

2022 BUDGET REVIEW

TAHOE DONNER™ SEPTEMBER 9, 2021



TODAY'S FOCUS: OPERATIONS ONLY

WHAT IS NOT IN TODAY'S MEETING

- COST-OF-SERVICES STUDY RECOMMENDATIONS
- 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
- The Lodge
Restaurant & Pub
- Trout Creek
Recreation Center
- Aquatics
- Recreation
- Bikeworks
- Day Camps
- Pizza on the Hill
- Alder Creek Cafe
- Summer F+B
- Downhill Ski Resort
- 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

~42 Salaried Full-Time; 45 Hourly Full-Time Employees Annually
~755 Part-Time, Seasonal Employees Annually



OBJECTIVES FOR TODAY'S WORK SESSION

- Develop a common understanding of budget drivers and assumptions associated with the proposed Operating Fund budget numbers
- Receive direction from the board related to the Operating Fund budget

2022 OPERATIONS IMPACT + REVENUE CHANGES

REVENUE DRIVERS

- Overall revenue increase due to year-round operations (no COVID-19 shutdowns)
- Continued strong golf revenue; \$115k or 8% more revenue than 2021 forecast
- Downhill (DH) skier visits projected to be 43,660 or 13% more than 2020/21; total skier yield \$107
- Return of group lessons at DH and XC and youth programs at DH
- Return of summer concerts; \$156k in revenue and sponsorship opportunities
- XC snowmaking to drive increased early-season usage and revenues
- Reopening of Pizza on the Hill (contingent on staffing levels)

2022 OPERATIONS EXPENSE CHANGES

EXPENSE CHANGES

- Increased payroll costs to become and remain competitive, and to retain the best employees
- 6.5% increase in medical insurance premiums
- Estimated increase in association insurance premiums (quotes still forthcoming)
- Efficiencies gained through technology (eUnify, Aspenware, Zendesk)
- Ongoing reorganization opportunities
- Consolidation of behind-the-scenes Food + Beverage operations for cost savings
- Marina shuttle bus to continue Fridays, Saturdays and Sundays
- Ongoing golf course maintenance investment



2022 BUDGET ASSUMPTIONS

COVID-19

- No lockdowns nor reduced indoor limits
- Assuming normal operations with some uncertainty relating to the lingering impacts of COVID-19

STAFFING

- Minimum wage increase \$1 per hour to \$15 per hour
- Anticipating 50 J-1 employees, enabling group lessons and youth ski/race programs to resume
- Increasing Member Services staff to better serve TD members and support Aspenware and eUnify onboarding and understanding
- Adjustment of benefits and compensation due to competitive market
- Ongoing reorganization opportunities

2022 BUDGET ASSUMPTIONS CONTINUED

BUSINESS SERVICES

- Increase in all TD insurance coverage lines, current estimation being a \$356k increase (final cost pending)
- Progress in Food + Beverage operations despite challenging market and staffing
- Lodge Restaurant & Pub open daily for peak season; five days/week during shoulder season with alternative dining options open during non-peak periods
- IT systems further enhanced to improve efficiency in Accounting, Member Services, Operations and across the organization

ONGOING CHALLENGES

- 2022 will continue to present ongoing challenges due to an extreme shortage of F+B and recreation-based employees due to the high cost and low inventory of housing. Unclear whether front line employees will relocate back to the Truckee/Tahoe area.

DOWNHILL SKI ASSUMPTIONS

ASSUMING

- Increased skier visitation
- A “normal” winter weather season with average snowpack, full operations for Christmas holiday period
- Ability to recruit approximately 50 J1 employees
- Return of group lessons
- Return of season-long youth ski programs and race teams
- Continued efficiencies gained with pre-purchased sales (Aspenware)
- Return of indoor seating for Food + Beverage

EXPENSE ASSUMPTIONS

- Minimum wage \$1 increase to \$15 per hour
- Competition for local staff requiring an increase in hourly rates
- Insurance increase
- Increase in fuel costs



