

June 3, 2020

DESIRED ACTION

The Tahoe Donner Board of Directors will discuss and consider acting on its proposed COVID-19 summer operations plan, which requires limited access to amenities to achieve regulatory requirements and reduction in programs and services. The proposed COVID-19 summer operations plan will include the recommendation to keep the 2020-2021 Recreation Fee and possible temporary COVID-19 reservation fees for members who do not purchase the Recreation Fee, guests, and unaccompanied guests.

BACKGROUND

COVID-19 safety mandates impact Tahoe Donner amenities by limiting access and increasing operational expenses. Limiting capacity at each facility significantly reduces the opportunity for revenue. This decision paper and the upcoming June 5, 2020 board meeting is meant to continue discussions and potentially take action on the 2020-2021 Recreation Fee and, for those members who don't pay for the Recreation Fee and all guests, establish an appropriate temporary COVID-19 per entry access/reservation fee, given the safety-related limitations and technological constraints within Tahoe Donner's systems.

Management and the board have discussed, over the last two and a half months, COVID-19 impacts to Tahoe Donner's operations and finances. Last month, the management team presented a working draft of the summer operations reopening plan (see attached COVID-19 Recovery and Reopening Plan), which detailed:

- Response and recovery objectives
- Reopening criteria
- Stage gate process for opening and adding services
- Draft amenity reopening plan

The board was generally supportive of the working draft plan, recognizing that the financial criteria, a key component, needed to be filled in order to make informed decisions. This has been on hold due to the vacancy of the Director of Finance and Accounting position. Now that the association has contracted with an interim replacement, this critical piece of decision-making could recommence.

The financial criteria include answering questions of,

- How do we appropriately address access to the amenities, considering the limited access due to state and local operating requirements and guidelines for safely operating?
- What decision should be made about the 2020-2021 Recreation Fee and access fees?
- What is the appropriate cost recovery in this situation?
- To what extent, if at all, does the board want to rely on the contingency fund to address any operational budget shortfall?

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Operating parameters and capabilities are clearer every day as we move through this public health emergency. With this clarity, we are better able to ascertain conditions and update draft working plans for reopening operations. We will be able to open the private amenities over time, albeit in a limited fashion, so long as the State and County, and Tahoe Donner decision-making criteria are met and approved.

Over the last two weeks, management has been able to address some of the technological constraints of member Recreation Fee validation on OneStore (online store), which in turn allows the organization to operate in some semblance of normal fashion while achieving safety protocols, such as touchless purchasing through online ordering and reservations.

Recreation Fee and Amenity Access Fee Framework

Several decades ago the board of directors established the Recreation Fee for member use of the private amenities and daily amenity access fees for members and guests (accompanied and unaccompanied) as allowed and supported by the Tahoe Donner Bylaws, Article VI Membership Rights, Section 1, stating, "...it is expressly noted that the Declaration authorizes the Board to adopt a schedule of fees and/or an amenity access pass system to regulate the use of recreational Common Facilities," and Article VII Board of Directors, Section 1 General Association Powers, and Article IX Duties and Powers of the Board, Section 1 Specific Powers and Resolution 1998-04.

The Amenity Access Policy defines the Recreation Fee as "an annual fee established by the board and allows unlimited access to Recreation Fee Amenities for photo ID holders of a particular residential parcel. This fee is non-refundable and non-transferable." The Recreation Fee is valid May 1, 20XX through April 30, 20XX and applies only to the private amenities, which are Trout Creek Recreation Center, Northwoods Pool, Tennis Center and Beach Club Marina.

The current 2020-2021 Recreation Fee of \$350.00 applies to four (4) family members on the property. Members can purchase up to four (4) member additional passes on their property for \$145.00 each. If the Recreation Fee is paid on the property, it will apply to the member additional passes. A property can have a maximum of eight (8) member passes for family members aged 7 and up. Family members aged 6 and under can be added to the property to receive member rates. These children aged 6 and under qualify for member rates. Once these children turn 7 years old, they need to have a member pass on the property to qualify for member rates.

These board decisions and resulting resolution and policy are what management implements for amenity access year after year.

Recreation Fee Options

The 2020-2021 Recreation Fee budget cycle anticipates \$1.27 million in revenue to be collected. To date, we have sold nearly \$900,000 in Recreation Fee products. This revenue is applied directly to the private amenities, based on the utilization volume during their respective operating seasons.

