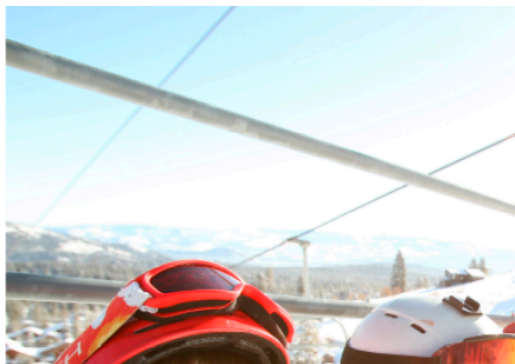
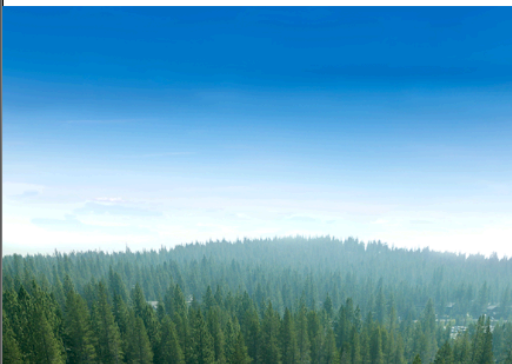


2021 OPERATING BUDGET REVIEW

SEPTEMBER 10, 2020



TODAY'S FOCUS – OPERATIONS ONLY

WHAT ISN'T IN TODAY'S MEETING:

- REPLACEMENT RESERVE CAPITAL BUDGET
- DEVELOPMENT FUND CAPITAL BUDGET
- NEW EQUIPMENT + MACHINERY CAPITAL BUDGET
- TOTAL ANNUAL ASSESSMENT RECOMMENDATION



WHAT IS IN THE OPERATING BUDGET

AMENITIES

- Trails
- Beach Club Marina
- Equestrian
- Tennis
- Campground
- Cross Country Ski
- Golf Course
- Operations
- The Lodge
- Restaurant & Pub
- Trout Creek
- Recreation Center
- Aquatics
- Recreation
- Bikeworks
- Pizza on the Hill
- Alder Creek Cafe
- Downhill Ski Resort
- Consolidated
- Snowplay
- Rec Fee Income

HOA SERVICES

- Facility Administration
- Maintenance
- Forestry
- Member Services
- Human Resources
- Accounting
- MIS (IT)
- Architectural Standards
- Communication
- Administration
- General



TAHOE DONNER AT A GLANCE

650K

ANNUAL VISITORS

7,300

ACRES

25K

MEMBERS

6,473

PROPERTY OWNERS

29

TOTAL DEPARTMENTS
WITHIN TAHOE DONNER

\$67M

IN TOTAL ASSETS

**60+
MILES**

OF TRAILS

**ENDLESS
WAYS TO
PLAY**

~84 Full-time, Year-round Employees Annually
~870 Part-time, seasonal Employees Annually



TAHOE DONNER™

OBJECTIVES FOR TODAY'S WORK SESSION

- Develop a common understanding of budget drivers and COVID-19 impacts
- Direction from the board related to the Operating Fund budget

2020 OPERATIONS IMPACT + REVENUE CHANGES

- Revenue Drivers Closed Early
 - Downhill Ski Resort
 - Cross Country Ski Center
- Closure of All Amenities March-May, some through July
- Closure/Cancelation of:
 - Rec Fee sales forecast \$934,750 vs. budget \$1,270,000. Includes refunds
 - Day Camps not offered, \$157,000 deposits refunded
 - All events, including Summer Concert - budgeted at \$200,000 revenue
 - Refund fitness class passes for unused months
 - Golf Course (accounted for in budget)
 - Northwoods Pool (due to cost vs. revenue consideration)

2020 OPERATIONS IMPACT CONTINUED

- Reduced Service Level + Capacity
 - Tennis: Late opening and family-play-only limits
 - Trout Creek Rec Center: Closure through June, no classes, lessons, massage, day care, extremely reduced capacity of gym
 - Beach Club Marina: Closure, reduced capacity, no lessons
 - Equestrian: Boarding only, no camps. Horse leasing revenue to help offset maintenance costs
- Food + Beverage
 - Alder Creek Cafe closed mid-March through end of June
 - Lodge closed March-May, 9 days over 4th of July holiday. Indoor dining canceled
 - Loss of Food + Beverage revenue due to COVID-19

2020 OPERATIONS EXPENSE CHANGES + CONCLUSION

- Expense Changes

- Payroll costs down. Forecast for 2020 actual \$10,066,778 vs. budget \$12,905,000, \$2,838,222 lower.
- COGS down as a function of reduced retail and F+B revenue
- Operating expenses down. Forecast \$4,374,256 vs. budget. \$1,471,744 lower.

