

2021 BUDGET REPORT



\$2,241 ASSESSMENT

AN INCREASE OF \$176 FROM 2020

**\$19.7 MILLION
TOTAL OPERATING REVENUES**

\$385 RECREATION FEE

AN INCREASE OF \$35 FROM 2020

PRIVATE AMENITY DAILY ENTRANCE FEES - NO CHANGE

MEMBER WITHOUT PAID RECREATION FEE - \$9

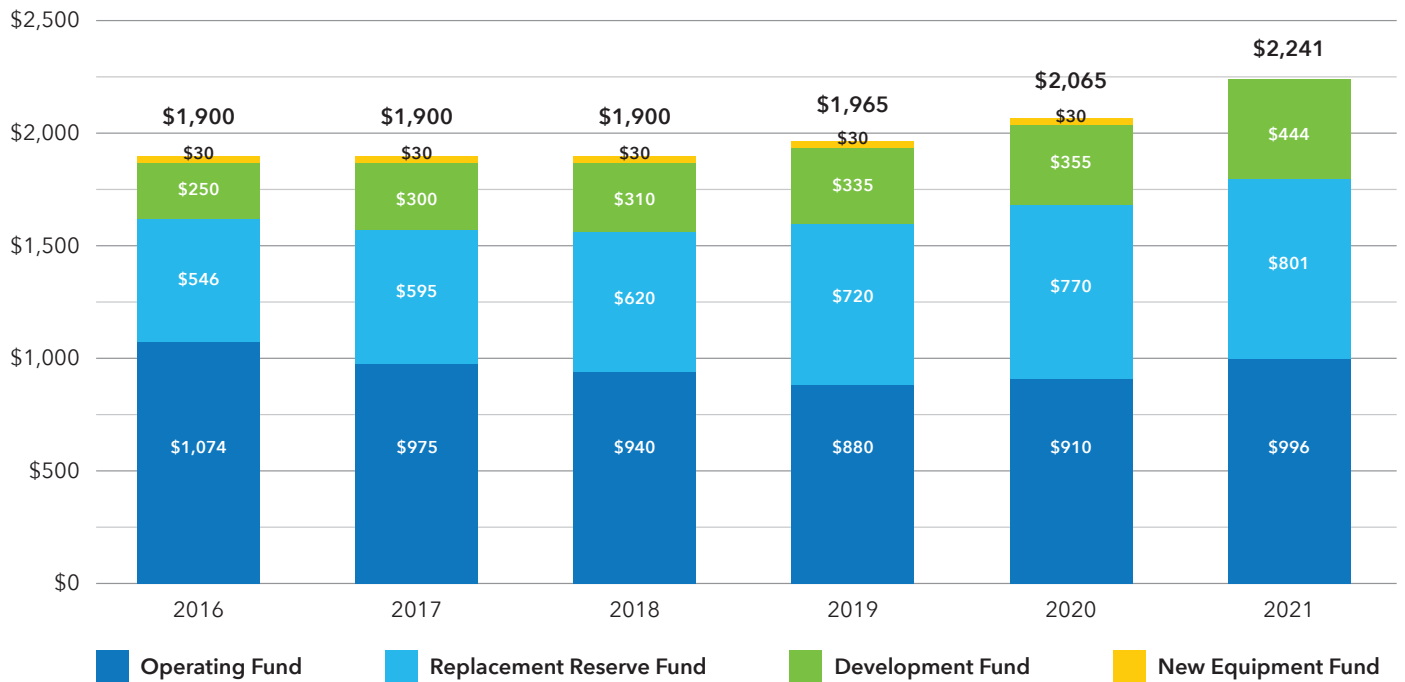
GUEST WITH MEMBER - \$11

GUEST ON GUEST CARD WITHOUT MEMBER - \$16



Annual Assessment History

Per Owner



INTRODUCTION

The Tahoe Donner Association Board of Directors unanimously approved the 2021 budget at its October 23 board meeting. This action came after multiple public workshops and much feedback from our diverse membership. The 2021 Annual Assessment is \$2,241 per property, an increase of \$176 for the coming year.

The Tahoe Donner Annual Assessment includes contributions in two categories over four funds:

OPERATING FUND	\$ 996
Covers the annual net operating cost of running our Association and includes our amenities, customer service, full-time and part-time staff costs and Association administration expenses	
CAPITAL FUNDS	
REPLACEMENT RESERVE FUND	\$ 801
Allows the Association to maintain our fixed assets	
NEW MACHINERY AND EQUIPMENT FUND	\$ 0
Purchases new minor assets to meet current needs	
DEVELOPMENT FUND	\$ 444
Provides capital to expand and/or replace aging infrastructure	
2021 ANNUAL ASSESSMENT TOTAL	\$ 2,241

The board of directors continues to strategically invest in defensible space and fire hazard mitigation programs for homeowners and on Association open space. The 2021 budget reflects further increases in the California minimum wage (\$200,000 annual impact) and material increases in our liability insurance premiums (\$327,000, a 23% rise from 2020).