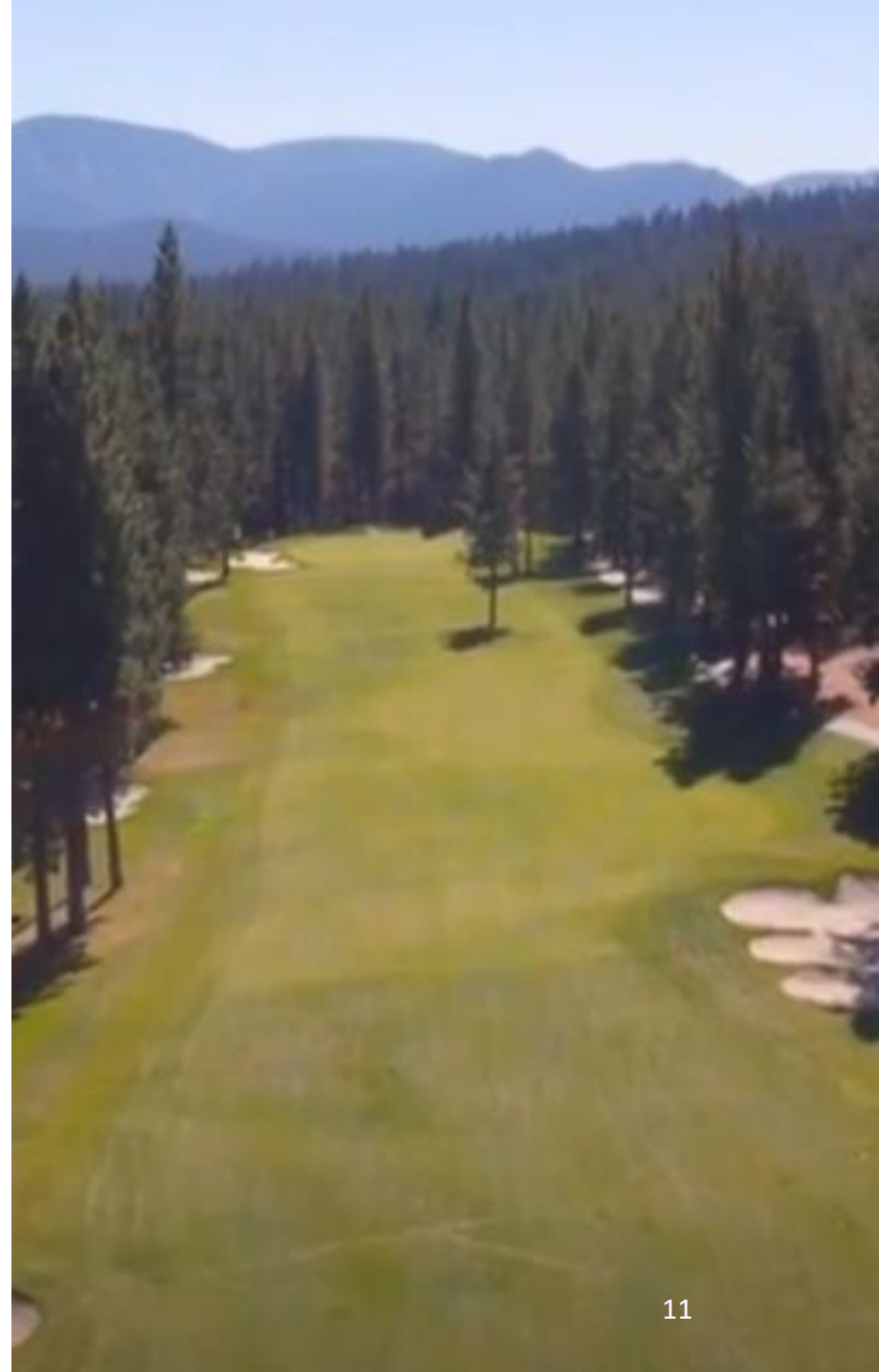
GOLF ASSUMPTIONS

ASSUMING

- Ongoing momentum from course remodel and COVID-19 trends
- A “normal” summer weather season with fewer smoke days than 2021
- Improved lesson/clinic programs with head golf professional

EXPENSE ASSUMPTIONS

- Competition for local greenskeeper staff requiring an increase in hourly rates
- Increased investment in turf health program



AMENITY NET OPERATING RESULTS COMPARED TO 2021 FORECAST NOTES



- **TRAILS:** Trails Master Plan funded through Capital Budget and not included in Operating Budget
- **TENNIS:** Increased NOR due to reallocation of Rec Fee Revenue based on member usage
- **GOLF:** Increased investment in turf health program and wage competition with greenskeepers
- **REC:** Return of Summer Concert, no COVID-19 capacity impacts
- **BIKEWORKS:** Reduced rental inventory and smoke impacts to 2021 revenue forecasts
- **SNOWPLAY:** Reduced Rec Fee allocation due to member usage

