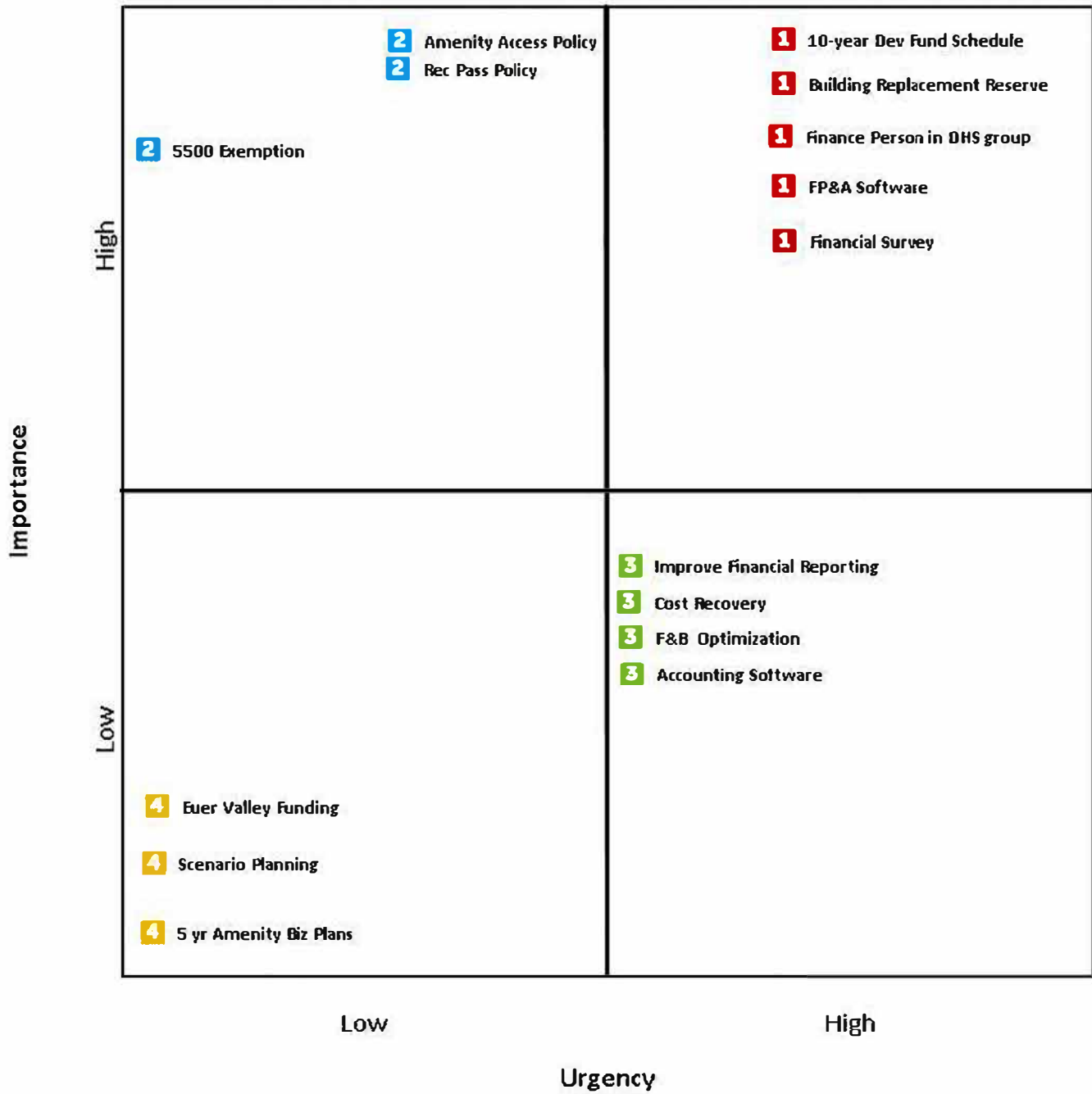


# Finance Committee - 2020

## Task Evaluation

### 2/14/2020



**Finance Committee Consensus Ranking of TDA Board Proposed Task List (02/13/2020)**

**Importance Rank:** "3" - Extremely important to TDA; "2" - Medium importance to TDA; "1"- Not important right now. **Urgency Rank:** "3" - Must do in 2020, by 2021 budget cycle; "2" - Complete in 2020 if time allows; "1" - Not an urgent project right now.