We expect COVID-19 mitigation measures to continue to affect operations for the remainder of 2020 through mid-2021. COVID-19-related costs include safety and sanitation expenses and a reduction in estimated revenues from visitation capacity constraints. Management has shown resilience and agility in dealing with COVID-19 this past year and will continue to do so as long as the pandemic persists. On the capital side, in consideration of the impact COVID-19 is having on all our lives, the board has waived funding to the New Machinery and Equipment Fund for 2021.

Member and guest amenity access fees are held flat for 2021. The optional Annual Recreation Pass for private amenity access will be \$385. For those with a family with 4 member cards, this is an increase of \$8.75 per person for the year, which is about the cost of 1 amenity admission for those without the pass. The amenity access policy will be thoroughly reviewed in 2021 with a comprehensive cost and fee study and robust member outreach.

Tahoe Donner's 50th anniversary in 2021 is a clear reminder that facilities built around our opening in 1971, such as the Downhill Ski Lodge, Northwoods Clubhouse and Tennis Center, are nearing the end of their long, useful lives and need to be addressed. The board has a responsibility under California law to ensure that there are funding sources for these projects. Accordingly, the 2021 budget continues to proportionally contribute more of the Annual Assessment to our Capital Funds.

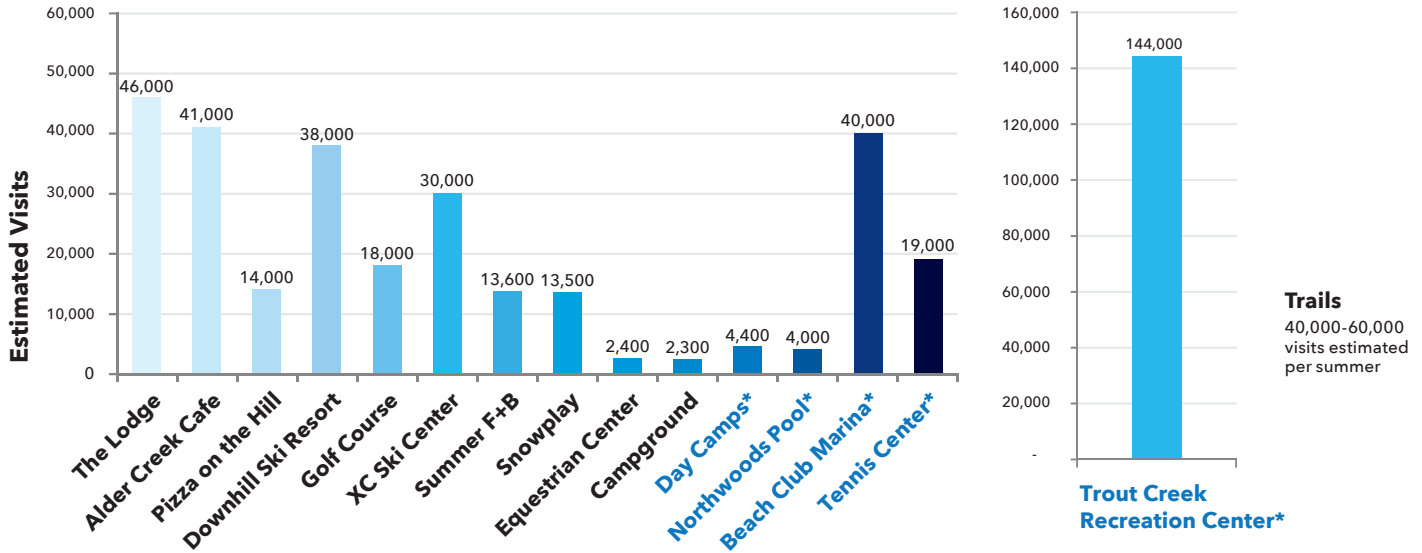
Sincerely,

Stephen Mahoney
Board Treasurer

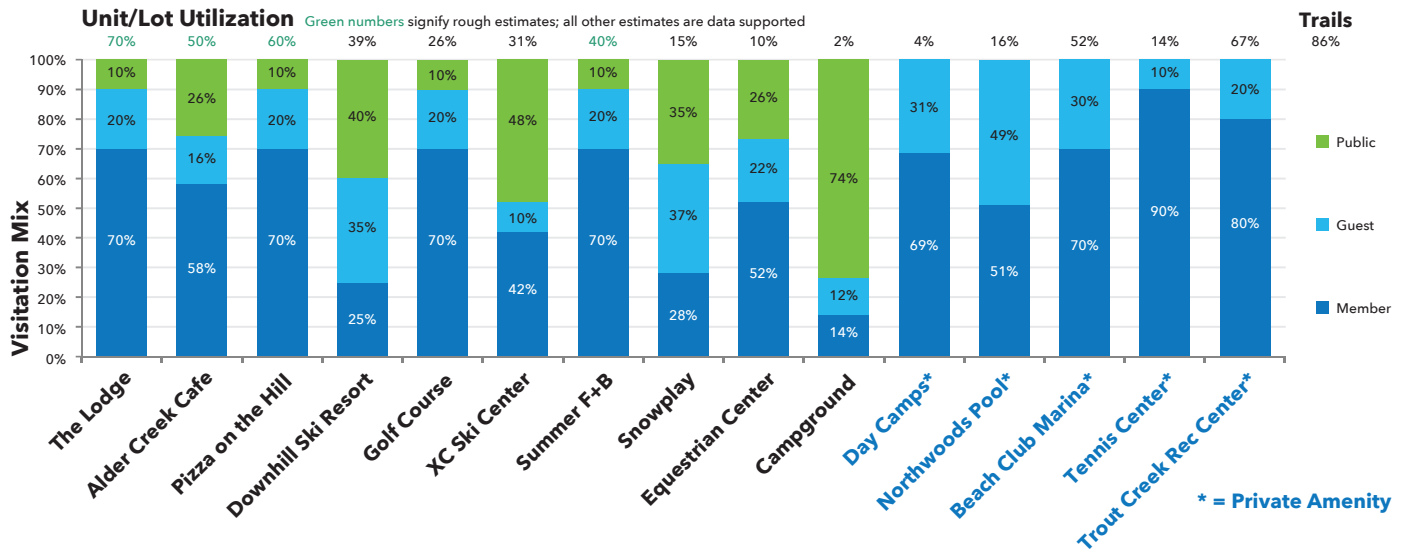
David Mickaelian
General Manager

Visitation Tools that Help Generate Revenue Projections

2021 Estimated Amenity Visitation Metrics



Unit/Lot Utilization (ESTIMATED) + Visitation Mix (ESTIMATED)



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. A detailed analysis of each department was prepared and evaluated by senior management before the budget was reviewed by the Finance Committee and the board of directors. Methods for optimizing revenue while maintaining favorable property-owner access and rates were also examined.

IN TOTAL, THE 2021 ASSESSMENT CONTRIBUTION TO OPERATIONS IS \$6,447,108 OR \$996 PER MEMBER-PROPERTY. THE 2021 AMOUNT REPRESENTS A 3.7% 10-YEAR COMPOUNDED ANNUAL GROWTH RATE.

The total revenue requirement for a balanced 2021 Operating Fund budget is \$19,729,937. Operating revenues generated by users of \$13,282,829 fund 67% of the requirement (vs 71% in 2020). The necessary funding level for operations from the Annual Assessment is \$6,447,108 or 33% of the requirement (vs 29% in 2020). 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.

