

2022 BUDGET REPORT

LOOKING TO THE NEXT 50 YEARS

\$2,349 ASSESSMENT

AN INCREASE OF \$108, OR 4.8%, FROM 2021

\$21.7 MILLION TOTAL OPERATING REVENUES INCLUDING ASSESSMENTS

\$395 RECREATION PASS

AN INCREASE OF \$10 FROM 2021

PRIVATE AMENITY DAILY ENTRANCE FEES: \$1 INCREASE

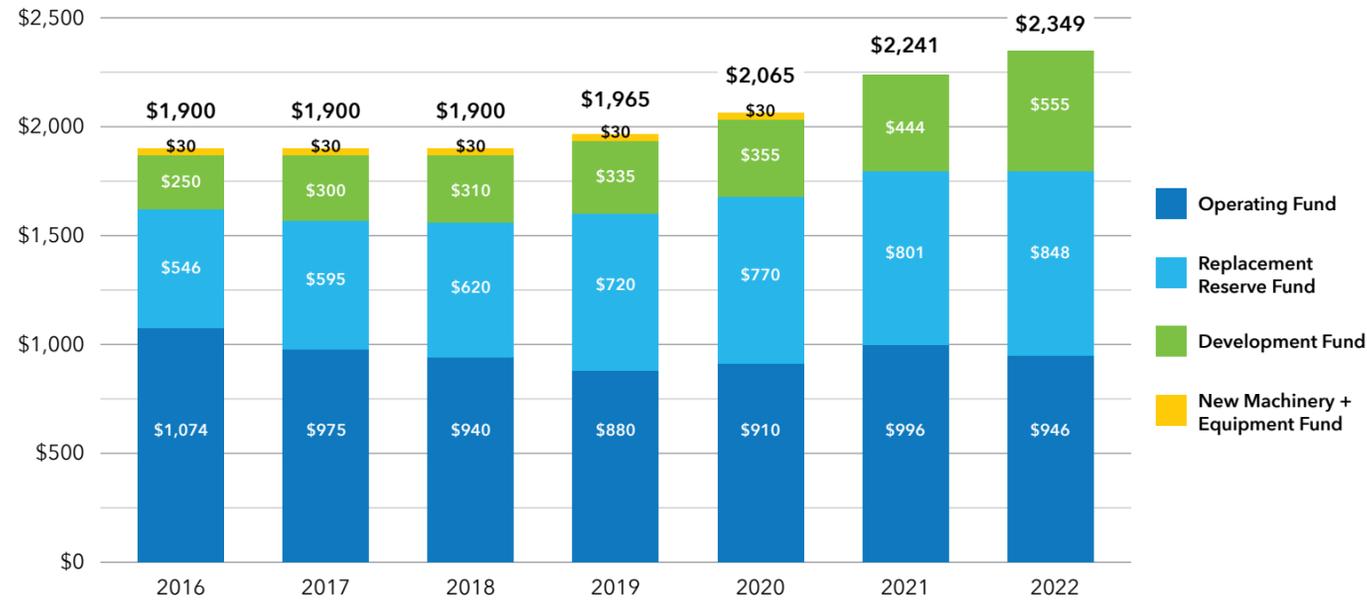
MEMBER WITHOUT PAID RECREATION FEE: \$10

GUEST WITH MEMBER: \$12

GUEST ON GUEST CARD WITHOUT MEMBER: \$17



Annual Assessment History Per Owner



INTRODUCTION

The Tahoe Donner Association Board of Directors approved the 2022 Budget at its October 15 budget workshop. This action came after multiple public workshops and feedback from our membership. The 2022 Annual Assessment is \$2,349 per property, an increase of \$108, or 4.8%, over 2021.

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

OPERATING FUND	\$ 946
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	\$ 848
Allows the Association to maintain our fixed assets	
NEW MACHINERY AND EQUIPMENT FUND	\$ 0
Purchases new minor assets to meet current needs	
DEVELOPMENT FUND	\$ 555
Provides capital to expand and/or replace aging infrastructure	
2022 ANNUAL ASSESSMENT TOTAL	\$ 2,349

The 2022 Budget assumes a transition to near-normal operations after the COVID-19-influenced budget of 2021. As in prior years, the budget attempts to balance the provision of high-quality member services with the cost of providing them. Despite continuing significant cost pressures, staff developed a budget that reflects a \$50 decrease in the Operating Fund portion of the overall Annual Assessment as compared to 2021.

