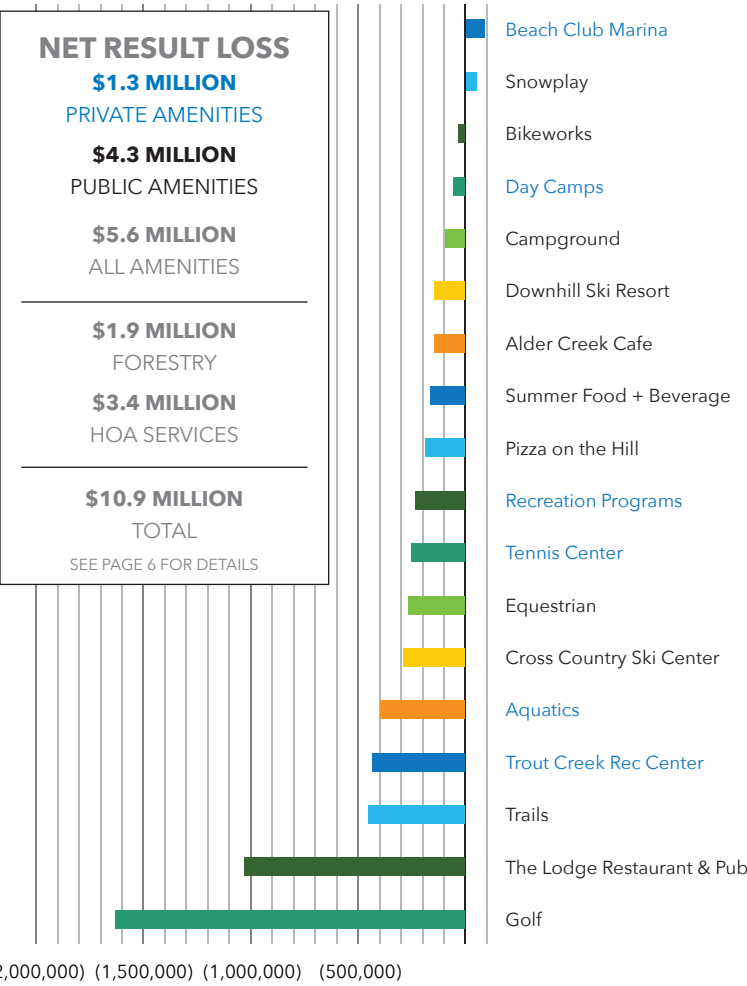
OPERATING EXPENSE Budget of \$5.7m represents 27% of our total operating costs and reflects an increase of 7% to the 2019 budget and an increase of 6% to the 2019 Forecast. For operating expenses, 85% of the total amount falls into nine categories, as follows: utilities represent \$1.1m or 20% of operating expenses; insurance represents \$750,000 or 13% of operating expenses; repair and maintenance materials costs represent \$705,000 or 12% of operating expenses; government taxes, licenses, permits, fees, audit and legal costs represent \$660,000 or 12% of operating expenses; employee-related expenses represent \$475,000 or 8% of operating expenses; credit card merchant fees represent \$315,000 or 6% of operating expenses; forestry contract services represent \$474,000 or 8% of operating expenses; fuel costs represent \$170,000 or 3% of operating expenses; printing and postage costs represent \$135,000 or 2% of operating expenses. 2020 Budget notable

cost increases versus the 2019 budget include insurance costs up \$160,000 or 27%, Forestry defensible space contract work an additional \$212,000, governing documents update project \$100,000 and peak summer covenants enforcement \$50,000.

COST OF GOODS SOLD Budget of \$1.5m represents 7% 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 2020 Annual Assessment contribution to the Development Fund totals \$2,298,000, or \$355 per member-property, an increase of 6% over 2019. Budgeted project expenditures from this fund for 2020 total \$3,089,000 and include Cross Country Ski Center snowmaking \$550,000, Downhill Ski Resort snowmaking Phase 2 \$550,000, Downhill Ski Resort trails improvements \$500,000, Downhill Ski Resort building replacement planning costs \$350,000, Trout Creek Recreation Center expansion completion \$275,000, Snowplay snowmaking \$185,000, new Trails/trailheads \$150,000, and feasibility studies for priority one projects \$70,000. **Projects scheduled for**

2020 may not necessarily be expended, based on individual review/approval by the Board. The budgeted ending balance for the Development Fund is \$5,205,000, 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 2019. Updates are conducted each year and another full review of the plan will be performed in 2022.