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Management and the board have explored many options of treatment for the 2020-2021 Recreation Fee, including:

1. Make no change to the 2020-2021 Recreation Fee, but allow member refunds if requested
2. Refund all paid-to-date Recreation Fee purchases and apply to next year's assessment
3. Roll 2020-2021 Recreation Fee to 2021-2022
4. Extend the Recreation Fee expiration date by the month(s) COVID-19 affects operations

There are many options for the Recreation Fee application. That said, making every effort to continue the Recreation Fee as is to limit the amount of change to membership amenity access is the most logical thing to do both for members and the organization's financial stability.

Recreation Fee Recommendation

Management's recommendation is to make no change to the 2020-2021 Recreation Fee and its function as an annual access pass to the private amenities. Under this recommendation, with the knowledge of limited access to the private amenities via reservations and the unknown date of when Trout Creek can reopen, members who have *already paid* this fee will have three options moving forward:

- 1) Apply the Recreation Fee value to the 2021 assessment (minus any access utilization to date), or
- 2) Request a refund of the 2020-2021 Recreation Fee (minus any access utilization to date), or
- 3) Continue with the Recreation Fee as an annual access pass to the private amenities for all members on their property

Members who have already purchased the Recreation Fee will be given a specified to-be-determined date in which to request options 1 or 2 above. Additionally, the 2020-2021 Recreation Fee will continue to be available for purchase by members who are still interested, given the COVID-19 impacts to operations.

Private Amenity Access and Fees

Management recently sent out a survey to the membership to gauge their understanding, preferences and expectations relating to COVID-19 changes to amenities for this summer (summary of results attached). We received nearly 1,700 responses to the survey. Management has used these results to assist with analysis when preparing options for pricing for per entry access fees.

There are three primary elements to consider when discussing private amenity access under COVID-19 constraints:

- 1) Limited access to ensure adequate social distancing opportunity
- 2) Reduced revenue and increased cost per use as a result of the COVID-19-related mandates
- 3) Daily amenity entry fees for members and guests

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Limited Access

Limiting access to our private amenities through a reservation system is recommended. This is the most equitable way of providing access to all members and guests. Implementing such a system will ensure that members and guests will be granted access at a specific time, reducing the crowding and frustration of waiting in line for someone to leave the facility before they are granted access. It will also provide the opportunity for more members and guests to visit on any given day.

Tennis already has a system for court reservations and will continue with that system, where members and guests call the operation to reserve a court. Members receive priority booking through an advanced booking; members can begin to book courts at 7 p.m. the day prior, where guests can begin booking at 12 p.m. the day prior.

Since volume at the other private amenities will be much greater than at Tennis Center, reservations will be done with the association's OneStore, whereby members and guests can purchase and reserve times at the private amenities. These reservation times will be limited by date and time to ensure we are able to meet the safety criteria established. In alignment with the survey feedback and current reservation systems at Tennis Center (and Golf Course), management's recommendation is to provide members with a reservation priority with access to reservation times earlier than those of guests.

Amenity Entry Fees

Annually, the board approves the association fees schedule, which contains hundreds of product fees that span the gamut of amenity-related fees/pricing, like downhill ski day tickets, equestrian private lesson, tennis rentals and fitness classes to non-amenity related fees/pricing, like building permits, firewood and transfer fees. The private amenity access fees are included in this fee schedule and approval process. A member daily access fee is established for those members who choose not to pay the Recreation Fee, and fees are established for accompanied and unaccompanied guests.

The current approved private amenity daily access fees are:

- Members - \$9.00
- Guests - \$11.00
- Unaccompanied Guests - \$16.00
- All rates are for ages 7 and up; ages 6 and under are free

These fees are *per day*, meaning each person who has paid the fee can access any of the private amenities during the day and only pay the access fee once. Given the recommendation to deploy a reservation system at all private amenities and their spaces, the current per day amenity fee does not work, in part because of technological limitation of applying fees to the inventory pool but most importantly due to the change that members and guests will have limited amenity access.

Therefore, management is of the opinion that a temporary per entry/reservation access fee is the most appropriate way to implement amenity usage until COVID-19 impacts are eliminated.

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There are many options for pricing a per entry access fee, including consideration of an increase in COVID-19-related expenses, potential or expected revenue, cost recovery, change of amenity access, value/benefit to the member and whether different amenities should have different access fees based on cost recovery. Management has outlined a few entry/reservation access fee options with some pros and cons for consideration. **All options would include a \$0 per entry access fee for members who have paid the annual Recreation Fee private amenity access pass.**

Option 1: In the interest of simplicity, one option would be to keep the existing daily access rates that were approved during the 2020 budget process and use them as the temporary COVID-19 per entry access fee:

- Member with Recreation Fee - \$0 per entry access fee
- Members without Recreation Fee - \$9.00
- Guests - \$11.00
- Unaccompanied Guests - \$16.00
- Apply a reservation system to all private amenities and their spaces with member priority access to reservation dates/times