Staff expects total (non-Assessment) revenues from public and private amenities, food and beverage outlets, lessons and rentals, etc. to increase approximately 6% in 2022 versus the pre-pandemic level of 2019.

The budget reflects increases in employee compensation and benefit costs to remain competitive within the Truckee region to retain our valued staff. With the board's support, staff implemented salary and wage recommendations put forward by a consulting group that independently undertook a comprehensive compensation study. We were also able to reduce the burden of medical costs on our

employees along with making our 401(k) plan more competitive. We saw a further \$289,000 increase in our liability insurance premiums (on top of a \$327,000 increase in 2021, a 23% rise from 2020) along with modestly higher operating costs to safeguard the \$2M+ golf course enhancements completed in 2020 and 2021. The Board of Directors and management continue to strategically invest in defensible space and fire hazard mitigation programs for homeowners and on Association open space.

Member and guest private amenity access fees were increased by \$1 (they were not increased last year) while the optional Annual Recreation Pass for private amenity access for up to four persons increased \$10 (2.6%) to \$395; it remains a terrific value. Next year, the Association Board and staff will carefully review the economic structure of the Annual Recreation Pass to address fairness concerns for members with smaller families.

Management demonstrated creativity and resiliency while effectively operating our amenities in 2020 and 2021 given the ever-changing dynamics of COVID-19. The 2022 Budget is based on being able to operate all amenities without significant COVID-19-related restrictions. If circumstances change in 2022, management will again adjust operations to address COVID-19 limitations on Association operations.

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, the Northwoods Clubhouse and the Tennis Center, are nearing the end of their long, useful lives and need to be replaced. Therefore, staff has developed a DRAFT 20-year Capital Improvement Plan (CIP) that will be refined with input from the Board of Directors, the Finance Committee, the newly established Long-Range Planning Committee and members. The refined CIP will allow management to create an appropriate long-term funding schedule to address the many projects that need undertaking in the years to come.

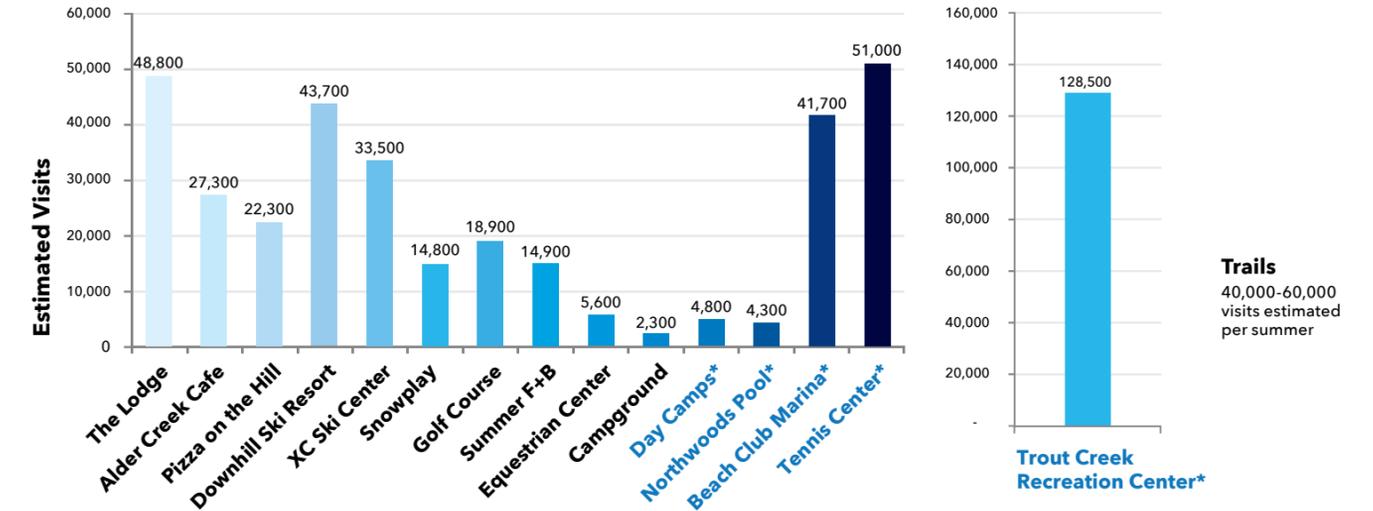
The Board has a responsibility under California law to ensure that there will be funding sources in place for these projects. Accordingly, the 2022 Budget continues to contribute proportionally more of the Annual Assessment to our Capital Funds.