REPLACEMENT RESERVE EXPENDITURES BUDGETED

The reserve plan schedules funding for replacement, repair and/or enhancement of the Association's existing capital investments. In 2020, budgeted reserve project expenditures total \$7.0 million. Components scheduled for 2020 may not necessarily be expended, based on individual and Board review. The following outlines notable 2020 budget-year planned expenditure budget items:

GOLF COURSE \$2,480,000: Includes course repair \$1.6m, greens replacement \$724,000, maintenance mowers and other equipment replacements, course irrigation items, and pathway asphalt repairs.

TROUT CREEK RECREATION CENTER \$1,141,000: Includes major building remodel completion \$825,000, pool deck furniture replacement, exercise equipment replacements, and pool and spa machinery related component replacements.

TRAILS \$1,010,000: Trail replacement and repair projects in six locations throughout the Association, including Nature Trail bridge and trail loop construction for \$639,000.

INFORMATION TECHNOLOGY \$622,000: Includes replacement of hardware and software, fiber optic and software leases, VoIP hardware, and miscellaneous network and other equipment. Replacement of e-commerce store software is \$207,000.

ADMINISTRATION \$570,000: Includes association-wide building deficiencies remodel estimate \$510,000, copier leases, and AED equipment replacements.

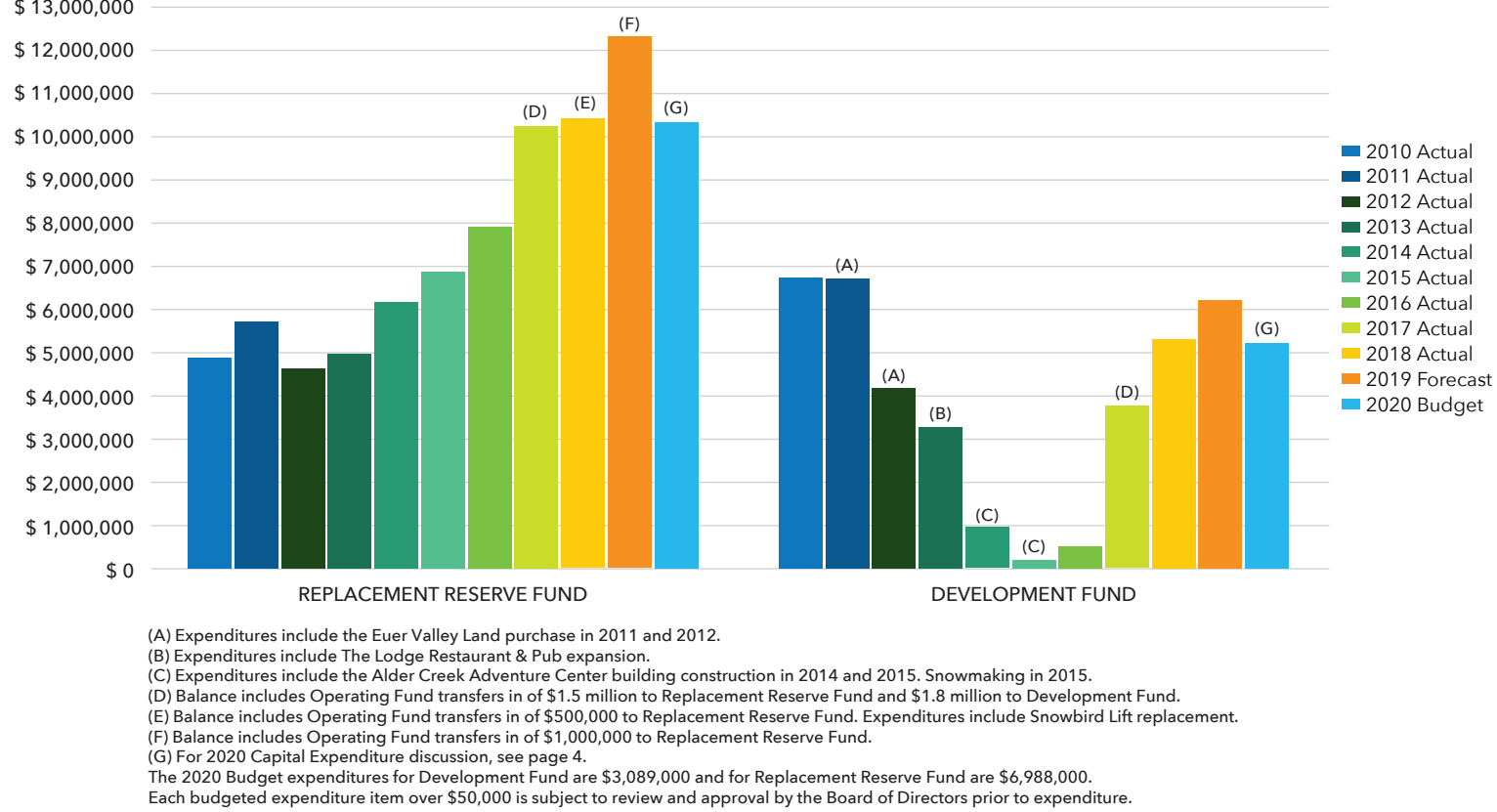
DOWNHILL SKI RESORT \$446,000: Includes replacement of rental equipment, building components, lift components, food service equipment, summer trails grooming, groomer components, and shuttle bus.