- Conclusion

- Net Operating Revenue (loss) projected to be \$(6,209,526) vs. \$(6,087,000). Current forecast shows net loss higher than budget by \$122,526. Additional accounting adjustments are expected. May decrease loss.
- Expect significant operational changes to Downhill Ski operations due to COVID-19 operating requirements.

2021 BUDGET ASSUMPTIONS

- COVID-19
 - Continue through 2020/2021 winter season and continue to cause capacity reduction
 - Budget assumes normal operations return by summer. If not, projections will need to be reevaluated
- Staffing
 - Minimum wage increase to \$14 per hour
 - No J-1 employees, requiring local workers and a competitive local market
 - New Food + Beverage Manager by 2020 year-end to oversee all F+B operations
- Services
 - Expanded attention to Forestry, Defensible Space + Open Space Management
 - Golf Course Reopens

2021 BUDGET ASSUMPTIONS CONTINUED

- Business Services
 - Property/Casualty insurance increase of 15% - \$108,000
 - Currently evaluating Food + Beverage operations
 - IT systems will be reevaluated and new systems will be implemented to improve efficiency in Finance and Accounting and across the organization

Conclusions: 2021 will continue to present operational challenges, both as a result of COVID-19 and the general need to reevaluate all operations.

SUMMARY OPERATING FUND PROFIT & LOSS

	2021 Budget	2020 Forecast	2020 Budget	2019 Actual	2021 vs. 2019	2021 vs. 2020 Budget
Rec Fee Income	\$1,400,000	\$1,058,007	\$1,270,000	\$1,180,445	\$219,555	\$130,000
Access Fees	\$4,107,034	\$2,737,172	\$3,942,150	\$4,445,118	\$(338,084)	\$164,884
Food & Beverage	\$3,066,045	\$2,104,912	\$4,208,050	\$4,192,381	\$(1,126,336)	\$(1,142,005)
Retail	\$455,076	\$326,468	\$470,100	\$601,026	\$(145,950)	\$(15,024)
Lessons & Rentals	\$3,029,586	\$1,906,241	\$3,344,800	\$3,315,431	\$(285,845)	\$(315,214)
Other HOA Income	\$693,000	\$944,114	\$904,900	\$961,116	\$(268,116)	\$(211,900)
Gross Income	\$12,750,741	\$9,076,914	\$14,140,000	\$14,695,517	\$(1,944,776)	\$(1,389,259)
COGS	\$(1,143,112.33)	\$(845,406)	\$(1,476,000)	\$(1,554,428)	\$(411,316)	\$(332,887.67)
Gross Margin	\$11,607,628	\$8,231,508	\$12,664,000	\$13,141,089	\$(1,533,461)	\$(1,056,372)
Payroll	\$(12,484,108)	\$(10,066,778)	\$(12,905,000)	\$(12,729,963)	\$(245,855)	\$(420,892.33)
Operating Expenses	\$(5,812,211)	\$(4,374,256)	\$(5,846,000)	\$(5,479,525)	\$332,686	\$(33,789.07)
Net Operating Revenue	\$(6,688,690)	\$(6,209,526)	\$(6,087,000)	\$(5,068,399)	\$(1,620,291)	\$(601,690)
Overhead Charged to Other Funds	\$197,000	\$197,000	\$197,000	\$172,514	\$24,486	\$ -
Net Operating Revenue after Overhead Allocation	\$(6,491,690)	\$(6,012,526)	\$(5,890,000)	\$(4,895,885)	\$(1,595,805)	\$(601,690)
Operating Cost per Property	\$(1,002.89)	\$(928.86)	\$(909.93)			
Increase to Operational Budget	\$(92.95)					

