

# Tahoe Donner Association

## Quarterly Treasurer's Report for December 2020

March 16, 2021



# Introduction

- This presentation is a brief update on the status of the Tahoe Donner Association (“TDA”, or the “Association”) cash and investment portfolio as of December 31, 2020.
- The purpose of the Association’s investment portfolio is to provide funds to support (i) current operations, and (ii) the Association’s longer-term needs for renovation, replacement, improvement and expansion of TDA amenities and physical plant.

## Summary

- The TDA cash and investment portfolio as of December 31, 2020 is:
  - Comprised of highly liquid, easily accessible investments;
  - Invested across a variety of highly rated, conservative instruments including US Treasuries, bank certificate of deposits, money market funds, highly-rated US commercial paper and corporate and municipal bonds, and cash deposits at local banks;
  - Relatively short in time to maturity due to the currently depressed market returns for extremely safe investments in our relevant investment horizon, and
  - Fully compliant with the TDA Investment Policy.
  
- Overall, your Association is in very strong financial condition.

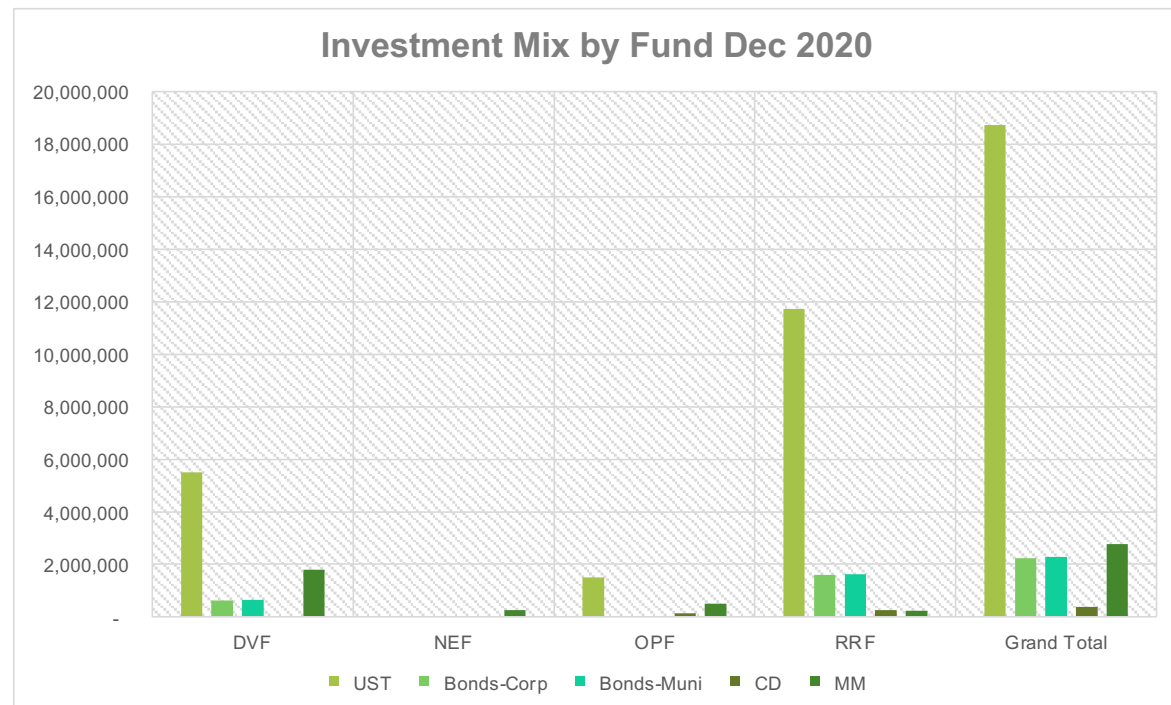
# Portfolio Structure

- The Operating Fund accounts for the annual revenue and expense activities of the Association.
- Three other funds, collectively referred to as our Capital Funds, support the Association's longer-term needs for maintenance, refurbishment and replacement of our physical infrastructure.

Fund \$ (000s)	12/31/2020	%	09/30/2020	%	06/30/2020	%	12/31/2019	%
Operating	\$7,359	23	\$4,696	15	\$6,010	19	\$6,299	22
Replacement Reserve	15,424	49	17,601	57	17,556	54	14,341	51
Development	8,557	27	8,526	27	8485	26	7,415	26
New M & E	263	1	263	1	260	1	259	1
<b>Total Operating &amp; Capital Funds</b>	<b>\$31,603</b>	<b>100</b>	<b>\$31,806</b>	<b>100</b>	<b>\$32,310</b>	<b>100</b>	<b>\$28,419</b>	<b>100</b>