FORESTRY \$168,000: Includes building component replacements, plantation mastication and storm damage defensible space repairs.

CROSS COUNTRY SKI CENTER \$156,000: Includes replacement of rental, uniforms, and grooming equipment, summer trails grooming and asphalt sealing.

BEACH CLUB MARINA \$114,000: 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)



ASSESSMENT AND RESERVE FUNDING DISCLOSURE SUMMARY

(CA CIVIL CODE SECTION 5570)

The current regular assessment per ownership interest is \$2,065 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 \$770 per property for 2020 - an increase of \$50 or 7% over 2019. This amounts to a 2020 contribution to the Reserve Fund of \$4,985,000. 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 \$40,527,672, 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 2019. The projected Reserve Fund cash balance at the end of the current fiscal year is \$12,300,000, resulting in reserves being 30.3% funded at this date. If an alternate, but generally accepted, method of calculation is also used, the required reserve amount is \$12,300,000; this alternate method being*

(Continued on p. 8)

REPLACEMENT RESERVE FUND ANALYSIS			
TAHOE DONNER ASSOCIATION 2020 BUDGET	Total Current Replacement Cost	Allocation of Accumulated Funds (12/31/19)	100% Funded Allocation (12/31/19)
Golf	\$ 12,194,852	\$ 3,010,266	\$ 9,917,584
Downhill Ski Resort	12,394,255	2,288,352	7,539,177
Administration	6,630,706	1,410,794	4,647,985
The Lodge Restaurant & Pub	3,848,235	768,624	2,532,302
Cross Country Ski Center	3,868,726	533,039	1,756,145
General + Building Maintenance	3,605,128	632,280	2,083,103
Trout Creek Recreation Center	3,516,660	676,789	2,229,741
Tennis Center	2,019,210	475,799	1,567,562
Trails	2,947,858	711,046	2,342,604
Aquatics	1,870,512	273,532	901,178
Information Technology	2,185,152	388,054	1,278,478
Forestry/Defensible Space	2,085,217	306,435	1,009,576
Beach Club Marina	1,363,521	288,229	949,594
Equestrian	976,839	108,804	358,463
Campground	638,582	138,494	456,282
Recreation Programs	593,780	121,133	399,083
Pizza on the Hill	493,118	96,395	317,583
Snowplay Sledding + Tubing	210,730	38,487	126,801
Alder Creek Cafe	164,989	23,914	78,788
Bikeworks	73,618	9,534	31,412
TOTALS	\$ 61,681,688	\$12,300,000	\$ 40,523,441
Note: Projected accumulated funds at 12/31/19 equal approximately 30.3% 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.			