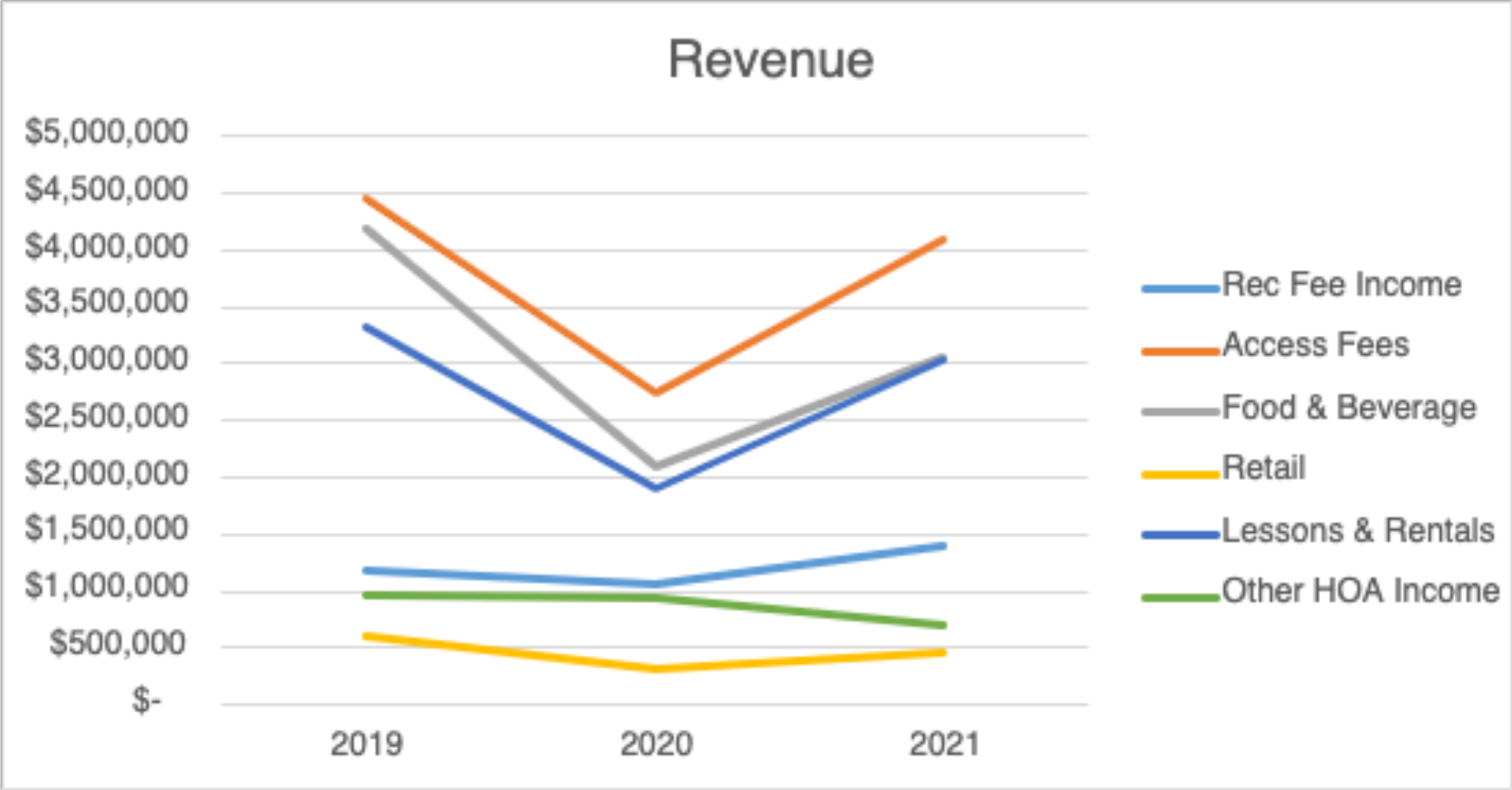
AMENITY DEPARTMENTS

	2021 Budget	2020 Forecast	2020 Budget	2019 Actual	2021 Budget vs. 2019 Actual
Net Operating Income Before Rec Fee Income and Overhead Allocation					
Amenities					
Trails	\$ (243,600)	\$ (182,330)	\$ (209,800)	\$ (142,228)	\$ (101,372)
Marina	38,828	(40,288)	108,200	76,847	(38,019)
Equestrian	(120,109)	(122,004)	(81,000)	(91,591)	(28,518)
Tennis	(61,638)	(29,792)	(82,100)	(64,909)	3,271
Campground	103	16,375	11,200	9,897	(9,794)
Cross Country Center	415,000	316,009	235,700	417,940	(2,940)
Golf Course Operations	(169,931)	(430,580)	(524,700)	(524,174)	354,243
The Lodge	(363,663)	(442,768)	(206,500)	(50,063)	(313,600)
Trout Creek/Aquatics/Recreation	(792,282)	(854,575)	(775,100)	(720,778)	(71,504)
Bikeworks	1,824	34,829	13,600	7,049	(5,225)
Pizza on the Hill	10,346	(10,208)	1,000	(45,269)	55,615
Alder Creek Cafe	(46,464)	(135,538)	(23,300)	(68,499)	22,035
Downhill Ski Consolidated	793,527	651,535	1,464,800	1,701,507	(907,980)
Snowplay	103,830	12,356	94,000	83,135	20,695
Rec Fee Income	1,400,000	1,058,007	1,270,000	1,180,445	219,555
Total Amenity Departments	\$ 965,773	\$ (158,973)	\$ 1,296,000	\$ 1,769,309	\$ (803,536)