HOA SERVICES NET OPERATING RESULTS COMPARED TO 2021 FORECAST NOTES

- **GENERAL:** Association insurance premium increases
- **ADMIN:** Reduction due to reallocation of hourly staff to a different department
- **MIS:** Increased due to outsourced security, 2021 vacancies and composition study adjustments
- **HR:** Increase due to reallocation of all association employee relations costs to HR
- **MEMBER SERVICES:** Additional full-time employee, competitive wage adjustment and 2021 vacancies
- **FORESTRY:** Contract increases, added full-time employee and wage adjustments
- **MAINTENANCE:** 2021 low-snow removal cost year, wage adjustments

2022 AMENITY NET OPERATING RESULTS (NOR)

	2018 Actual	2019 Actual	2020 Actual	2021 Forecast	2022 Budget
Amenities					
Trails	-\$147,800	-\$142,229	-\$104,366	-\$201,428	-\$291,813
Marina	\$245,431	\$264,637	\$211,320	\$221,881	\$243,889
Equestrian	-\$84,565	-\$91,590	-\$111,287	-\$115,644	-\$117,140
Tennis	-\$21,149	\$72,361	\$95,877	\$29,489	\$71,394
Campground	\$10,063	\$9,896	\$34,877	\$28,314	\$27,789
Cross Country Ski Center	\$198,004	\$417,941	\$480,105	\$630,722	\$625,583
Golf Course Operations	-\$113,147	-\$524,174	-\$529,534	\$52,774	-\$87,128
The Lodge	-\$31,963	-\$50,063	-\$459,164	-\$589,003	-\$354,098
Trout Creek/Aquatics/Rec/Day Camps	\$163,803	\$105,501	-\$199,668	-\$101,529	\$188,420
Bikeworks	\$1,319	\$7,050	\$30,852	-\$27,476	\$558
Pizza on the Hill	-\$74,431	-\$45,269	-\$18,571	\$0	-\$54,750
Alder Creek Café	-\$109,529	-\$68,501	-\$127,324	-\$59,595	-\$60,352
Downhill Ski Consolidated	\$653,800	\$1,701,600	\$940,500	\$1,173,700	\$1,457,000
Snowplay	\$72,567	\$112,241	\$51,375	\$188,363	\$128,135
Total Amenity Departments	\$762,403	\$1,769,401	\$294,992	\$1,230,568	\$1,777,487

2022 HOA NET OPERATING RESULTS (NOR)

	2018 Actual	2019 Actual	2020 Actual	2021 Forecast	2022 Budget
Net Operating Income before Overhead Allocation					
Association Business					
General	-\$833,142	-\$1,072,731	-\$898,538	-\$924,150	-\$1,276,948
Administration	-\$774,570	-\$865,527	-\$248,311	-\$1,117,253	-\$1,004,006
Communications	-\$493,807	-\$411,146	-\$362,548	-\$456,827	-\$517,400
ASO	-\$174,883	-\$214,540	-\$15,104	-\$187,904	-\$192,314
MIS - Information Technology	-\$631,806	-\$613,197	-\$602,876	-\$777,156	-\$878,390
Accounting	-\$760,917	-\$834,390	-\$684,189	-\$753,266	-\$886,506
Human Resources	-\$373,965	-\$383,748	-\$329,913	-\$427,634	-\$507,308
Member Services	-\$212,291	-\$223,448	-\$206,725	-\$263,720	-\$349,248
Forestry	-\$876,493	-\$1,150,991	-\$1,442,811	-\$1,061,976	-\$1,241,364
Maintenance	-\$736,144	-\$749,667	-\$559,624	-\$683,337	-\$823,986
Facility Administration	-\$328,751	-\$315,415	-\$335,027	-\$449,236	-\$359,567
Total Association Departments	-\$6,196,769	-\$6,834,800	-\$5,685,666	-\$7,102,459	-\$8,037,036

