

# Tahoe Donner Association

## COVID-19 Financial Briefing

April 9, 2020

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As of February 29, 2020

- \$zero long-term Debt
- \$36.2 million in Cash and Investments – in the Bank
  - \$10m in Operating Fund
    - includes \$2.6m contingency equity balance
  - \$18m in Replacement Reserve Fund
  - \$ 8m in Development Fund
- 2020 Annual Assessment was due 1/1 and is in the bank

covid shelter in place though end of year

- Pandemic is causing an Operating Fund short-fall
  - Driven by closure of all amenities, with probable impact on most, if not all of 2020
- as allowed in CA Law, the Association can borrow funds temporarily from Replacement Reserve Fund to cover Operating Fund shortfalls.
  - This is NOT forecasted to be necessary for 2020
- Per Governing Documents, the Board can approve an 'emergency special assessment'
  - This is NOT forecasted to be necessary for 2020

# Operating Fund – Cash Roll Forward – *\$thousands* covid shelter in place through end of year

\$ 9.989 Operating Fund cash & investments 2/29/2020

• (.780) Settle Due To other funds at month-end

• 9.209 base operating fund 2/29/2020

• (.598) March NOR Forecast

• (2.276) Q2 NOR Forecast

• (2.679) Q3 NOR Forecast

• (2.420) Q4 NOR Forecast

\$ 1.236 Year End raw Forecast OPF CASH balance 12/31/2020

# Operating Fund – **Equity Roll Forward** – *\$thousands* covid shelter in place though end of year

<u>\$2.575</u>	Members equity OPF 2/29/2020
• ( .575)	March variance to Budget
• ( .030)	Q2 variance to Budget
• ( .750)	Q3 variance to Budget
• <u>(.363)</u>	Q4 variance to Budget
\$ .857	Members equity OPF forecast 12/31/2020

10% of Revenues policy balance is \$1.4 million for 2020

# covid shelter in place though end of year

- Summer Business

- Golf was already Budgeted to not operate course, only Driving Range
- Overall, lots of activities at Association, however not high in per transaction revenues
- Lodge peak months of June July Aug are Net positive budgeted results

- Winter Business

- Closure mid-March not ideal, but better than 15-30 days earlier
- Shelter in place in Dec2020 is in Forecast for 2020
- Closure/Shelter in place in Q1 of 2021 would be large financial hit of \$2.4m worse than budget (big revenue expectations DH/XC)

# covid modified operations (if shelter in place LIFTED)

- **Summer Business – actively exploring our options**
  - Cut capacities in HALF or more, likely necessary
  - Sell online, to Members only. reservations system ? Lottery.
    - Example – sell 30 pool slots per hour, 10 gym slots per hour, 50 marina slots per 2 hours
  - Guests – Accompanying a member and on Guest Card complexes offerings.
  - No Cash transactions.
  - F&B – Curbside – Pizza and Lodge peak months of June July Aug, potential
    - Delivery not likely to make sense for us
    - Or will Restaurants be able to operate with ½ the tables/chairs
  - Golf Course closed, Driving Range open (1/2 capacity) – digital pay and fulfillment solution in the works
  - Many operational and transactional logistics to figure out in a short window of time, with numerous variables and no known new near-term normal yet

# Amenities shut down; I want an Assessment Credit back?

- **REALITY - With amenities shut down, the association is fighting to keep your assessment from going UP.**
  - \$2065 Annual Assessment for 2020
    - \$1155 or 56% goes to Capital Funds – \$7.5m - for the aging assets of your association
    - \$910 or 44% goes to Operating Fund - \$5.9m – to cover operating results shortfall
  - \$910 breakdown
    - \$336 general hoa
    - \$268 forestry/defensible space
    - \$ 69 architectural standards / covenants office
    - \$ 66 private amenities
    - \$171 public amenities



# Amenities shut down; I want an Assessment Credit back?

- \$ 66 private amenities
- \$171 public amenities

Closure of an amenity – impact on above varies by amenity and the month(s) and duration of a closure. *A few examples below....*

- Golf Course closure already in 2020 Budget due to greens/remodel project
- Marina closure no revenue, net negative cost to all owners, as budget anticipated positive/favorable results over the summer.
- Day Camps closure, no revenue, net no cost to owners, as budgeted ~ break even
- No Summer Concerts on the Green; net negative cost to all owners, as we anticipated net profit on this activity

Yes, we are aggressively controlling discretionary spending and reviewing all payroll and expense costs (all funds) for reductions/options in 2020.