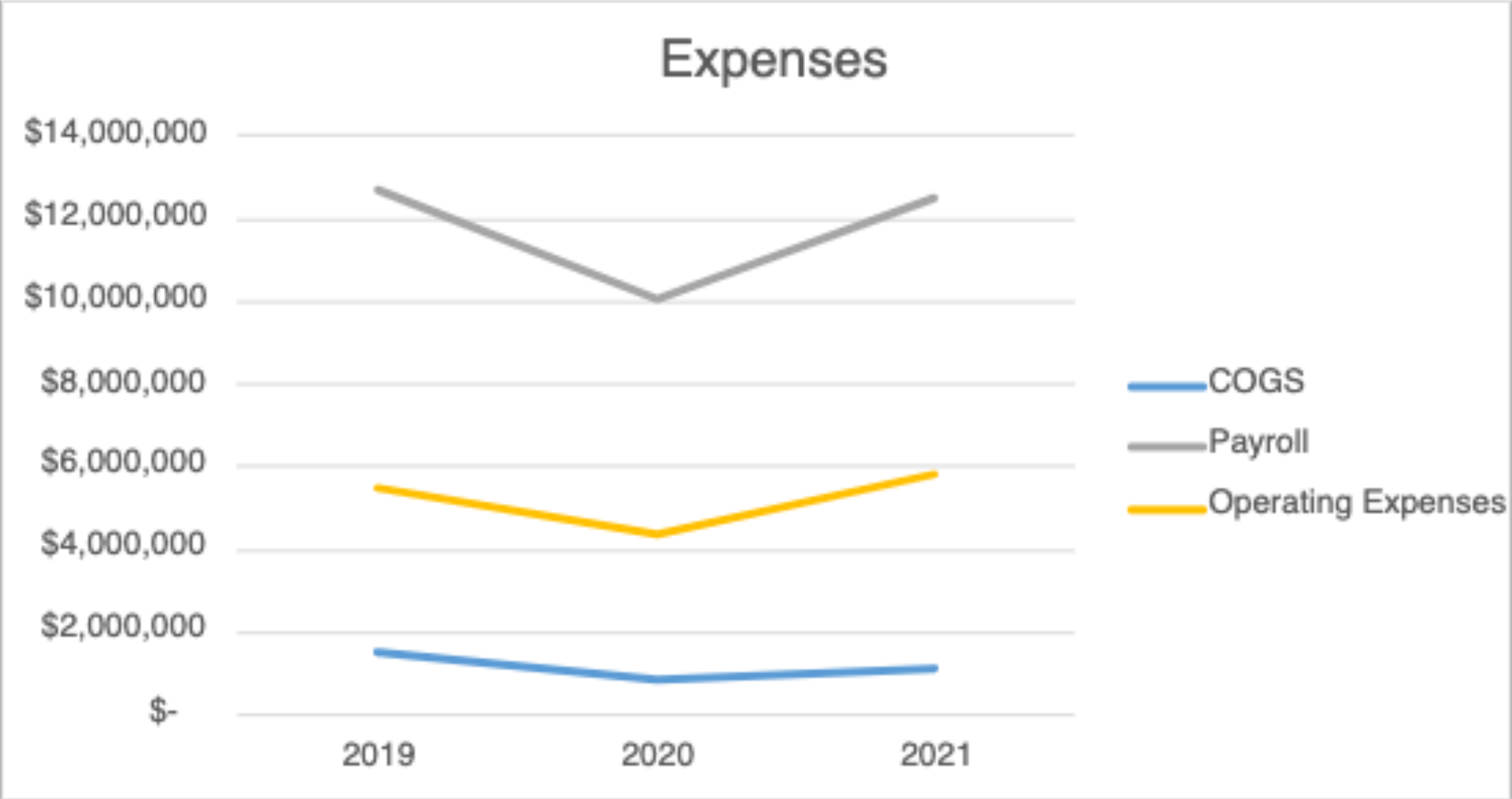
ASSOCIATION DEPARTMENTS

	2021 Budget	2020 Forecast	2020 Budget	2019 Actual	2021 Budget vs. 2019 Actual
Net Operating Income Before Rec Fee Income and Overhead Allocation					
Association Business					
General	\$ (900,300)	\$ (807,515)	\$ (943,000)	\$ (1,072,730)	\$ 172,430
Administration	(808,713)	(337,718)	(555,000)	(865,526)	56,813
Communications	(527,920)	(400,094)	(551,000)	(411,145)	(116,775)
ASO	(314,907)	(139,788)	(323,000)	(214,540)	(100,367)
MIS	(773,896)	(600,351)	(718,000)	(613,197)	(160,699)
Accounting	(893,012)	(742,370)	(946,000)	(834,388)	(58,624)
Human Resources	(459,940)	(335,358)	(379,000)	(383,748)	(76,192)
Member Services	(233,358)	(164,558)	(252,000)	(223,448)	(9,910)
Forestry	(1,536,272)	(1,520,893)	(1,545,000)	(1,153,899)	(382,373)
Maintenance	(772,288)	(625,146)	(845,000)	(749,667)	(22,621)
Facility Administration	(433,857)	(376,762)	(326,000)	(315,414)	(118,443)
Total Association Departments	\$ (7,654,463)	\$ (6,050,552)	\$ (7,383,000)	\$ (6,837,702)	\$ (816,761)