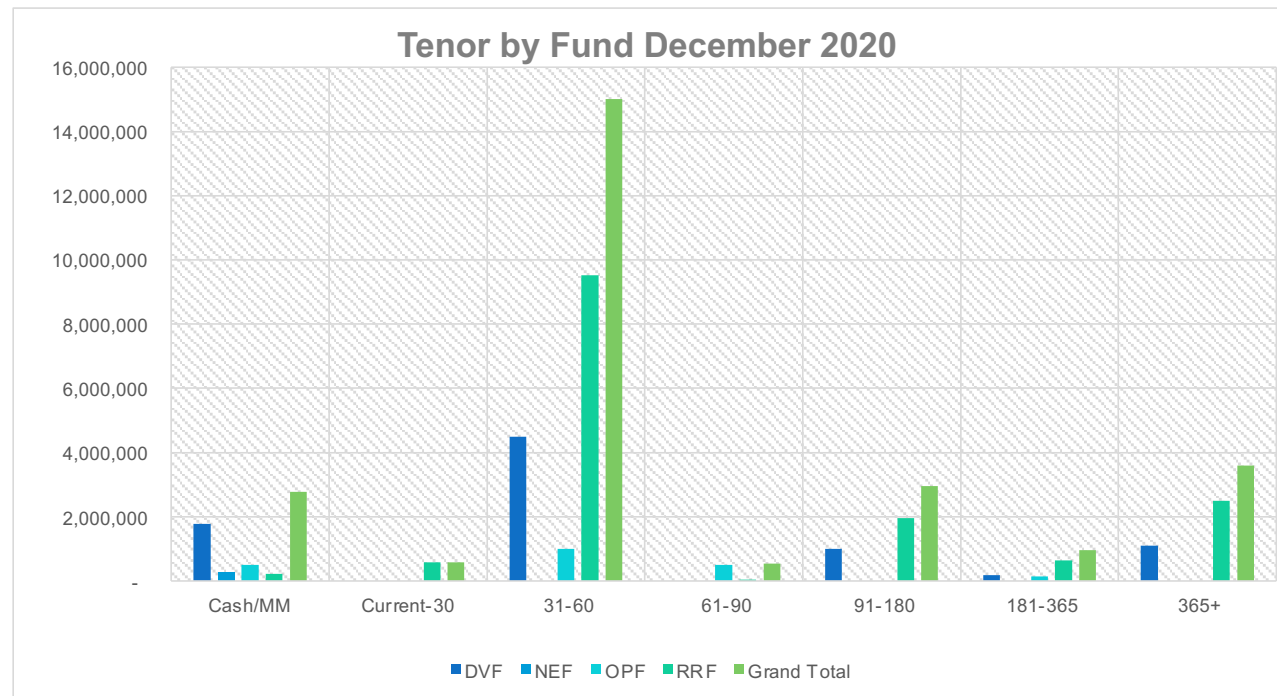
# Asset Allocation

- The TDA investment portfolio continues to be invested in highly liquid instruments. Overall portfolio credit quality is skewed heavily to very high-quality investments.
- Approximately 71% of the portfolio (not including bank operating funds) is invested in US Treasury securities.
- Another 19% of the portfolio is invested in US corporate or municipal debt rated not less than A3/A-.



# Maturity Profile

- Approximately 72% of the portfolio (net of bank balances) has a term to maturity less than 90 days as compared to approximately 68% at 12/31/20.
- Only 14% of our overall portfolio is invested for longer than 365 days.
- This is too short for TDA's Capital Funds that support our longer-term focused Replacement Reserve and Development Funds.



## Investment Returns

- Overall fixed income market returns were severely depressed in 2020.
- For example, the COVID-19 pandemic “flight to quality” effect drove the three-month US Treasury Bill yield from 1.27% on February 28, 2020 to 0.09% as of December 31, 2020.
- In the same period, the yield on the five-year US Treasury Note declined from 1.67% to 0.36%.
- For the twelve-month period ended December 31, 2020, the overall average return on the TDA investment portfolio (net of bank cash balances) was 1.33% as compared to 2.03% for full year 2019.
- TDA’s investment returns for 2020 were lower than 2019 due to generationally low yields as a result of the pandemic and the transition within the portfolio to a shorter dated profile as we position for an eventual higher rate environment post-pandemic.

## Cash Flow

- For the full year 2020, TDA generated a small Operating Fund surplus of \$519,558 (actual vs. budget, unaudited figure). This surplus has been set aside as a contingency reserve until the pandemic's impact on our operations abates.
- A few capital spending initiatives were deferred due to the pandemic. However, TDA completed several significant investment programs in 2020 to improve member enjoyment, including:
  - Trout Creek Expansion - \$352,133 (with another \$894,517 invested in 2019)
  - Golf Course Greens and Fairway Replacement - \$2,169,280
  - Nature Loop Trail Rehabilitation - \$617,952
  - Snowplay Snowmaking Phase 1 - \$81,887
  - Bermgarten Trailhead Parking Improvement - \$39,078
- Over the next few years, discretionary capital spending will be muted as we build funds to pay for the new Lodge at Downhill.
- The TDA Board recently approved a revised Association Investment Policy which gives the management team a broader suite of investment alternatives.



## Issues and Opportunities

- Evaluate opportunities to lengthen the investment portfolio's weighted average maturity (assuming market conditions permit) to drive higher income, while maintaining our high credit quality focus;
- Develop a refined longer-term Development Fund expenditure forecast to help guide the appropriate investment tenor for Development Fund assets;
- Refine our funding program for the new Lodge at Downhill as part of the 2021 Budget process; and
- Begin planning now to address currently unfunded future renovation/replacement capital needs that will be required over the next ten to fifteen years for assets including the Northwoods Clubhouse, the Tennis Center, etc.

**THANK YOU**