2020 BUDGET SUMMARY - OPERATING FUND								# of Properties = 6,473				
	Operating Revenue	Operating Costs Total	Net Operating Result Before Allocated Overhead	Allocated Overhead	Net Operating Result	Capital Charge	Net Result Including Capital Charge	2020 BUDGET PER PROPERTY				
	(REV)	(OCT)	(NORBO)	(AOH)	(NOR)	(CC)	(NR)	REV	(OCT+AOH)	=NOR	(CC)	=NR
PRIVATE AMENITIES												
Trout Creek Recreation Center	\$ 1,221,000	\$ (1,025,800)	\$ 195,200	\$ (286,600)	\$ (91,400)	\$ (340,000)	\$ (431,400)	\$ 189	\$ (203)	\$ (14)	\$ (53)	\$ (67)
Beach Club Marina	798,000	(444,800)	353,200	(136,700)	216,500	(131,000)	85,500	123	(90)	33	(20)	13
Tennis Center	244,000	(227,100)	16,900	(92,000)	(75,100)	(173,000)	(248,100)	38	(49)	(12)	(27)	(38)
Aquatics	281,000	(274,500)	6,500	(202,100)	(195,600)	(197,000)	(392,600)	43	(74)	(30)	(30)	(61)
Recreation Programs	190,000	(215,600)	(25,600)	(136,200)	(161,800)	(69,000)	(230,800)	29	(54)	(25)	(11)	(36)
Day Camps	292,000	(254,200)	37,800	(68,400)	(30,600)	(23,000)	(53,600)	45	(50)	(5)	(4)	(8)
TOTAL PRIVATE AMENITIES	3,026,000	(2,442,000)	584,000	(922,000)	(338,000)	(933,000)	(1,271,000)	467	(520)	(52)	(144)	(196)
PUBLIC AMENITIES												
Downhill Ski Resort	4,782,000	(3,249,200)	1,532,800	(483,700)	1,039,100	(1,180,000)	(140,900)	739	(578)	161	(182)	(22)
Cross Country Ski Center	1,242,000	(926,300)	315,700	(225,000)	90,700	(375,000)	(284,300)	192	(178)	14	(58)	(44)
Snowplay Sledding + Tubing	296,000	(165,000)	131,000	(57,900)	73,100	(26,000)	47,100	46	(34)	11	(4)	7
Equestrian	254,000	(328,000)	(74,000)	(77,100)	(151,100)	(110,000)	(261,100)	39	(63)	(23)	(17)	(40)
Campground	96,000	(82,800)	13,200	(36,900)	(23,700)	(67,000)	(90,700)	15	(18)	(4)	(10)	(14)
Trails	2,000	(177,800)	(175,800)	(62,900)	(238,700)	(211,000)	(449,700)	0	(37)	(37)	(33)	(69)
Bikeworks	139,000	(123,400)	15,600	(34,500)	(18,900)	(11,000)	(29,900)	21	(24)	(3)	(2)	(5)
Golf	30,000	(522,700)	(492,700)	(227,700)	(720,400)	(908,000)	(1,628,400)	5	(116)	(111)	(140)	(252)
Summer Food + Beverage	159,000	(243,300)	(84,300)	(52,300)	(136,600)	(23,000)	(159,600)	25	(46)	(21)	(4)	(25)
Alder Creek Cafe	723,000	(746,300)	(23,300)	(90,000)	(113,300)	(31,000)	(144,300)	112	(129)	(18)	(5)	(22)
The Lodge Restaurant & Pub	2,337,000	(2,453,200)	(116,200)	(426,000)	(542,200)	(486,000)	(1,028,200)	361	(445)	(84)	(75)	(159)
Pizza on the Hill	335,000	(334,000)	1,000	(121,000)	(120,000)	(65,000)	(185,000)	52	(70)	(19)	(10)	(29)
TOTAL PUBLIC AMENITIES	10,395,000	(9,352,000)	1,043,000	(1,905,000)	(862,000)	(3,493,000)	(4,355,000)	1,606	(1,739)	(133)	(540)	(673)
TOTAL AMENITIES	13,421,000	(11,794,000)	1,627,000	(2,827,000)	(1,200,000)	(4,426,000)	(5,626,000)	2,073	(2,259)	(185)	(684)	(869)
HOMEOWNERS ASSOCIATION OPERATIONS												
General	-	(1,343,000)	(1,343,000)	(1,232,900)	(2,575,900)	(295,000)	(2,870,900)	-	(398)	(398)	(46)	(444)
Architectural Standards Office	175,000	(496,000)	(321,000)	(126,800)	(447,800)	(26,000)	(473,800)	27	(96)	(69)	(4)	(73)
Forestry, Defensible + Open Space	56,000	(1,534,000)	(1,478,000)	(188,300)	(1,666,300)	(238,000)	(1,904,300)	9	(266)	(257)	(37)	(294)
TOTAL HOA OPERATIONS	231,000	(3,373,000)	(3,142,000)	(1,548,000)	(4,690,000)	(559,000)	(5,249,000)	36	(760)	(725)	(86)	(811)
AMENITY + HOMEOWNERS ASSOCIATION SUPPORT SERVICES												
Marketing + Communications	210,000	(761,000)	(551,000)	551,000	-	-	-	32	(32)	-	-	-
Facility Administration + Risk Management	-	(326,000)	(326,000)	326,000	-	-	-	-	-	-	-	-
Administration	240,000	(795,000)	(555,000)	555,000	-	-	-	37	(32)	-	-	-
Information Technology	-	(718,000)	(718,000)	718,000	-	-	-	-	-	-	-	-
Accounting + Finance	6,000	(952,000)	(946,000)	946,000	-	-	-	1	(1)	-	-	-
Human Resources	-	(379,000)	(379,000)	379,000	-	-	-	-	-	-	-	-
Member Services	32,000	(284,000)	(252,000)	252,000	-	-	-	5	(5)	-	-	-
Maintenance	-	(845,000)	(845,000)	845,000	-	-	-	-	-	-	-	-
TOTAL SUPPORT SERVICES	488,000	(5,060,000)	(4,572,000)	4,572,000	-	-	-	75	(75)	-	-	-
TOTAL OPERATING FUND	14,140,000	(20,227,000)	(6,087,000)	197,000	(5,890,000)	(4,985,000)	(10,875,000)	2,184	(3,094)	(910)	(770)	(1,680)