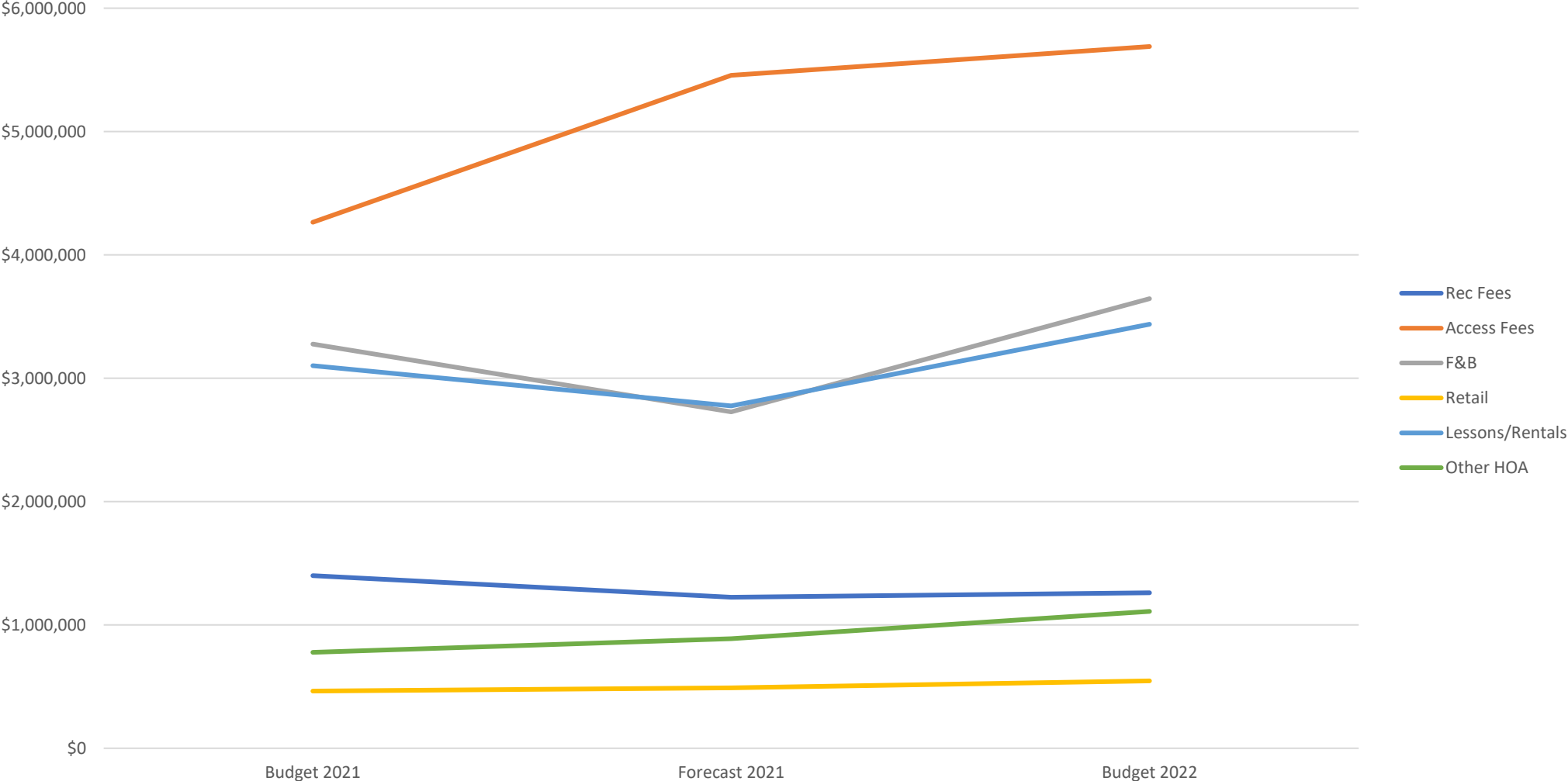
2022 SUMMARY OPERATING FUND PROFIT + LOSS