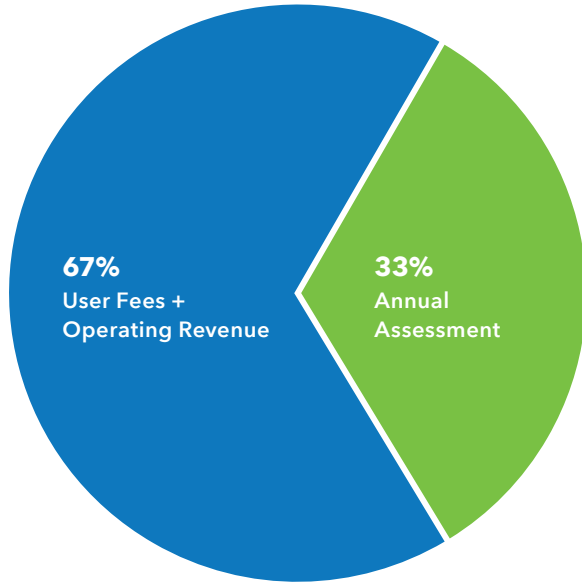
The revenue requirement (Total Operating Costs) of \$19.7m is a decrease of \$303,000 or 2% to 2020 Budget with operating revenues down 6.1%, principally due to COVID-19 impacts on visitation. Next section details the changes.

OPERATING REVENUE Budget of \$13.3m, excluding assessment, has decreased \$857,000 or 6.1% from the 2020 Budget and represents an increase of \$4.2m or 46% over the 2020 Forecast, which saw drastic cost-savings measures from amenity shutdowns due to the global pandemic. Operating revenues are subject to significant volatility due to weather, snowpack and the ongoing pandemic. Accordingly, we have utilized multi-year averages and consideration of COVID-19 in establishing volume expectations. Due to COVID-19 restrictions on capacity, downhill ski revenues are projected to be down \$1m year-over-year. Conversely, the golf course will be open for 2021, bringing us an additional \$1m over 2020 in which it was closed for repairs. The Food and Beverage Department is also a key factor in the overall operating revenue shortfall due to COVID-19 dining restrictions and reduced revenue by not offering banquets. We are budgeting for \$1m less in revenue for 2021 in F+B operations. Interest income from our operating accounts has also been impacted by roughly \$60,000 due to lower

(Continued on page 4)

Operating Fund Revenue Generated by Annual Assessment vs User Fees + Operating Revenues

Total Operating Fund = \$19,726,658



interest rates. For 2021, we continue the 2019-introduced Peak Period pricing for guests and public (not for members) at both the 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 \$12.7m represents 64% of total operating costs and reflects a decrease of 1.7% versus 2020 Budget. A key element of any large-scale common interest development is the employees who operate and manage our amenities and support departments and administration. Operating payroll costs include wages, salaries and the associated costs of payroll taxes, workers' compensation, retirement savings plans and health insurance benefits. The overall decrease in payroll is driven by planned service reductions in our operating departments given COVID-19 restrictions notwithstanding the mandated minimum wage increase, which has a \$200,000 impact to Tahoe Donner. The current regional labor market has become much more challenging due to the skyrocketing housing market, rents, minimum wage increases and suspension of the international employee program.