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) and Net Result (NR) do not include assessment amounts for Development Fund or New Equipment Fund.

Individual amounts may not sum to total due to rounding.

2020 BUDGET SUMMARY - BY FUND			# of Properties = 6,473	
	2020 Budget		\$ per Property	
OPERATING FUND				
Beginning Balance, Start of Year	\$ 1,917,000		\$ 296	
Assessment Contribution	5,890,000 A1		910	
Net Operating Results	(5,890,000)		(910)	
Operating Fund, Year-End Balance	\$ 1,917,000		\$ 296	
REPLACEMENT RESERVE FUND				
Beginning Balance, Start of Year	\$ 12,300,000		\$ 1,900	
Assessment Contribution	4,985,000 A2		770	
Interest Income	244,000		38	
Salvage Receipts	30,000		5	
Income Tax and Other Expenses	(37,000)		(6)	
Payroll Costs	(138,000)		(21)	
Allocated Overhead	(77,000)		(12)	
Expenditures for Capital Additions	(5,966,000)		(922)	
Major Repairs, Maintenance and Lease Expenses	(1,022,000)		(159)	
Replacement Reserve Fund, Year-End Balance	\$ 10,319,000		\$ 1,594	
NEW EQUIPMENT FUND				
Beginning Balance, Start of Year	\$ 120,000		\$ 19	
Assessment Contribution	194,000 A3		30	
Interest Income	5,000		1	
Expenditures for Capital Additions	(80,000)		(12)	
New Equipment Fund, Year-End Balance	\$ 239,000		\$ 37	
DEVELOPMENT FUND				
Beginning Balance, Start of Year	\$ 6,200,000		\$ 958	
Assessment Contribution	2,298,000 A4		355	
Interest Income	130,000		20	
Income Tax and Other Expenses	(17,000)		(3)	
Payroll Costs	(197,000)		(30)	
Allocated Overhead	(120,000)		(19)	
Expenditures for Capital Additions	(3,089,000)		(477)	
Development Fund, Year-End Balance	\$ 5,205,000		\$ 804	
Combined CAPITAL FUNDS ACTIVITY				
Expenditures for Capital Additions	\$ (9,135,000)		\$ (1,411)	
Major Repairs, Maintenance and Lease Expenses	(1,022,000)		(158)	
Combined CAPITAL FUNDS ACTIVITY - Total	\$ (10,157,000)		\$ (1,569)	
2020 ANNUAL ASSESSMENT RECAP				
Operating Fund	\$ 5,890,000 (A1)	\$ 910	44%	
Replacement Reserve Fund	4,985,000 (A2)	770	37%	
New Equipment Fund	194,000 (A3)	30	1%	
Development Fund	2,298,000 (A4)	355	17%	
Capital Funds, Subtotal	\$ 7,477,000	\$ 1,155	56%	
Annual Assessment - Total	\$ 13,367,000	\$ 2,065	100%	
Members Equity Beginning Balances are based on Forecasted 2019 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.				

