

Tahoe Donner Association – Quarterly Treasurer’s Report – September 2021

Summary

I am pleased to report that Tahoe Donner Association (the “Association”) continues to be in a strong financial condition. The single best example of this financial strength is the Members’ Equity balance of \$72.8 Million as of August 31, 2021. Members’ Equity has increased approximately 6% since August 2020; it represents the collective net worth of your Association.

Over the past 18 months, your Association has faced enormous ongoing operational and financial pressures because of the Covid-19 pandemic. More recently, wildfire activity in the region has contributed to an unhealthy environment which has affected visitation at our amenities. Notwithstanding these challenges, your management team responded splendidly. They have adjusted programming, reduced expenses, and demonstrated creativity to safely deliver the best possible member experience given these trying circumstances. I congratulate our general manager, David Mickaelian, and his staff for their efforts. I also thank our membership for your patience and understanding during these unprecedented times.

Operating Performance

Through August 31, 2021, the Association generated a \$1.0 million surplus in our Operating Fund relative to the 2021 budget. The Operating Fund accounts for periodic expenses and revenues such as payroll, utilities, food and beverage revenues, golf green fees, and amenity access fees, etc. The Association’s operating performance this summer has been affected by the region-wide labor shortage, particularly in our food and beverage operations, and relatively weaker visitation levels at our amenities because of smoke from wildfires, particularly in August. Additional information about the Association’s operating performance can be found on the Tahoe Donner website under the “Management + Board” tab.

The Operating Fund positive budget variance will decline through the rest of the year as we enter the autumn/winter shoulder season when expenses typically exceed revenues and as we ramp up operations for our winter season. Management’s latest forecast is that we will be roughly \$700,000 ahead of budget for the full year.

By California law, Tahoe Donner Association is required to budget for a break-even result in our Operating Fund. When we do have an Operating Fund surplus, it is typically due to strong seasonal performance in our winter or summer operations from favorable weather. In the 2020 budget year, the Association generated an Operating Fund surplus of \$696,534 due to staff’s careful management of expenses through the first 10 months of the Covid-19 pandemic.

As has been the Association’s practice in recent years, some, or all, of the combined 2020 and 2021 Operating Fund surplus will be available for transfer to one or both of our principal capital funds, either the Replacement Reserve Fund or the Development Fund. These capital funds represent current savings for refurbishment, repair and future replacement of our existing assets and the development of new amenities. I expect that the Board of Directors will consider a potential Operating Fund surplus transfer later this year.

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Investment Portfolio

As of August 31, 2021, Tahoe Donner Association had approximately \$35 million of funds invested and available to support our operations and the repair, refurbishment, and eventual replacement of our physical plant. Fund balances will decline modestly through the rest of the year as we invest in key renovation and repair work during the summer/autumn construction season. Current examples of this effort to keep our physical plant in great condition include the re-paving of the Trout Creek parking lot, and installation of snowmaking at the Nordic Ski Center at Alder Creek. Keeping the Association’s assets in excellent shape reduces our long-term operating costs, improves member enjoyment, and contributes to stronger property values.

The Tahoe Donner Association portfolio is invested in a suite of high-quality, conservative instruments in accordance with the Association’s Investment Policy. The asset mix includes US treasury securities, bank certificates of deposit, corporate and municipal bonds, and cash and money market instruments. Every bond in our investment portfolio has at least one rating of A- from a nationally recognized credit rating firm. At August 31, 2021, the distribution of invested assets by type was as follows: US Treasury securities: 30.9%; corporate bonds: 5.9%; municipal bonds: 7.3%; cash and money market funds: 55.2%; and bank certificates of deposit: 0.7%.

We do not take unnecessary risk in our investment portfolio to achieve better returns. For example, we do not invest in equities, commodities, or exotic securities like Bitcoin. We are a “fixed income investor”, and like fixed income investors everywhere, we are doing our best to cope with a period of persistently low interest rates. We have positioned the portfolio for an expected increase in interest rates as economic activity increases post-pandemic and the Federal Reserve System unwinds its extraordinary monetary stimulus.

Outlook

As I write this report, your staff and the Board of Directors are working diligently to complete the 2022 Tahoe Donner Association budget. Developing a sound budget that recognizes our current operating requirements while creating a solid financial foundation for our future building replacement needs is one of our most important annual tasks. The goal of these budget deliberations is to permit the Association to continue to deliver high quality member services and enjoyment while responsibly managing the growth of the annual assessment. We do so with discipline and attention to our fiduciary duty under the Davis – Stirling Act, the legislation that governs California homeowners’ associations.

Your Board of Directors and the Association’s management team, along with outside consultants and member volunteers, continue to define the scope and design of a replacement for our obsolete 50-year-old downhill ski lodge. A key part of this process will be to refine our fiscally prudent funding program for the replacement lodge. Importantly, there has been no discussion of a special assessment to fund the new lodge by either the Finance Committee, the Lodge Task Force, or the Board.

Respectfully,

Stephen M. Mahoney
Treasurer and Board Member, Tahoe Donner Association
September 20, 2021