OPERATING EXPENSE Budget of \$5.97m represents 30% of our total operating costs and is relatively unchanged (\$122,000 increase) to 2020 budgeted amount despite the increased COVID-19 safety and sanitation mandates and a nationwide increase to the cost of liability insurance impacting Tahoe Donner Association. For the association, the increase to insurance premiums represented an additional \$327,000 expense from 2020. For all other net operating expenses, the change was \$308,000 in reduced expenses to 2020 Budget. To offset the spike in liability insurance, other operational efficiencies were identified to reduce the overall budget effect.

COST OF GOODS SOLD Budget of \$1.27m represents 6.4% of our overall operating costs. Cost of Goods Sold represents the wholesale cost of retail, food and beverage product and will increase and/or decrease proportionally with changes to sales of these goods. Given the unknown effect of COVID-19 restrictions to revenue, we will see Cost of Goods Sold change in correlation with changes in revenue.

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 3 years and updated annually for the purpose of scheduling and analyzing the Association's

REPLACEMENT RESERVE FUND ANALYSIS

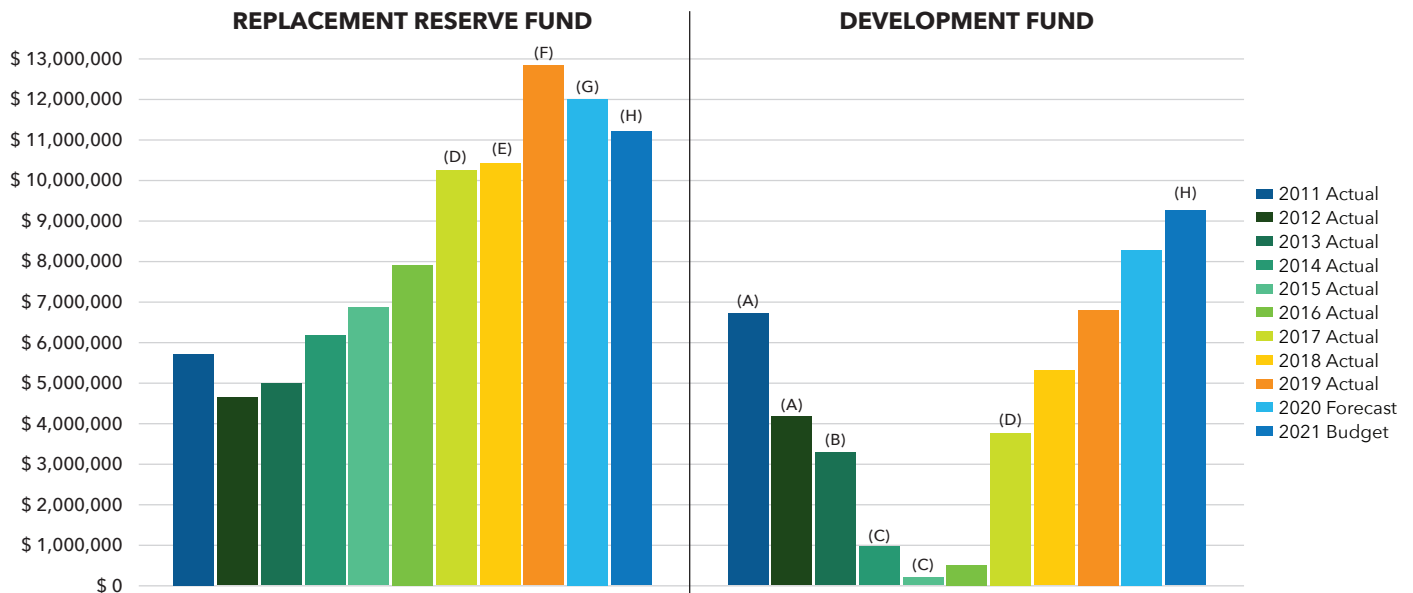
TAHOE DONNER ASSOCIATION 2021 BUDGET	Total Estimated Current Replacement Cost	Allocation of Accumulated Funds (12/31/20)	100% Funded Allocation (12/31/20)
Administration	\$ 2,532,553	\$ 452,137	\$ 1,392,805
Alder Creek Cafe	164,989	28,454	87,653
Beach Club Marina	1,363,521	303,125	933,776
Bikeworks	73,618	13,222	40,729
Campground	638,582	138,296	426,019
Capital Projects	215,609	69,671	214,623
Chalet House	349,619	84,597	260,600
Cross Country Ski Center	3,919,985	634,316	1,954,008
Equestrian Center	978,839	122,685	377,932
Food Trailer - TD Eats	65,500	10,269	31,633
Forestry	2,218,415	360,124	1,109,361
General Maintenance	611,451	130,837	403,042
Golf Complex	988,539	262,307	808,037
Golf Course	11,290,260	2,241,926	6,906,244
Information Technology	2,283,374	459,080	1,414,196
Maintenance	2,991,850	535,209	1,648,709
Northwoods Pool Building	435,775	91,125	280,710
Northwoods Clubhouse	3,993,543	855,795	2,636,273
Pizza on the Hill	493,118	103,534	318,937
Recreation Hut	593,780	135,610	417,747
Downhill Ski Resort			
Mountain Operations	5,270,969	1,328,137	4,091,322
Lift Maintenance	4,053,129	600,781	1,850,703
Rental + Retail	1,090,310	191,185	588,945
Snowmaking	1,060,213	106,315	327,502
Top Shop	289,049	64,817	199,668
Winter Food + Beverage	453,275	121,470	374,186
Snowplay	145,230	29,989	92,382
Tennis Complex	2,019,210	497,277	1,531,861
The Lodge Restaurant & Pub	3,669,979	725,395	2,234,578
Trails	3,227,523	590,432	1,818,823
Trout Creek Rec Center Building	3,538,759	480,691	1,480,766
Trout Creek Rec Center Pool Area	1,434,737	231,192	712,187
TOTALS	\$ 62,455,303	\$ 12,000,000	\$ 36,965,955