the threshold pooling method. This difference (\$28.2 million) equates to an estimated \$4,361 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 \$40.5m 2020, \$41.2m 2021, \$42.5m 2022, \$44.8m 2023, \$44.8m 2024, and the projected Reserve Fund cash balance in each of those years, taking into account only assessments already approved and other known revenues, is \$12.3m 2020, \$9.6m 2021, \$7.6m 2022, \$8.3m 2023, \$6.9m 2024, leaving the reserve at 18% funded in 2024. If the reserve funding plan approved by the Association is implemented, the projected Reserve Fund cash balance in each of those years will be \$12.3m 2020, \$10.3m 2021, \$9.8m 2022, \$11.1m 2023, \$10.2m 2024, leaving the reserve at 23% funded in 2024.

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 2020 assessment contribution to the fund totals \$194,000, or \$30 per property owner, consistent with the 2019 contribution. Fund expenditures are budgeted at \$80,000 and include new amenities and maintenance equipment, computer software and computer hardware. The fund is projected to have a 2020 year-end balance of \$239,000 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)

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.

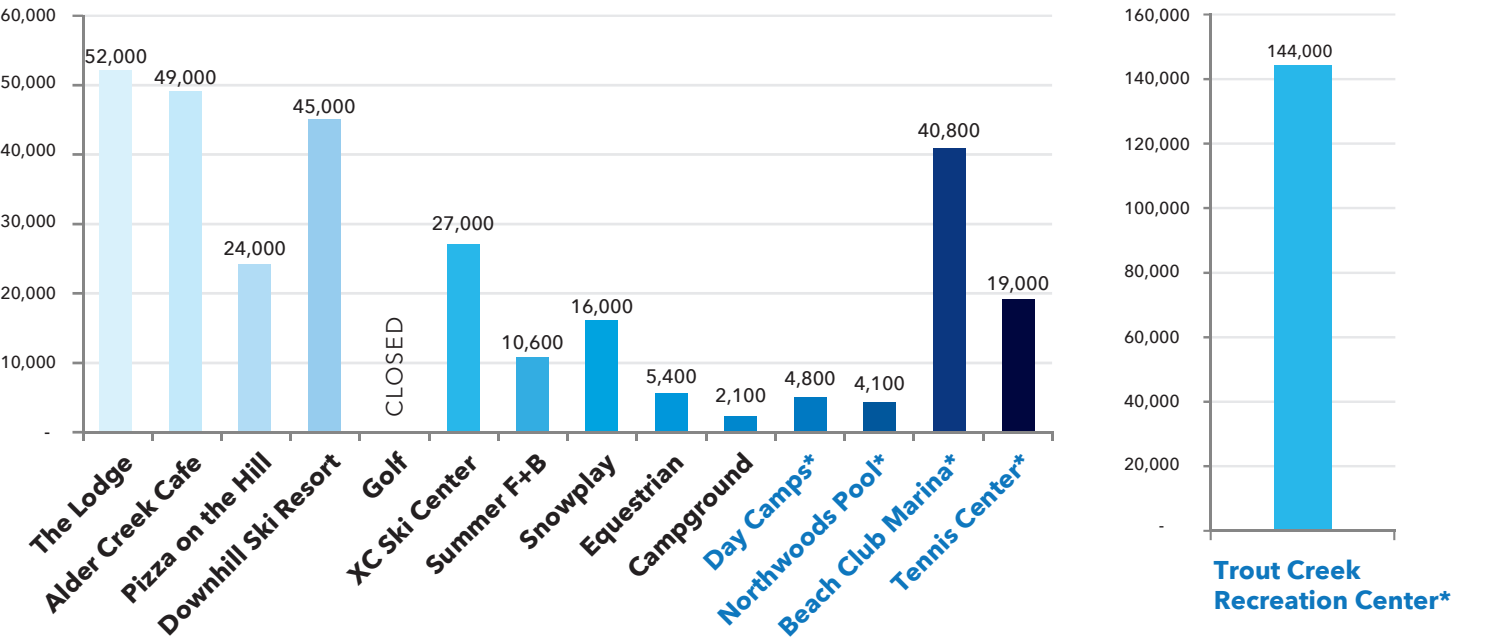
PAYMENTS

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)

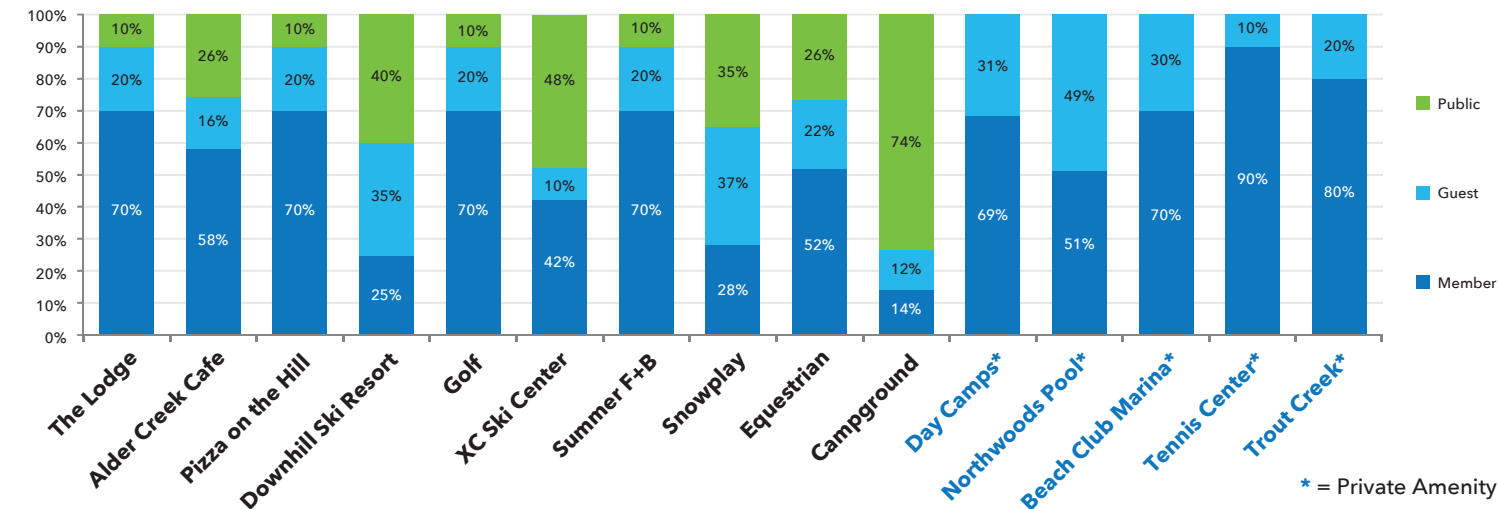
In addition, an association may not initiate a foreclosure without participating in alternative dispute resolution with a neutral third party as set forth in Article 3 (commencing with Section 5925) of Chapter 10 of Part 5 of Division 4 of the Civil Code, if so requested by the owner. Binding arbitration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

2020 Budget - Amenity Visitation Metrics



Visitation Mix (ESTIMATED)



* = Private Amenity

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 - \$57,849,701 Deductible - \$25,000 per occurrence for buildings, contents, lifts, moveable equipment, etc.