Sincerely,

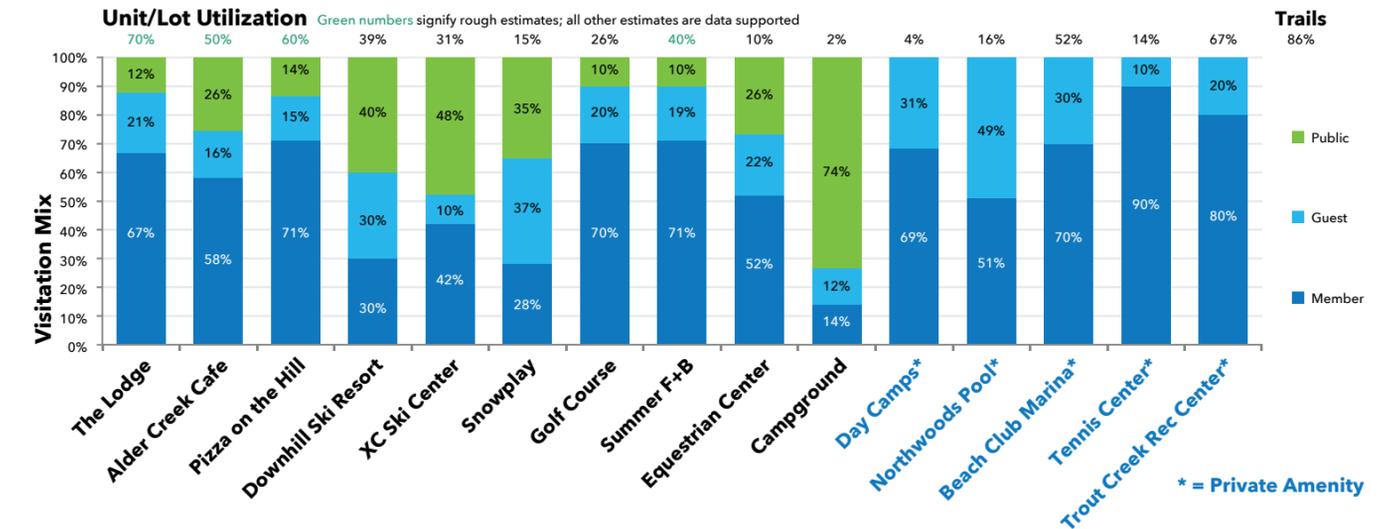
Todd Martyn-Jones
Director of Finance, Accounting
and Business Support

Stephen Mahoney
Board Treasurer

Visitation Tools that Help Generate Revenue Projections 2022 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 providing competitive compensation and benefits, managing other operating costs efficiently while continuing to provide consistent levels of service to the members. 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 2022 ASSESSMENT CONTRIBUTION TO OPERATIONS IS \$6,120,956, OR \$946 PER MEMBER-PROPERTY. THE 2022 AMOUNT REPRESENTS A \$50 DECREASE OVER 2021.

The total revenue requirement for a balanced 2022 Operating Fund budget is \$21,696,000. Operating revenues generated by users of \$15,575,000 fund 72% of the requirement (versus 67% in 2021). The necessary funding level for operations from the Annual Assessment is \$6,120,956, or 28% of the requirement (versus 33% in 2021). This Assessment represents the difference between operating revenue and operating costs in the Operating Fund budget. Please refer to page 6 for budget summary by activity.

The total revenue requirement (including the Annual Assessment) of approximately \$22M is an increase of \$2M, or 10%, to the 2021

Budget with operating revenues (not including Assessment) up 20.5%, principally due to little to no projected COVID-19 impact on visitation. The next section details the changes.