Note: Projected accumulated funds at 12/31/20 equal approximately **32.4%** of the 100% funded total based on the method of calculation in Section 1362.2.5(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.

Reference Disclosure Summary on page 8 and Policy 2013-3 for further information.

Fund Balances Reserved for Future Capital Needs of the Association

Members' Equity (as of December 31)



(A) Expenditures include the Euer Valley Land purchase in 2011 and 2012.

(B) Expenditures include The Lodge Restaurant & Pub expansion.

(C) Expenditures include the Alder Creek Adventure Center building construction in 2014 and 2015 and snowmaking in 2015.

(D) Balance includes Operating Fund transfers in of \$1.5m to Replacement Reserve Fund and \$1.8m to Development Fund.

(E) Balance includes Operating Fund transfers in of \$500,000 to Replacement Reserve Fund. Expenditures include Snowbird Lift replacement.

(F) Balance includes Operating Fund transfers in of \$1m to Replacement Reserve Fund.

(G) Expenditures include Golf Course greens replacement, tee and fairway remodel and Nature Loop Trail restoration.

(H) For 2021 Capital Expenditure discussion, see pages 4-5.

The 2021 Budget expenditures for Development Fund are \$2,994,700 and for Replacement Reserve Fund are \$6,200,587.

Each budgeted expenditure item over \$50,000 is subject to review and approval by the board of directors prior to expenditure.

funding needs. **OVER 2,000 INDIVIDUAL ITEMS ARE TRACKED IN THIS PLAN, WITH A CURRENT REPLACEMENT VALUE OF APPROXIMATELY \$62M.** 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 the year 2021, budgeted reserve project expenditures total \$6.2m; approximately \$1m of the expenditures include 2020 COVID-19-related deferred items. Components scheduled for 2021 may not necessarily be expended, based on management and board review. The following outlines notable 2021 budget year planned expenditure items in excess of \$100,000:

ADA IMPROVEMENTS, \$962,000: Scheduled ADA improvements at various amenities and facilities

TROUT CREEK RECREATION CENTER PARKING LOT, \$392,000: Replacement and drainage improvement

GOLF CART REPLACEMENTS, \$268,000: Replacement of TDA golf cart fleet

SHUTTLE BUS REPLACEMENTS, \$233,000: One of the shuttles to be replaced is a COVID-19-2020 deferred item

ADMINISTRATION, \$152,000: Accounting software replacement

TRAIL RESTORATION AND REPAIRS, \$122,000: South Euer Valley Road repair

HOLDER WHEELED SNOWBLOWER REPLACEMENT, \$123,000: Snow removal at facilities like the mail cluster box lots

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 2021 Annual Assessment contribution to the Development Fund totals \$2,874,012 or \$444 per member-property, an increase of \$89/25% over 2020.

Tahoe Donner's 50th anniversary in 2021 is a clear reminder that facilities built around our opening in 1971, such as the Downhill Ski Lodge, Northwoods Clubhouse and Tennis Center, are nearing the end of their useful lives, have a myriad of issues impacting services offered and need to be addressed. The board has a responsibility under California law to ensure that there are funding sources for these projects. Accordingly, the 2021 budget continues to proportionally contribute more of the Annual Assessment to our Capital Funds.

Projects scheduled for 2021 may not necessarily be expended, based on management review/approval by the board. Eligible budgeted project expenditures from this fund for 2021 total \$2,994,720 and include Cross Country Ski Resort snowmaking - \$900,000; Snowplay snowmaking - \$200,000; Alder Creek Adventure Center Trailhead and Alder Creek Trail boardwalk and restoration - \$350,000; new trails/trailheads - \$75,000; Downhill Ski lodge replacement planning costs - \$1,000,000; EV charging stations planning and soft costs - \$50,000; and feasibility studies for high-priority projects - \$50,000. The budgeted ending balance for the Development Fund is \$8,273,667. Savings for the foreseeable near-term are expected to be dedicated to the planned replacement of the Downhill Ski Resort lodge, Northwoods Clubhouse and Tennis Center remodel or building replacement and other aging facility projects.