PROPOSED TASK LIST ITEMS PROVIDED mid Jan 2020	FC Comment	FC Importance Rank	FC Urgency Rank	Combined Rank	MSalmon Rank	MSalmon Comments
(1) Embedding a finance person in the DHS group when the committee charter and membership is approved by the board.	Agreed	3	3	9	3	Concur
(2) Looking at ways to reduce losses and or optimize the net results in our food and beverage operations.	We expect this will be a key objective of the new General Manager and, if he/she elects to hire a new Food & Beverage Manager, that person, too. We are happy to review the financial impact of whatever refinements they propose, e.g., closing the Lodge on Mondays, considering a member Food & Beverage quarterly minimum, outsourcing, etc.	2	2	4	2	FC and Management joint-task likely. For an HOA our F&B does quite well actually. Suggest survey question(s) results first.
(3) Establishing a formal building replacement reserve.	Agreed. Under TDA's current rules, funding for building replacement of assets with an original useful life greater than 30 years is to come from the Development Fund. Working collaboratively with the Board and General Plan Committee ("GPC"), we are eager to develop a comprehensive, longer range and prioritized list of projects that we should begin saving for now in anticipation of the eventual replacement of that asset, e.g., Northwoods Clubhouse, Downhill Ski Lodge, Tennis Center, etc. (Note, Dundas and Mahoney have begun working with Mike Salmon to identify which TDA assets might fall into this category and develop a potential required investment.)	3	3	9	3	Active project
(4) Establishing a better, more transparent and meaningful financial reporting system. Also needed for a more appropriate bonus compensation and organizational comparative analysis to drive organizational efficiency.	Agreed. Our considered opinion is that TDA's operating results and financial condition are comprehensively prepared in a transparent way. However, the presentation could be streamlined, tailored to and made more "user friendly" for the various consumers of the information which include the TDA Board, various committees and homeowners. (Mahoney has already worked with Mike Salmon on this project and expects to continue to do so so.) We do not believe that the Finance Committee should be involved in designing the elements of the management incentive compensation program. We expect that this will be a key part of the new GM's hiring and first year objectives.	2	2	4	3	The financials are quite 'transparent', much more so than the majority of companies by far. Improving financial reporting, always open to ideas. Improving executive summary and cross-fund reporting is warranted.
(5) Moving to a 10-year plan for reserve /development fund usage and estimated needs.	Agreed. Currently the Replacement Reserve Fund is evaluated and reviewed on a 30-year schedule. We think the Development Fund should follow the same program. We are eager to work collaboratively with the Board, the GPC, and TDA management to develop the capital funds investment schedule mentioned in the answer to #3 above.	3	3	9	3	Dev Fund policy has a stated 20-year view, Building replacement we can take a 30 year or longer view.
(6) Doing an initial financial survey of members' preferred perspectives on pricing, "pay for play" and the assessment, etc.	Our considered opinion is that a survey such as this should be developed by the Board and the TDA Marketing/Communications team, possibly with assistance from a consulting firm with particular expertise in this aspect of HOA governance. We are happy to provide commentary on the survey questions developed by the experts and review the financial implications of the responses. The survey questions should not be slanted to promote any particular special interest. We recommend building upon the information gathered in the 2019 Member Survey.	3	3	9	3	Survey wording to avoid misleading results, is critical. FC assistance helpful.
(7) A 5-year business plan development. Every amenity should have a business plan and forecast of capital needs whether new or through replacement reserve.	Agreed. Each amenity should have a multi-year operating and capital investment plan. This should be developed by the new GM in conjunction with the amenity managers and the Director of Finance (the "DFA"). We believe that this approach is highly congruent with the Board's desire to have the TDA management team take greater responsibility for leading and executing key initiatives/projects. We are happy to review the plans developed by the subject/amenity experts. It makes sense to develop a short form standard template and roll out the program in such a fashion so as to avoid bothering the amenity managers during their high season.	1	1	1	1	Business plans have many flavors and capital is already forecasted out 30 years in RRF and should be 20 in DVF. Business plans are most common and useful for NEW ventures. Next item #8 serves well for establishing goals for existing amenities.