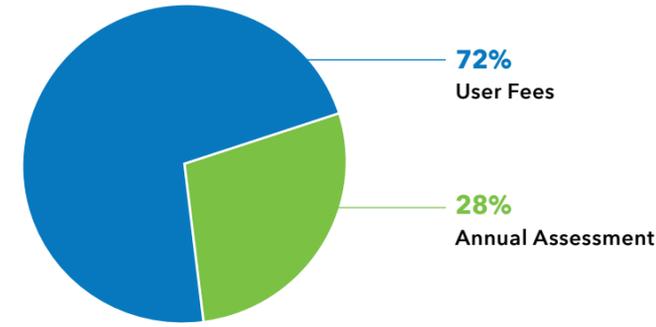
OPERATING REVENUE

Budget of \$15.6M, excluding Assessment, has increased \$2.4M, or 17%, from the 2021 Budget and represents an increase of \$2M, or 18%, over the latest 2021 Forecast. Operating revenues are subject to significant volatility due to weather, snowfall and any further impacts from the pandemic. We look to continue the post-renovation momentum at our Golf Operations budgeting an 8% increase in revenues over the 2021 Forecast. The effects of forest fires to the north and south of Tahoe Donner certainly had an effect on our golf and F+B revenues in the latter part of August and first half of September 2021. We are budgeting a 41% increase in revenue for 2022 F+B operations. However, it must be noted that, for the first four months of 2021, we were restricted to take-out orders only at The Lodge Restaurant & Pub, which severely affected revenues. Also, no indoor dining was permitted at either the Downhill or Cross Country ski areas and Pizza on the Hill was closed due to staff shortages for summer 2021. For 2022, 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.

(Continued on page 4)

Operating Fund Revenue Generated by Annual Assessment vs User Fees

Total Operating Fund = \$21,696,000



OPERATING PAYROLL

With a budget of \$14M, this represents 63.7% of total operating costs and reflects an increase of 10.6% versus the 2021 Budget. A key element of any large-scale common interest development are 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 10.6% increase is in part due to staffing all amenities for the full year; the 2021 Budget was based on reduced operations through May of 2021. Other drivers of the staff payroll expense increase include the actions taken as a result of a comprehensive compensation study done by an external consultant, which showed that one-third of our full-time, year-round (FTYR) employees were paid below market minimum. Importantly, this study did not include assessing the compensation levels of director-level employees or the General Manager position. Similarly, to attract and retain well-qualified staff, the Board approved a reduction in the employee portion of our principal staff medical plan. This resulted in approximately \$56,000 of additional employee benefit expenses. The current regional labor market has become extremely challenging due to severe housing affordability issues, low rental unit inventory and therefore high rental rates contributing to an overall shortage of available workers since the COVID-19 outbreak.

OPERATING EXPENSE

A budget of \$6.56M represents 29.8% of our total operating costs and reflects a \$555,000 increase on the 2021 Budget. Tahoe Donner Association is not immune to the nationwide increase to the cost of liability insurance. Our insurance premiums increased \$289,000, a 29% increase compared to the prior year period. Employee housing expenses of \$128,000 represent the cost to house our seasonal employees, predominately our J-1 workforce (seasonal, foreign-sourced staff), which was not budgeted for in 2021 due to COVID-19. We have also allocated operational funds to our Forestry Department for further fire mitigation initiatives and additional funds for the upkeep of our golf course. Management is continually reviewing operational efficiencies as a means to reduce our operating costs where possible.

COST OF GOODS SOLD

Budget of \$1.4M represents 6.5% of our overall operating costs. Cost of Goods Sold (COGS) represents the wholesale cost of retail items and food and beverage products and will increase and/or decrease proportionally with changes to sales of these goods. We are seeing cost pressure on our COGS due to increased fuel prices and supply chain challenges of our suppliers due to staff shortages.

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 funding needs. **OVER 2,000 INDIVIDUAL ITEMS ARE TRACKED IN THIS PLAN, WITH A CURRENT REPLACEMENT VALUE OF APPROXIMATELY \$65M.** Each item is evaluated by average useful