2021 BUDGET SUMMARY – OPERATING FUND

	Operating Revenue (REV)	Operating Costs Total (OCT)	Net Operating Result (NOR)	Capital Charge (CC)	Net Result Including Capital Charge (NR)
PRIVATE AMENITIES					
Trout Creek Recreation Center/Aquatics/ Recreation Programs/Day Camps	\$ 815,200	\$ 1,626,349	\$ (811,149)	\$ (507,593)	\$ (1,318,742)
Beach Club Marina	517,700	453,729	63,971	(101,894)	(37,923)
Tennis Center	194,200	256,505	(62,305)	(152,152)	(214,457)
Recreation Fee Income	1,400,000	-	1,400,000	-	1,400,000
TOTAL PRIVATE AMENITIES	2,927,100	2,336,583	590,517	(761,639)	(171,122)
PUBLIC AMENITIES					
Downhill Ski Resort	3,736,279	3,057,418	678,861	(1,014,428)	(335,567)
Cross Country Ski Center	1,376,700	974,867	401,833	(317,407)	84,426
Snowplay Sledding + Tubing	270,000	169,670	100,330	(10,079)	90,251
Equestrian Center	137,000	223,528	(86,528)	(86,767)	(173,295)
Campground	105,100	92,927	12,173	(54,629)	(42,456)
Trails	3,000	247,767	(244,767)	(254,376)	(499,143)
Bikeworks	127,500	116,889	10,611	(4,838)	5,773
Golf Course	1,100,000	1,280,198	(180,198)	(1,042,250)	(1,222,448)
Alder Creek Cafe	426,850	468,312	(41,462)	(12,734)	(54,196)
The Lodge Restaurant & Pub and Summer F+B	2,093,000	2,371,196	(278,196)	(346,432)	(624,628)
Pizza on the Hill	290,300	274,513	15,787	(37,668)	(21,881)
TOTAL PUBLIC AMENITIES	9,665,729	9,277,285	388,444	(3,181,608)	(2,793,164)
TOTAL AMENITIES	12,592,829	11,613,868	978,961	(3,943,247)	(2,964,286)
HOMEOWNERS ASSOCIATION OPERATIONS					
General HOA	-	761,333	(761,333)	(573,529)	(1,334,862)
Architectural Standards Office	180,000	495,607	(315,607)	-	(315,607)
Forestry, Defensible + Open Space	54,000	1,594,472	(1,540,472)	(188,078)	(1,728,550)
TOTAL HOA OPERATIONS	234,000	2,851,412	(2,617,412)	(761,607)	(3,379,019)
AMENITY + HOMEOWNERS ASSOCIATION SUPPORT SERVICES					
Communications	210,000	737,920	(527,920)	-	(527,920)
Facility Administration + Risk Management	-	468,524	(468,524)	(13,790)	(482,314)
Administration	210,000	1,112,040	(902,040)	-	(902,040)
Information Technology	-	773,896	(773,896)	(156,751)	(930,647)
Accounting + Finance	6,000	899,012	(893,012)	-	(893,012)
Human Resources	-	459,940	(459,940)	-	(459,940)
Member Services	30,000	263,358	(233,358)	-	(233,358)
Maintenance	-	743,688	(743,688)	(308,184)	(1,051,872)
TOTAL SUPPORT SERVICES	456,000	5,458,378	(5,002,378)	(478,725)	(5,481,103)
Expenses Allocated to Capital Funds	-	(197,000)	197,000	-	197,000
TOTAL OPERATING FUND	13,282,829	19,726,658	(6,443,829)	(5,183,579)	(11,627,408)

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

2021 BUDGET SUMMARY – BY FUND

of Properties = 6,473

	2021 Budget	\$ per Property
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OPERATING FUND

Beginning Balance, Start of Year	\$ 2,242,454	\$ 346
Assessment Contribution	6,447,108 ^{A1}	996
Net Operating Results	(6,447,108)	(996)
Operating Fund, Year-End Balance	\$ 2,242,454	\$ 346

REPLACEMENT RESERVE FUND

Beginning Balance, Start of Year	\$ 12,000,000	\$ 1,854
Assessment Contribution	5,184,873 ^{A2}	801
Interest Income	211,444	33
Salvage Receipts	36,705	6
Income Tax and Other Expenses	(38,000)	(6)
Payroll Costs	(136,680)	(21)
Expenses Allocated to Capital Funds	(78,976)	(12)
Expenditures for Capital Additions	(4,825,541)	(745)
Major Repairs, Maintenance and Lease Expenses	(1,159,390)	(179)
Replacement Reserve Fund, Year-End Balance	\$ 11,194,435	\$ 1,731