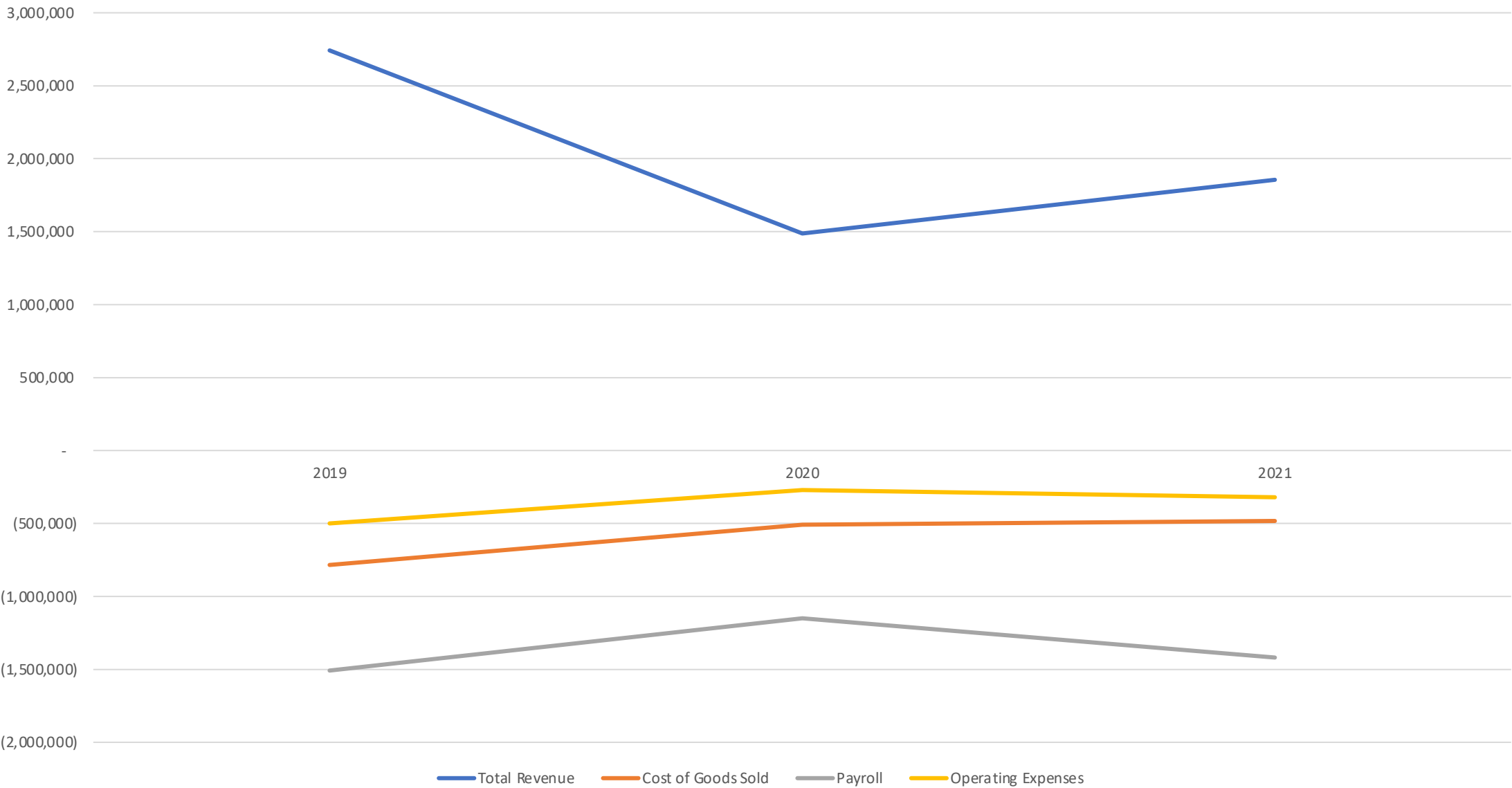
SUMMARY OPERATING FUND PROFIT & LOSS



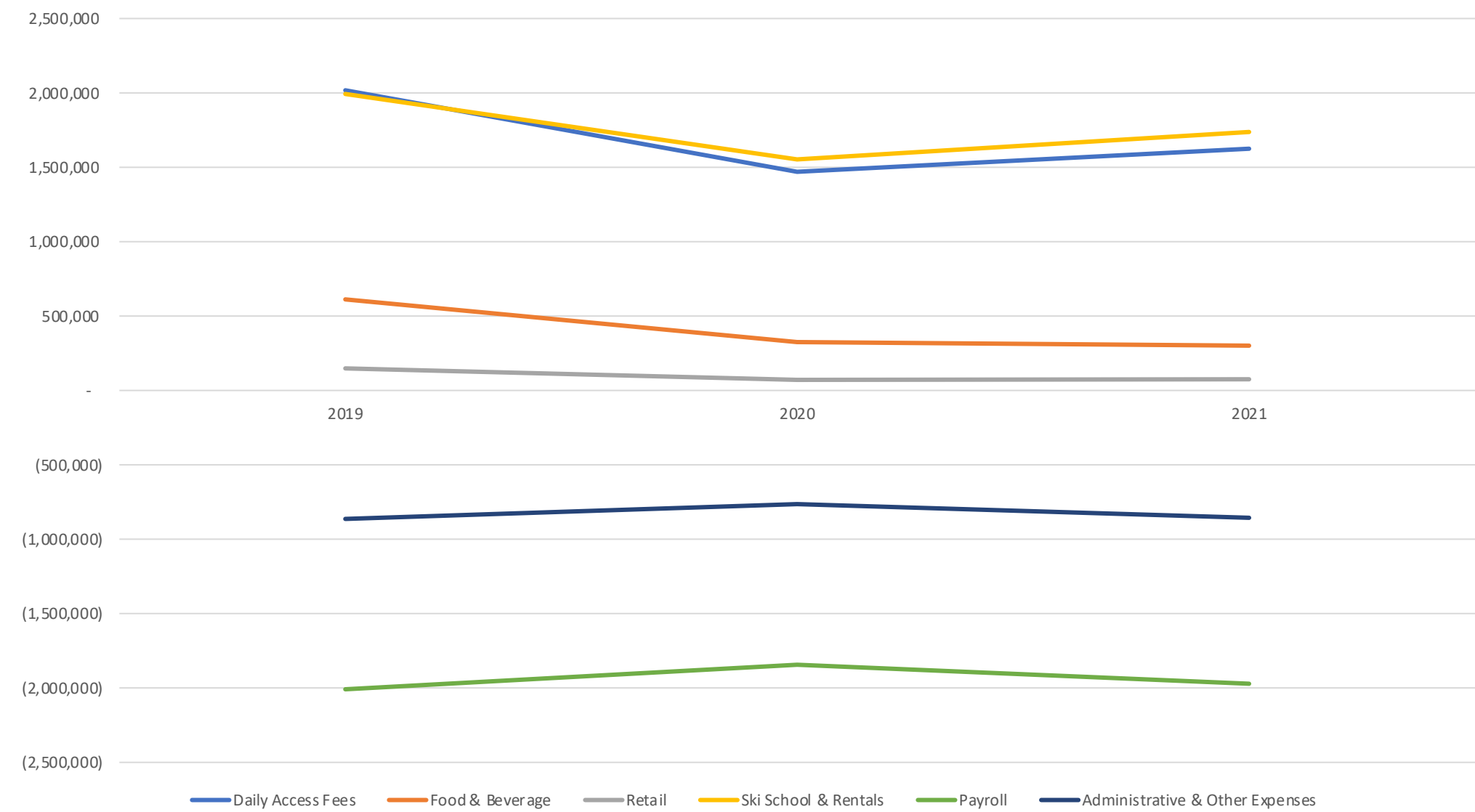
SUMMARY OPERATING FUND PROFIT & LOSS



THE LODGE - CONSOLIDATED



DOWNHILL SKI RESORT OPERATIONS



TAHOE DONNER DOWNHILL SKI RESORT



DOWNHILL SKI RESORT ASSUMPTIONS

- ASSUMING:
 - COVID-19 issues will continue through the 2020/2021 winter season. Normal operations resume for the winter 2021-2022 season.
 - A “normal” winter weather season