Pros:

- This recommendation would provide daily access revenues closer to budgeted revenue – financial benefit
- It is likely that these rates would drive more members to purchase the Recreation Fee – financial benefit of committed revenue

Cons:

- This recommendation does not fully address incremental costs relating to COVID-19 operating procedures
- Perceived value of the fee may be reduced since access will only be for a limited time and access will only apply to one amenity or a specific element of one amenity (gym vs. rec pool) – member value

Option 2: Reduce the daily access rates for each access type:

- Member with Recreation Fee - \$0 per entry access fee
- Members without Recreation Fee - \$6.00
- Guests - \$8.00
- Unaccompanied Guests - \$12.00
- Apply a reservation system to all private amenities and their spaces with member priority access to reservation dates/times

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Pros:

- This recommendation would improve the perceived value of the daily rates, considering access will only be for a limited time and access will only apply to one amenity or a specific element of one amenity (gym vs. rec pool) – member value

Cons:

- Does not fully address incremental costs relating to COVID-19 operating procedures
- Less daily access revenue financial impact
- Less incentive for members to purchase the Recreation Fee – financial impact, reduced committed revenue

Option 3: Lower the daily access fee for members, but leave the existing daily access fees for guests:

- Member with Recreation Fee - \$0 per entry access fee
- Members without Recreation Fee - \$6.00
- Guests - \$11.00
- Unaccompanied Guests - \$16.00
- Apply a reservation system to all private amenities and their spaces with member priority access to reservation dates/times

Pros:

- This recommendation would improve the perceived value of the daily rates, considering access will only be for a limited time and access will only apply to one amenity or a specific element of one amenity (gym vs. rec pool) for members – member value
- Member daily access rate would be right in line with recent survey data

Cons:

- Does not fully address incremental costs relating to COVID-19 operating procedures
- Less member daily access revenue financial impact
- Perceived value of the fee may be reduced for guests since access will only be for a limited time and access will only apply to one amenity or a specific element of one amenity (gym vs. rec pool) for **guests** – member value impact
- Less incentive for members to purchase the Recreation Fee – financial impact, reduced committed revenue

Option 4: Increase the per entry access fees for members and guests above the pricing listed here as a result of reduced budgeted revenue and increased expenses to open and operate amenities under COVID-19 mandates. Members with a Recreation Fee do not need to purchase a per entry access

fee. Apply a reservation system to all private amenities and their spaces with member priority access to reservation dates/times.

Under any of these scenarios, it is likely there will have to be some use of the contingency funds, but one of the COVID-19 response and recovery objectives is to minimize the loss and avoidance of use of the contingency funds. Administrative staff have made a huge contribution in labor savings to stem the financial loss in the last two and a half months.

Private Amenity Access and Fee Recommendation

In recognition of the limited access, reduction in revenue opportunity and increased costs related to COVID-19 safety impacts to open and operate facilities, management's recommendation is **Option 1**:

- Apply a reservation system to all private amenities and their spaces with member priority access to reservation dates/times
1. Keep the existing daily access rates and use as a temporary per entry access fee for all private amenity reservation access:
 - Member with Recreation Fee, \$0 per entry access fee
 - Members w/o Recreation Fee - \$9.00
 - Guests - \$11.00
 - Unaccompanied Guests - \$16.00

RECOMMENDATIONS SUMMARY

The board of directors will consider approving or some modification thereof,

Recreation Fee Recommendation

Management's recommendation is to make no change to the 2020-2021 Recreation Fee and its function as an annual access pass to our private amenities. Under this recommendation, with the knowledge of limited access to the private amenities via reservations and the unknown date of When Trout Creek can reopen, members who have *already paid* this fee will have three options moving forward:

- 1) Apply the Recreation Fee value to the 2021 assessment (minus any access utilization to date), or
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- 3) Continue with the Recreation Fee as an annual access pass to the private amenities for all members on their property

Members who have already purchased the Recreation Fee will be given a specified to-be-determined date in which to request options 1 or 2 above. Additionally, the 2020-2021 Recreation Fee will continue to be available for purchase by members who are still interested, given the COVID-19 impacts to operations.

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Private Amenity Access and Fee Recommendation

In recognition of the limited access, reduction in revenue opportunity and increased costs related to COVID-19 safety impacts to open and operate facilities, management's recommendation is to:

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- Keep the existing daily access rates and use as a temporary per entry access fee for all private amenity reservation access:
 - Member with Recreation Fee, \$0 per entry access fee
 - Members w/o Recreation Fee - \$9.00
 - Guests - \$11.00
 - Unaccompanied Guests - \$16.00

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Board Meeting Date: June 5, 2020