	2018 Actual	2019 Actual	2020 Actual	2021 Budget	2021 Forecast	2022 Budget	2022 Bud vs 2021 F/cast
Rec Fee Income	\$1,065,610	\$1,180,445	\$948,862	\$1,400,000	\$1,224,285	\$1,260,000	\$35,715
Access Fees	\$3,607,044	\$4,445,118	\$2,926,050	\$4,264,622	\$5,456,031	\$5,688,887	\$232,856
Food and Beverage	\$4,282,739	\$4,192,381	\$1,982,121	\$3,276,945	\$2,727,293	\$3,645,676	\$918,383
Retail	\$568,028	\$601,026	\$406,575	\$463,626	\$488,641	\$545,691	\$57,050
Lessons and Rentals	\$2,857,164	\$3,315,431	\$2,185,205	\$3,101,086	\$2,774,855	\$3,437,581	\$662,726
Other HOA Income	\$972,461	\$961,116	\$1,005,059	\$776,550	\$888,823	\$1,110,194	\$221,371
Total Gross Revenue	\$13,353,046	\$14,695,517	\$9,456,871	\$13,282,829	\$13,559,928	\$15,688,028	\$2,128,100
COGS	-\$1,573,523	-\$1,554,428	-\$826,102	-\$1,273,742	-\$1,185,223	-\$1,432,945	-\$247,722
Gross Margin	\$11,779,523	\$13,141,089	\$8,630,769	\$12,009,087	\$12,374,705	\$14,255,083	\$1,880,378
Payroll	-\$12,141,650	-\$12,726,963	-\$8,965,027	-\$12,687,238	-\$12,696,947	-\$13,933,006	-\$1,236,059
Operating Expense	-\$5,072,239	-\$5,479,525	-\$5,056,416	-\$5,965,957	-\$5,675,438	-\$6,806,437	-\$1,130,999
Net Operating Revenue	-\$5,434,366	-\$5,065,399	-\$5,390,674	-\$6,644,108	-\$5,997,680	-\$6,484,359	-\$486,679
Overhead Charged to Other Funds	\$0	\$172,514	\$197,000	\$197,000	\$197,000	\$224,810	\$27,810
Net Operating Revenue after Overhead Allocati	-\$5,434,366	-\$4,892,885	-\$5,193,674	-\$6,447,108	-\$5,800,680	-\$6,259,549	-\$458,869
Per Property Assessment	\$840	\$756	\$802	\$996		\$967	

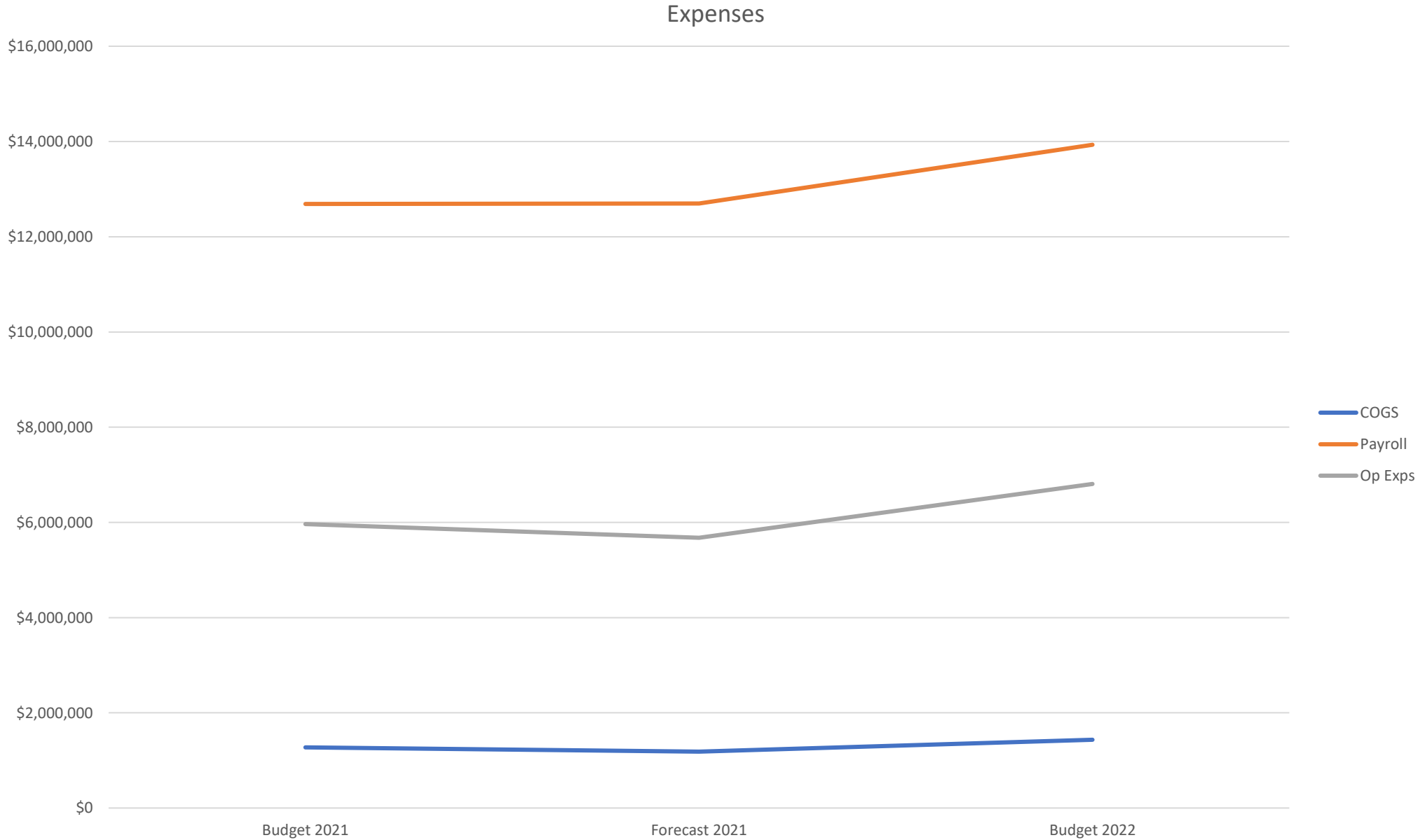
*Consistent with 2018 and 2019 less \$650k for banquet revenue