- REVENUE ASSUMPTIONS:
 - Significant limits on skier volume due to COVID-19 limitations. Budget assumes a cap of skiers per day
 - Rental income down due to lower volume
 - No group ski lessons due to COVID-19 restrictions – only private lessons
 - Food + Beverage operations severely curtailed due to indoor dining restrictions
 - Reduced retail sales

DOWNHILL-SPECIFIC DRIVERS

- EXPENSE ASSUMPTIONS:

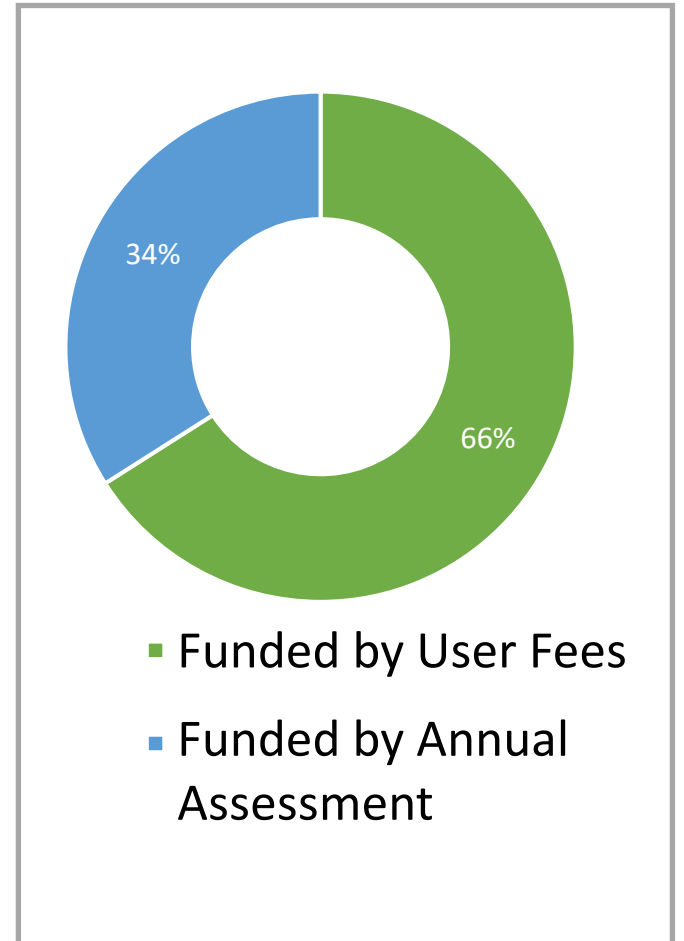
- Minimum wage increase, \$1 increase to \$14 per hour
- Restrictions on J-1 employees. Replace with local workers – highly competitive market
- Property/Casualty insurance increase of 15% - \$108,000

CONCLUSION: As a result of the severe operating limitations, Downhill Ski Operations are **expected to result in a net profit of \$794,000 versus \$1,700,000 net profit in 2019** – last normal year. This equates to a per-property revenue loss of \$140.00.