NEW MACHINERY + EQUIPMENT FUND

Beginning Balance, Start of Year	\$ 321,503	\$ 50
Assessment Contribution	-	-
Interest Income	4,823	1
Expenditures for Capital Additions	(80,000)	(12)
New Machinery + Equipment Fund, Year-End Balance	\$ 246,326	\$ 39

DEVELOPMENT FUND

Beginning Balance, Start of Year	\$ 8,273,666	\$ 1,278
Assessment Contribution	2,874,012 ^{A3}	444
Interest Income	82,737	13
Income Tax and Other Expenses	(9,493)	(1)
Payroll Costs	(192,976)	(30)
Expenses Allocated to Capital Funds	(118,024)	(18)
Expenditures for Capital Additions	(1,663,720)	(257)
Development Fund, Year-End Balance	\$ 9,246,202	\$ 1,429

Combined CAPITAL FUNDS ACTIVITY

Expenditures for Capital Additions	\$ (6,569,261)	\$ (1,015)
Major Repairs, Maintenance and Lease Expenses	(1,159,390)	(179)
Combined CAPITAL FUNDS ACTIVITY - Total	\$ (7,728,651)	\$ (1,194)

2021 ANNUAL ASSESSMENT RECAP

Operating Fund	\$ 6,447,108 ^(A1)	\$ 996	44%
Capital Funds			
Replacement Reserve Fund	5,184,873 ^(A2)	801	36%
Development Fund	2,874,012 ^(A3)	444	20%
Capital Funds, Subtotal	\$ 8,058,885	\$ 1,245	56%
Annual Assessment - Total	\$ 14,505,993	\$ 2,241	100%

Members Equity Beginning Balances are based on Forecasted 2020 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 of \$6.6m and estimated depreciation expense of \$3.5m.



ASSESSMENT AND RESERVE FUNDING DISCLOSURE SUMMARY

(CA CIVIL CODE SECTION 5570)

The 2021 regular annual assessment per ownership interest is \$2,241. The updated 30-year funding and expenditure plan, utilizing a 2% annual inflation of repair and replacement costs, requires a contribution to the Reserve Fund of \$801 per property for 2021 - an increase of \$31 or 4% over 2020, according to the funding plan. This amounts to a 2021 contribution to the Reserve Fund of \$5,185,000. 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 \$36,965,955*, based in whole or in part on the last reserve study and update prepared by management and Hughes Reserves and Asset Management, Inc. as of October 2019. The projected Reserve Fund cash balance at the end of the current fiscal year is \$12,000,000, resulting in reserves being 32.4% funded at this date. If an alternate, but generally accepted, method of calculation is used, the required reserve amount is \$12,000,000, this alternate method being the threshold pooling method. This difference (\$24.9m) equates to an estimated \$3,857 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 (5) budget years is \$36.9m in 2021, \$38m in 2022, \$38.3m in 2023, \$37.6m in 2024 and \$40.1m in 2025. The projected Reserve Fund cash balance in each of those years, assuming a planned 4% increase to the Reserve Fund portion of the Annual Assessment is implemented, is \$12m in 2021, \$11.1m in 2022, \$10.5m in 2023, \$9.2m in 2024 and \$11.5m in 2025, leaving the reserve at 28.7% funded in 2025.

The Replacement Reserve Fund Analysis on page 4 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 2% per year.

NEW MACHINERY AND EQUIPMENT FUND

The New Machinery and 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 2021 assessment contribution to the fund totals \$0, or \$0 per property owner. The decision was made to not contribute to this fund for 2021. The fund is projected to have a 2021 year-end balance of \$246,326 after budgeted contributions and expenditures. Fund expenditures may arise in 2021 to be funded from the balance, including but not limited to new amenities and maintenance equipment, computer software and computer hardware.

POLICIES AND PROCEDURES REGARDING ASSESSMENT COLLECTION, DELINQUENCY AND FORECLOSURE ACTIONS

Each Property Owner's annual Regular Assessment is due at the beginning of each fiscal year on January 1, and becomes delinquent on March 2 of the same fiscal year. Special and Special Individual Assessments (Architectural Standards, Covenants and Forestry Assessments, Fines and Inspection Fees) are due thirty (30) days after invoicing and delinquent thirty (30) 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.)**

Interest Amount: Interest charged will be equal to the maximum allowed by law (currently 12 percent per annum).

ANNUAL REGULAR ASSESSMENT

March 2: DELINQUENCY FEE (10 PERCENT OF REGULAR ASSESSMENT BALANCE) is charged to the account; also, interest 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; The LIEN FEE amount (which may be changed by The Board as part of the annual budget) is charged to the account. If requested, hearing on pending suspension of membership rights must be completed at least five days prior to the suspension's effective date.

April 20: Effective date of suspension of membership rights, which shall remain in effect until the account is brought current.

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 attorney's fees, become the property owner's obligation.

July 1: Interest begins accruing on Lien Fee.

SPECIAL AND SPECIAL INDIVIDUAL ASSESSMENT(S) Days After Invoicing

60 Days: DELINQUENCY FEE (10 PERCENT OF ASSESSMENT BALANCE) is charged to the account; also, interest equal to the maximum allowed by law (currently 12 percent per annum) begins to accrue on the delinquent assessment balance.