SUMMARY OPERATING FUND PROFIT + LOSS

Operating Fund Revenue

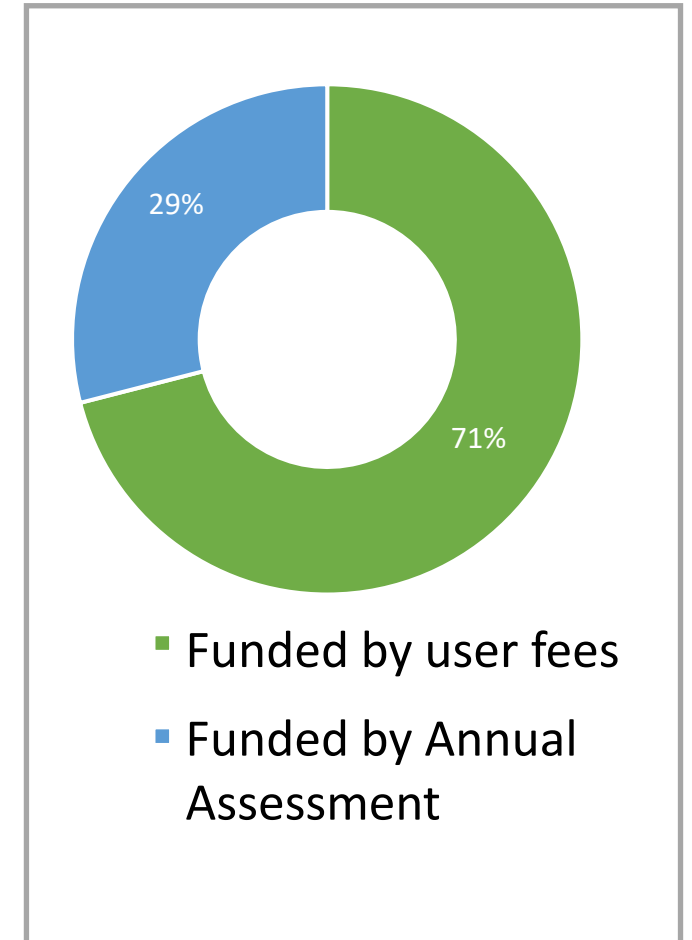


2022 SUMMARY OPERATING FUND PROFIT + LOSS

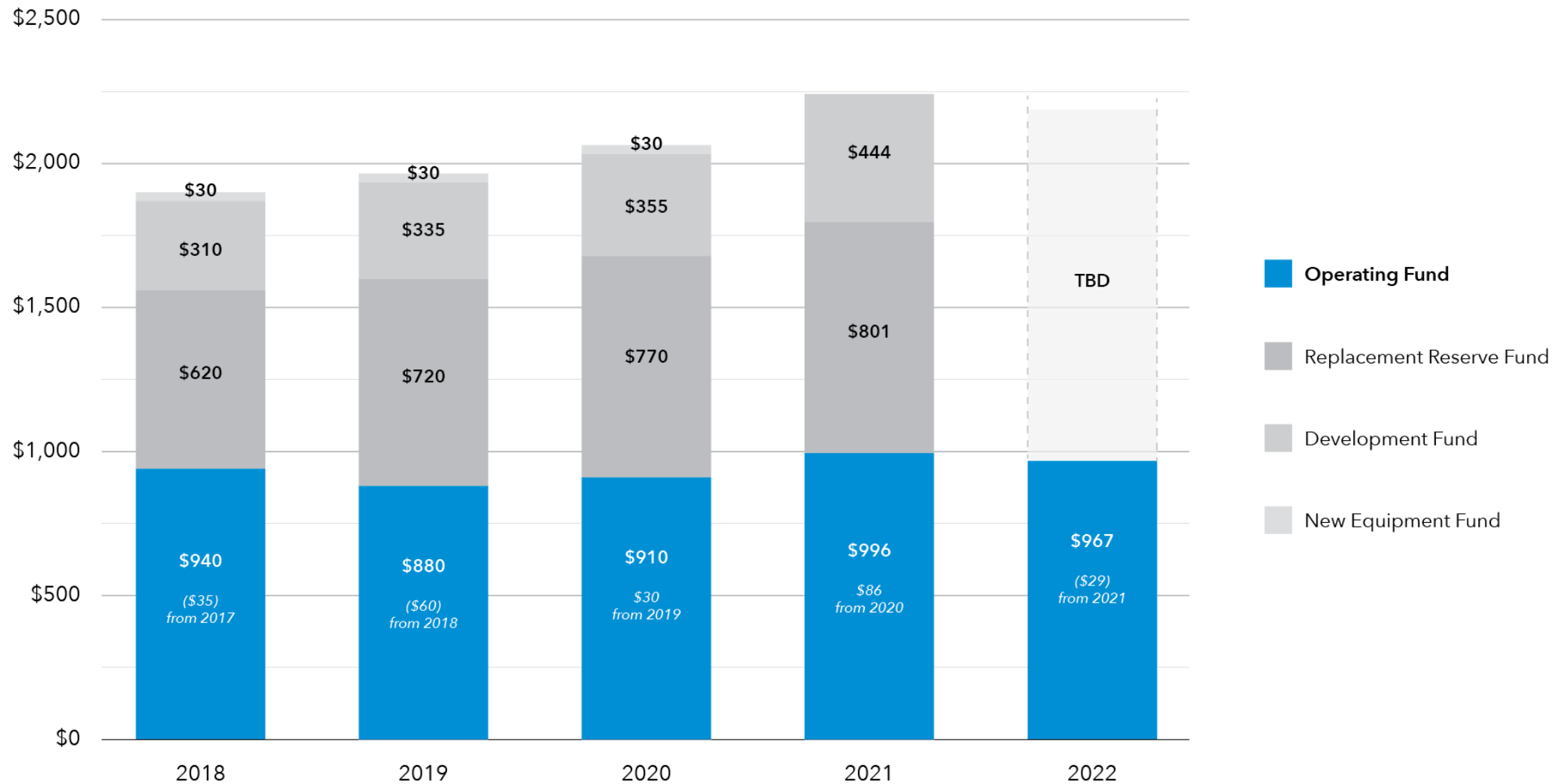


REVENUE GENERATED BY USERS VS. ANNUAL ASSESSMENT

- **\$21,947,000:** The total revenue requirement for a balanced 2022 Operating Fund budget
- **\$15,688,000:** Operating revenues generated by user fees; 71% of the requirement
- **\$6,259,000:** Annual Assessment generated funding; 29% of the requirement



OPERATING PORTION OF THE ANNUAL ASSESSMENT – 4-YEAR DETAIL



ANNUAL ASSESSMENT CONTRIBUTION

USING STAFF'S CURRENT BUDGET ASSUMPTIONS, THE IMPACT TO THE OPERATING FUND OF THE BUDGET IS A DECREASE FROM \$996 TO \$967, RESULTING IN A NET DECREASE OF \$29 TO THE OPERATING PORTION OF THE ANNUAL ASSESSMENT.

WHY A DECREASE

- Increase in revenue due to stabilization in COVID-19 impacts on operations and momentum on enhanced experience at golf, downhill and XC, including snowmaking
- Efficiencies gained through reorganization, management and technology enhancements
- Minimal increases in fees; larger increases in public rates

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