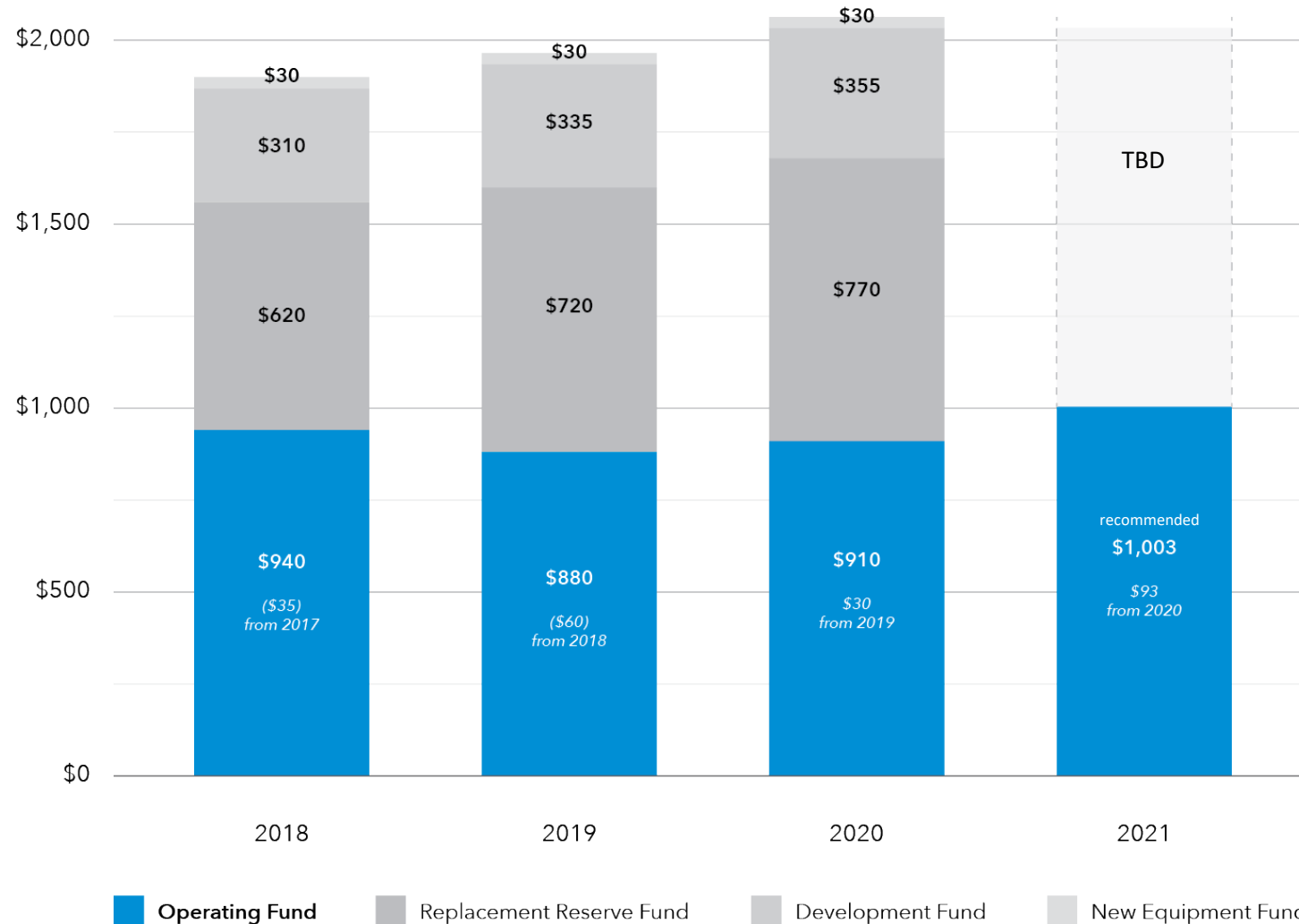


REVENUE GENERATED BY USERS VS. ANNUAL ASSESSMENT

- **\$19,250,000:** The total revenue requirement for a balanced 2021 Operating Fund budget.
- **\$12,750,000:** Operating revenues generated by user funds 66% of the requirement.
- **\$6,500,000:** The necessary funding level for operations from the Annual Assessment is 34% of the requirement.



OPERATING PORTION OF THE ANNUAL ASSESSMENT – 3-YEAR DETAIL



USING STAFF'S CURRENT BUDGET ASSUMPTIONS, THE IMPACT TO THE OPERATING PORTION OF THE BUDGET IS AN INCREASE FROM \$910 TO \$1,003 WITH A NET INCREASE OF \$93.

NEXT MEETING FOCUS

- **UPDATED OPERATING FUND BUDGET**
- **REPLACEMENT RESERVE CAPITAL BUDGET**
- **DEVELOPMENT FUND CAPITAL BUDGET**
- **NEW EQUIPMENT + MACHINERY CAPITAL BUDGET**
- **TOTAL ANNUAL ASSESSMENT RECOMMENDATION**

QUESTIONS?

THANK YOU



TAHOE DONNERSM