90 Days: 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, if

applicable, 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.

105 Days: If applicable, Assessment Lien recorded against property; The LIEN FEE amount (which may be changed by The Board as part of the annual budget) is charged to the account. If requested, hearing on pending suspension of membership rights must be completed at least five days prior to the suspension's effective date.

110 Days: Approximate effective date of suspension of membership rights, which shall remain in effect until the account is brought current.

120 Days: Interest begins accruing on Delinquency Fee.

165 Days: 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 attorney's fees, become the property owner's obligation.

180 Days: If applicable, interest begins accruing on Lien Fee.

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) is considered delivered on date of receipt of payment.
- Send payments to:
Tahoe Donner Association, ATTN: Accounting,
11509 Northwoods Blvd., Truckee, CA 96161

APPLICATION OF PAYMENTS

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.

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 are 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, they 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)

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 - \$ 58,150,373; 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 - \$5,000,000; General Aggregate - \$5,000,000; Deductible - \$10,000 per occurrence. Additional excess liability coverage over the current Umbrella; Berkley Custom: Limit - \$5,000,000; Markel: Limit - \$10,000,000; Starstone: Limit - \$10,000,000; North River: Limit - \$15,000,000; Associated Industries: Limit - \$5,000,000

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; \$48,361,834 terrorism/sabotage limits; \$1,000,000 per occurrence for active shooter/malicious acts limits; Deductible - \$5,000

INLAND MARINE: Granite State Insurance Co.; Limit - \$9,788,539; 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: RSUI: Limit – \$5,000,000; Ironshore: Limit – \$10,000,000; Houston Specialty: Limit – \$5,000,000

BOILER AND MACHINERY COVERAGE: Granite State Insurance Co.: Limit – \$48,361,834; Deductibles – \$25,000 minimum for compressors, motors, pumps, equipment generating electricity and property damage

BUSINESS AUTOMOBILE: Granite State Insurance Co.; Limit – \$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; LIMIT – \$1,000,000; DEDUCTIBLE – \$5,000 PER OCCURRENCE

THE CIVIL CODE REQUIRES THAT THE FOLLOWING STATEMENT APPEARS:

"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: info@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 and Assessment Collection and 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 and 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.

2021 BUDGET SUMMARY

\$2,241 ANNUAL ASSESSMENT

(PER OWNER PROPERTY)
(DUE 1/1/2021)

VERSUS 2020 - AN INCREASE OF \$176

- + \$45 Regulatory cost increases from California minimum wage increasing \$1.00/8% (\$31) and property taxes (\$4)
- + \$50 Liability insurance policy increases due to industry losses, not Tahoe Donner Association loss history
- + \$89 Increase Development Funding to address the changing needs of the members and address aging facilities needs
- + \$31 Increase Reserve Funding in alignment with funding plan to ensure adequate replacement reserve funding
- + \$224 COVID-19-related revenue impacts, e.g. Downhill Ski Group Lessons and State-mandated capacity reductions at The Lodge Restaurant & Pub
- + \$24 Payroll expenses for strategic initiatives such as Trails and Food + Beverage
- \$65 Pricing increases in select user fees
- \$192 Payroll reduction related to COVID-19 operating restrictions and other expense savings
- \$30 Board waived funding to the New Machinery and Equipment Fund

= + \$176 TOTAL CHANGE IN ANNUAL ASSESSMENT

\$385 RECREATION FEE

(EFFECTIVE 5/1/2021)

DAILY ENTRY FEES

(EFFECTIVE 1/1/2021)

AN INCREASE OF \$35

The optional yet ever-popular Recreation Fee (valid for up to 4 individuals) equates to as low as \$8.02 per person per month for unlimited access to all private amenities and Snowplay.

The Recreation Fee allows cardholders access to Trout Creek Recreation Center, Beach Club Marina, Northwoods Pool, the Tennis Center and Snowplay from May 1-April 30 without a fee at the time of entrance.

The Recreation Fee and Daily Entry Fees have been increased in recent years to offset increased operating costs and support recent capital improvements; guest fees were also increased in years past to further address demand impacts of guests on private amenities.

PRIVATE AMENITY DAILY ENTRY FEES NO CHANGE IN 2021

- Member without paid Recreation Fee: \$9
- Guest with Member: \$11
- Guest on Guest Card without Member: \$16

FACTS AND FIGURES ABOUT YOUR ASSOCIATION

ESTIMATES AS OF
NOVEMBER 2020 /
SUBJECT TO CHANGE

- 6,473 Member Property Owners
- 25,000 Members
- Established 1971
- 90% Built-Out
- Owned and Managed by the Property Owners
- \$27.8 Million Budget for 2021
- \$71.4 Million in Total Assets
- 7,000 Acres
- 26 Buildings
- 120,000 Square Feet of Conditioned Space
- 2,500 Trees Planted in 2020
- Over 55,000 Trees Planted in Past Decade
- 68 Miles of Paved Public Roads
- 60 Miles of Trails (and More Planned)
- \$4.3 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
- Gym + Recreation Center
- Day Camps
- Restaurants
- Retail Shops