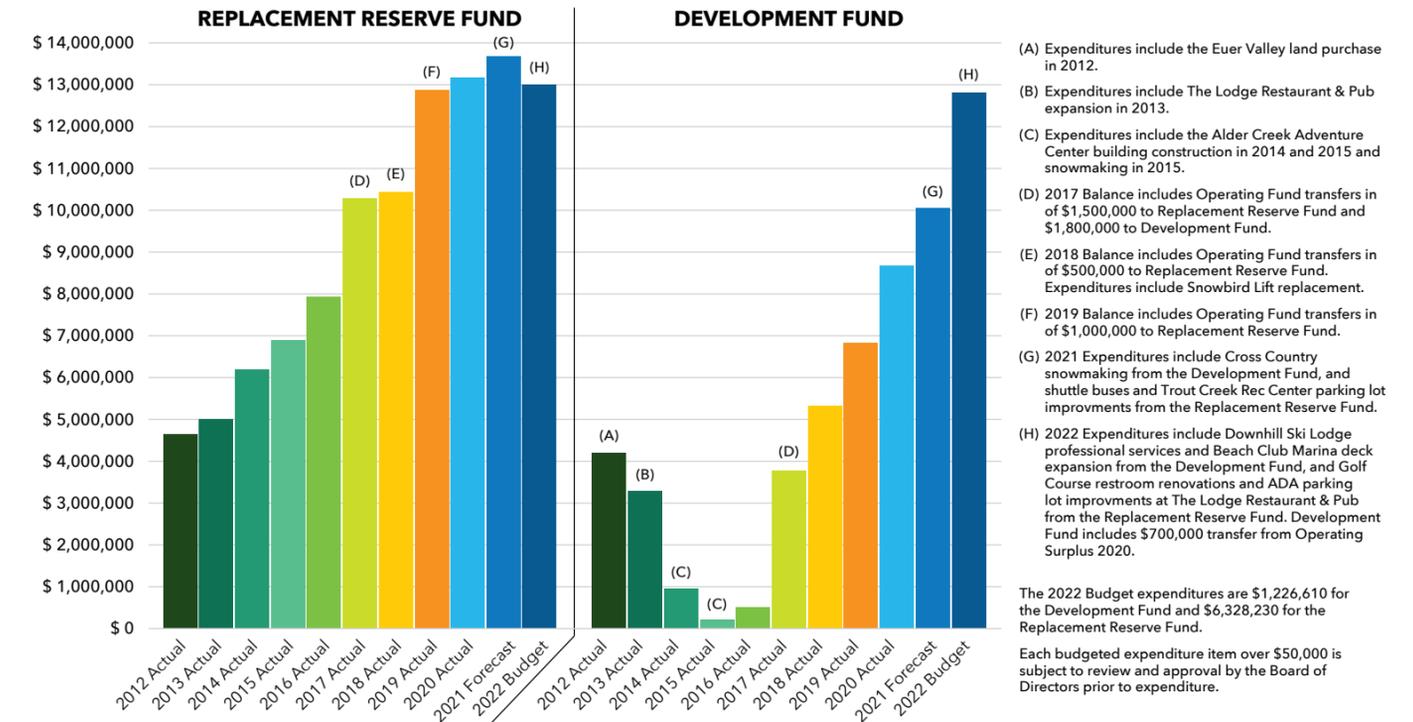
REPLACEMENT RESERVE FUND ANALYSIS

TAHOE DONNER ASSOCIATION 2022 BUDGET	Total Estimated Current Replacement Cost	Allocation of Accumulated Funds (12/31/21)	100% Funded Allocation (12/31/21)
Administration	\$ 2,497,230	\$ 258,538	\$ 744,000
Alder Creek Cafe	164,989	31,772	91,431
Beach Club Marina	1,458,115	358,965	1,033,000
Bikeworks	69,000	14,410	41,468
Campground	640,551	161,776	465,546
Capital Projects	246,650	84,942	244,438
Chalet House	349,619	93,330	268,578
Cross Country Ski Center	4,204,307	802,849	2,310,374
Equestrian Center	923,740	148,973	428,703
Food Trailer - TD Eats	65,500	13,202	37,992
Forestry	2,489,895	419,469	1,207,113
General Maintenance	689,451	194,101	558,569
Golf Complex	1,189,081	338,117	973,006
Golf Course	11,987,429	2,592,775	7,461,281
Information Technology	2,356,744	464,257	1,336,002
Maintenance	3,702,735	872,358	2,510,401
Northwoods Pool Building	437,323	100,775	290,003
Northwoods Clubhouse	3,965,124	968,327	2,786,573
Pizza on the Hill	542,021	96,252	276,986
Recreation Hut	656,797	180,472	519,349
Downhill Ski Resort			
Mountain Operations	5,406,669	1,402,398	4,035,707
Lift Maintenance	4,087,778	740,052	2,129,663
Rental + Retail	1,084,491	222,623	640,647
Snowmaking	1,060,213	145,777	419,505
Top Shop	289,049	72,596	208,912
Winter Food + Beverage	453,275	140,435	404,133
Snowplay	148,730	33,162	95,432
Tennis Complex	2,019,799	548,190	1,577,537
The Lodge Restaurant & Pub	3,714,752	875,279	2,518,807
Trails	3,182,591	589,366	1,696,030
Trout Creek Rec Center Building	3,578,996	395,721	1,138,775
Trout Creek Rec Center Pool Area	1,451,596	264,186	760,253
TOTALS	\$ 65,114,240	\$ 13,625,446	\$ 39,210,214

Note: Projected accumulated funds at Dec. 31, 2021 equal approximately 34.75% of the 100% funded total based on the method of calculation in Section 1362.25(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)



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 2022, budgeted reserve project expenditures total \$6.3M. Components scheduled for 2022 may not necessarily be expended, based on management and Board review.