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<p>(8) Development of an appropriate pricing and cost recovery policy rather than the revenue driven model we currently have.</p>	<p>Agreed. We understand that there is a separate task force, lead by Miguel Sloane, that is looking at TDA's overall amenity access, pricing and cost-to-serve policies and practices. We note that the results of the survey process mentioned in task 6 above, if it is completed, should be incorporated into the development of the overall program. We are happy to offer our assessment of the financial implications of different amenity program schemes as they are developed.</p>	3	2	6	3	<p>Set by for all Private and all Public has been done in past and over-ridden by past Boards. Establishing 1-3 year recovery improvement plans over time recommended, by each Amenity. By each amenity allows for MGP mix and other factors to be dialed in/focused by amenity.</p>
<p>(9) Putting together a business model for scenario planning as we are an HOA with a couple of different things but most notably winter sports that are public. Everything else is normal HOA world. I would just have two different models - HOA with a ski resort and then you can have seasonality drive things.</p>	<p>We would caution against over-simplification of the TDA business model. By HOA standards we are a highly complex organization with circa 15+ separate business units. Contrast this to the NorthStar HOA that has a fitness center, pool and some tennis courts. In any case, the new General Manager and or the Senior Transition Leadership team should weigh in on what would form of business modeling to which they are prepared to commit. Note, too, that Mike Salmon has asked for funding to purchase a business modeling software package that might be useful here.</p>	1	1	1	1	<p>Need to understand the end goal fully. Model should be relatively straight-forward to layout.</p>
<p>(10) A project to ensure that the Association will have the money available to purchase the 40-acre Euer parcel in the Valley when it becomes available (TD has right of first refusal). Where does that fit in to our financials? In the past, the 50k was put aside for land purchases reverted when it was not used. I asked that the land purchase money accumulate rather than revert, but I don't know if that actually happened.</p>	<p>To the best of our knowledge, the potential purchase of the 40-acre Euer Valley is not currently part of the Capital Funds Projection. Should the Board want to pursue this initiative, we are happy to review potential funding options within the context of competing, and perhaps more compelling, uses of the Association's limited Development Fund capital.</p>	1	1	1	3	<p>DVF has a YE balance of \$6.8m. The Board Designating how much is for DHSki lodge replacement and how much is for 'other' is recommended.</p>
<p>(11) Develop a history of amenity access and pricing policies from the formation of TDA to the present for our key amenities (such as Golf, Recreation and Skiing). Develop a thorough understanding of current private and public amenity usage patterns (including usage by household, by member, and among members, guests, and the public), cost structure, and revenue components. In connection with this task, look for comparable information from other HOAs and similar entities to generate ideas, best practices, and comparables. After the current amenity access and pricing policies are thoroughly understood and analyzed, make observations, develop options, and make recommendations. These recommendations would include among other findings:</p>	<p>This request cuts across many areas of Tahoe Donner operations, policy and perceptions of member value/enjoyment. This comprehensive request covers many of the items that we understand might be part of the remit of the amenity task force that is being led by Miguel Sloane. We agree that this item is best handled by a small task force. This task is potentially a huge undertaking and potentially contentious, too. The task force should have representation from management, the Board, knowledgeable owner volunteers, and relevant committees. We would recommend embedding a Finance Committee member or members into this task force.</p>	3	2	6	3	<p>item 8 will drive the majority of this. There are 1000s of pricing solutions models and methods. We must prioritize our objectives.</p>
<p>(a) Whether snowplay should be part of or independent of what is included in the Recreation pass,            (b) Whether there should be a base Recreation Pass that excludes the Marina and Tennis and a more comprehensive Recreation Pass that is all inclusive,            (c) Whether the Board should introduce a non "high" season ski pass that has blackout dates as is offered by other venues,            (d) Should there be a change in the number of people/family members that are included in the Recreation Pass and or a single member pass introduced,            (e) To what extent capital costs should be included in our various pricing options assuming market competitiveness is not forgotten versus including them in the Annual Assessment, and            (f) The Board would like to look at the manner in which we present pricing to our membership. For instance, if an amenity has a price of \$100 for usage, or a meal, golf pass, ski pass, etc. then the approach would be modified to say to members the price is \$120 less a member discount of \$20 and the cost would then be \$100 while the public price would be \$120. Perhaps there might be something in between for guests based on the analysis.</p>	<p>See above commentary in #11</p>	3	2	6	3	<p>Amenity Access Policy project is underway/active.</p>

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(12) Financial Planning and Analysis (FP&A) software (Adaptive Insights or other) ~ \$50,000 per year cloud software, Hooks to the various systems. FC can assist with software selection	Strongly recommend that this investment be pursued.	3	3	9	3	Salmon Task add
(13) Accounting core software change (Netsuite, or something similar) FC can assist with software selection.	Current software while old (circa 15 years) is serviceable but may become subject to obsolescence when the vendor decides to no longer support it.	2	2	4	3	Salmon Task add
(14) Participate in a coordinated effort with TDA's accountants, outside legal counsel and other appropriate parties (other large HOAs?) to lobby the CA Assembly to amend Davis-Stirling to grant TDA and other large HOAs a waiver from Section 5500 monthly meeting responsibilities if they are an internally managed entity with audited financial statements.	Agreed. Would look to do this on a very low cost, or no cost basis. We have a system in place to address the reporting responsibilities that is working well.	3	1	3		Director Koenes add Salmon concur.