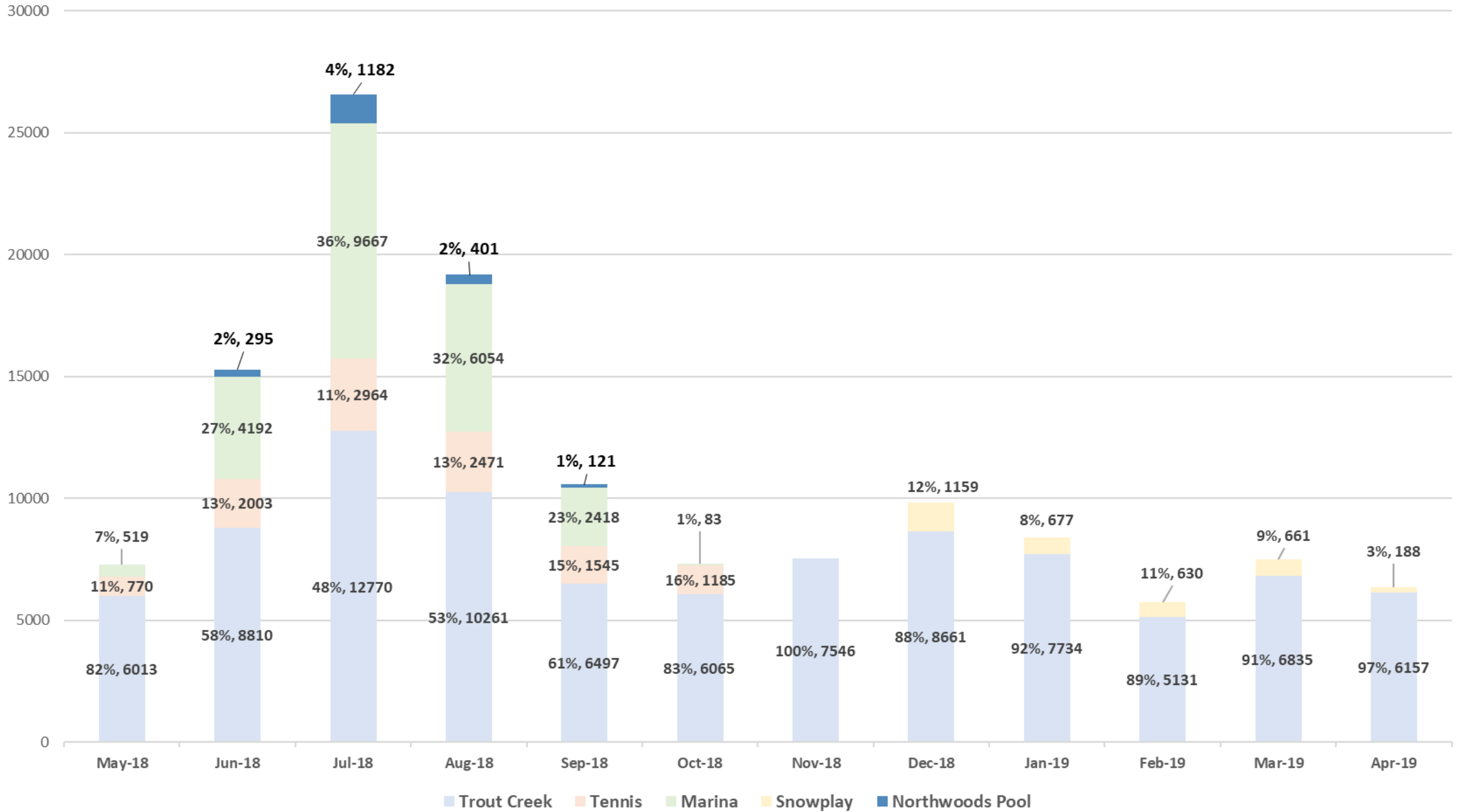
We are also reviewing all operations for modified approach(s) to doing business.

Operating shortfall in 2020 due to Covid needs to be replenished, this can happen over time, does not have to be all replenished in 2021.