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) POLICIES: National Union Fire Insurance Co of PA Limit - \$10,000,000; General Aggregate - \$20,000,000; Deductible - \$10,000 per occurrence. Additional excess liability coverage over the current Umbrella; Markel.; Limit - \$15,000,000; Aggregate - \$20,000,000; Starstone; Limit - \$10,000,000; North River; Limit - \$15,000,000.

CRIME POLICY: Granite State Insurance Co.; Limit - \$500,000; Deductible - \$5,000 per occurrence; Additional excess crime coverage; Travelers; Limit - \$5,000,000; Deductible - \$505,000 per occurrence; Additional excess crime coverage - Great American Insurance Co., Limit \$20,000,000.

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; \$49,711,162 terrorism/sabotage limits; \$1,000,000 per occurrence for active shooter/malicious acts limits; Deductible - \$5,000.

INLAND MARINE: Granite State Insurance Co.; Limit - \$9,288,539; Deductible - \$25,000 per occurrence.

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

DIRECTORS AND OFFICERS EXCESS LIABILITY INSURANCE POLICIES: Landmark Insurance Co; Limit - \$5,000,000; Deductible - \$50,000. Additional excess directors and officers excess coverage - Ironshore; Limit \$10,000,000, and RSUI; Limit \$5,000,000, and HIIG \$5,000,000.

BOILER & MACHINERY COVERAGE: Granite State Insurance Co.: Limit - \$48,061,162; Deductibles - \$25,000 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.

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.

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

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

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
Rules and Fines, refer to 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

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

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.

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.

2020 BUDGET SUMMARY

\$2,065 ANNUAL ASSESSMENT

(PER OWNER PROPERTY)
(DUE 1/1/2020)

VERSUS 2019 – AN INCREASE OF \$100 OR 5.1%

- + \$78 Regulatory cost increases from California minimum wage up \$1.00/8% (\$40), Insurance (\$24), Property Taxes (\$4), and Health Insurance renewal (\$10)
- + \$50 Increase Reserve Funding, to ensure adequate funds to replace aging infrastructure of the Association, protecting your home values
- + \$40 Merit rate of pay increase average of 2.9% for personnel
- + \$20 Increase Development Funding, to address the changing needs of the members and eventual building replacement needs
- + \$55 Forestry increase in resources toward defensible space efforts
- + \$57 Golf Course closure in 2020 due to greens replacement and repair
- + \$37 Covenants enforcement resources peak summer (\$8), financial analyst position (\$14), and governing documents update (\$15)
- + \$31 The Lodge Restaurant & Pub elimination of the pavillion tent for banquet events
- \$112 Operating revenue growth driven by past three years actual results +\$75, and costs growth 3-year average normalization +\$37
- \$121 Pricing increases in user fees, with aggressive Public/Guest increases
- \$35 All other changes, net increase

= + \$100 OR 5.1% TOTAL CHANGE IN ANNUAL ASSESSMENT

\$350 RECREATION FEE

(EFFECTIVE 5/1/2020)

DAILY ENTRY FEES

(EFFECTIVE 1/1/2020)

AN INCREASE OF \$60 OR 21%. WHY?

The optional yet ever-popular Recreation Fee (valid for up to 4 individuals) equates to as low as \$7.29 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; guest fees were also increased to further address demand impacts of guests on private amenities.

PRIVATE AMENITY DAILY ENTRY FEES (EFFECTIVE 1/1/2020)

- Daily Entry Fees, Member (non-Recreation Fee): \$9, +\$1 from 2019
- Daily Entry Fee, Guest (with Member): \$11, +\$1 from 2019
- Daily Entry Fee, Guest (without Member): \$16, +\$1 from 2019

FACTS AND FIGURES ABOUT YOUR ASSOCIATION

ESTIMATES AS OF
NOVEMBER 2019 /
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
- \$27.5 Million Budget for 2020
- \$67 Million in Total Assets
- 7,000 Acres
- 26 Buildings
- 120,000 Square Feet of Conditioned Space
- 2,500 Trees Planted in 2019
- Over 55,000 Trees Planted in Past Decade
- 68 Miles of Paved Public Roads
- 60 Miles of Trails (and More Planned)
- \$3.9 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