What about the Recreation Fee of \$350 I just paid with my 2020 Annual Assessment?

- The \$350 Recreation Fee recently paid when making the Annual Assessment is for annual cycle starting May 1, 2020.
- Covid impact on May 2020 through April 2021 is yet to be determined. Too many variables currently to know impact on RecFee.
- We are likely to require some form of advance payment, such as the Recreation Fee for access to amenities this summer, if and when the Shelter in place is lifted. Not likely to take cash or payment on-site, ie only in advance online or with a pass such as the Recreation Fee.
- If an owner requests, a refund can be processed.

Rec Fee Usage by Amenity- 18/19 Cycle



<https://www.citylab.com/life/2020/04/coronavirus-safe-travel-airbnb-rental-business-host-bailout/608917/> below are quotes from article

## **“A rural revival could come first”**

- If, as the crisis stabilizes, lockdowns are lifted and some travel resumes, home-share listing in cities might not be the first to revive.
- “I think that in more isolated rural areas, Airbnb is likely to be pretty resilient,” says Marie Hickey, head of commercial research at U.K. real estate consultants Savills. “It could be the case that we don’t see a truly sustained recovery in overseas visitors until well into 2021, and the market that will bounce back quickest may be the domestic leisure market.”
- While people might be more wary of traveling to other countries, urbanites who have been cooped up in city homes under lockdown may well take the opportunity to travel somewhere nearby for some open space and fresh air once it is safe to do so.

<https://www.citylab.com/life/2020/04/coronavirus-safe-travel-airbnb-rental-business-host-bailout/608917/>

## **“A rural revival could come first”**

- **Translation.**

- Similar to Great Recession impact in 2008-2010, Tahoe Donner Association will likely see robust visitations, particularly in Summer months. By both Owners and Guests.

*This does not translate into high dollar activities, and in fact can potentially translate into more net costs for the Association*

The ability to telecommute is even more proven now, and will likely translate into greater TD utilizations.

# Capital Funds- Savings Accounts

- **Replacement Reserve Fund**
  - \$11.2 million forecasted 12/31/2020 ending fund balance/Cash
    - Up from \$10.3 in Budget 2020
  - \$770 annual assessment per owner, \$4,985,000
  - \$824 for 2021 is planned, could lower increase or not increase
- **Development Fund**
  - \$6.2 million forecasted 12/31/2020 ending fund balance/Cash
    - Up from \$5.2 million in Budget 2020. Includes XC Snowmaking spend in 2020
  - \$355 annual assessment per owner, \$2,298,000
  - \$375 for 2021 is planned, could lower increase or not increase
- **New Equipment Fund**
  - \$269,000 forecasted 12/31/2020 ending fund balance/Cash
    - Up from \$5.2 million in Budget 2020
  - \$30 annual assessment per owner, \$194,000
  - *Can drop from \$30 to \$0 for 2021, and shift to replenish OPF or new Building Replacement Fund*

## Replacement Reserve Fund

	FundBal	100%Funded	% Funded
<b>2020 and Deferral</b>			
before deferral	11,200,000	41,300,000	27.1%
Defer Projects	500,000	500,000	0.9%
post deferral	11,700,000	41,800,000	28.0%

<b>Impact on 2021</b>		<i>per above, %Funded for 2021B increases.</i>	
Spend per study	(6,000,000)	<i>By end of year 2021, for 2022B, no impact.</i>	
spend of deferrals	(500,000)		
 2021 YE Balances	essentially same as pre-deferral of 2020 Spend	essentially same as pre-deferral of 2020 Spend	essentially same as pre-deferral of 2020 Spend

2020 Annual assessment \$770 per owner \$4,985,000

2020 Budget Reserve Study funding plan has 7% increase for 2021, up \$54

the increase adds \$349,000 in assessment revenue to fund

Any increase in AA for 2021 does not impact % funded for 2021 Budget Report/Disclosures.

2020 Deferrals retains %funded near-term, no long term benefit.

There is no 'cash flow' concerns with respect to Replacement Reserve Fund funds.

see page 9 of Reserve Study from Budget 2020 documents link:

<https://cdn1.tahoedonner.com/wp-content/uploads/2019/10/12184447/G05-2020B-RRF-Schedules.pdf>