The 2022 Annual Assessment contribution to the Replacement Reserve Fund totals \$5,489,104, or \$848 per member-property, an increase of \$47, or 6%, over 2021.

The following outlines notable 2022 budget-year planned expenditure items in excess of \$100,000:

ADA IMPROVEMENTS, \$250,000: Scheduled ADA improvements at The Lodge Restaurant & Pub parking lot

PAVILION FAMILY DINING AREA RENOVATION, \$256,000: A permanent shade structure, fire pits and a permanent outdoor bar are some of the proposed improvements to enhance the casual dining experience for families and golf users

EUER VALLEY RESTORATION PHASE 1 (COYOTE CROSSING), \$356,000: In conjunction with the Truckee River Watershed Council, Phase 1 includes stream channel work, recreation improvements and a new bridge over Prosser Creek

SOUTH EUER VALLEY ROAD, \$125,000: The road is in critical need of maintenance to continue to serve as an emergency access road on the south side of the valley, as a cross country trail in winter and trail connection in the summer months

GOLF COURSE RESTROOMS, \$100,000: At the end of a 30-year useful life cycle, a remodel is due to further enhance the golf course experience

DEVELOPMENT FUND

The Development Fund was established as authorized in governing documents to accumulate funds for large-scale projects identified as necessary due to new capacity requirements or changing needs of the Association. To facilitate the future use of Development Fund assessments toward the funding of large-scale projects, every year, projects are identified as eligible for such future funding. Projects designated as eligible to receive funding from future Assessment contributions are not officially approved until the Board expressly votes to do so, and include building replacements, amenity expansions and additions and recreational land and infrastructure improvements.

The 2022 Annual Assessment contribution to the Development Fund totals \$3,592,515, or \$555 per member-property, an increase of \$111, or 25%, over 2021.

Projects scheduled for 2022 may not necessarily be expended, based on management review/approval by the Board.

The following outlines notable 2022 budget-year planned expenditure items in excess of \$50,000:

DOWNHILL SKI LODGE REPLACEMENT, \$497,000: Professional services in relation to the ongoing project to replace the Downhill Ski Lodge

MARINA DECK EXPANSION + SHADE STRUCTURE, \$222,000: To further enhance member enjoyment, this project expands the existing deck into the lawn area and provides a shade structure

AIR CONDITIONING + AIRFLOW ENHANCEMENT, \$70,500: Installation of air conditioning and improved airflow enhancement at Alder Creek Adventure Center for a more enjoyable member and guest experience.

PHASE 2 EAGLE ROCK SNOWMAKING, \$50,000: Soft costs in relation to Phase 2 of snowmaking at the Downhill Ski Resort

2022 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	\$1,908,030	-\$1,725,057	\$182,973	-\$539,319	-\$356,346
Beach Club Marina	\$723,207	-\$473,306	\$249,901	-\$151,587	\$98,314
Tennis Center	\$447,490	-\$368,019	\$79,471	-\$133,481	-\$54,010
TOTAL PRIVATE AMENITIES	\$3,078,727	-\$2,566,382	\$512,345	-\$824,387	-\$312,042
PUBLIC AMENITIES					
Downhill Ski Resort	\$4,699,400	-\$3,326,100	\$1,373,300	-\$942,240	\$431,060
Cross Country Ski Center	\$1,484,508	-\$1,067,023	\$417,485	-\$416,565	\$920
Snowplay Sledding + Tubing	\$299,131	-\$188,104	\$111,027	-\$21,361	\$89,666
Equestrian Center	\$144,200	-\$260,305	-\$116,105	-\$73,022	-\$189,127
Campground	\$117,750	-\$95,059	\$22,691	-\$36,347	-\$13,656
Trails	\$1,012	-\$292,595	-\$291,583	-\$235,988	-\$527,571
Bikeworks	\$168,350	-\$162,260	\$6,090	-\$26,387	-\$20,297
Golf Course	\$1,517,410	-\$1,616,069	-\$98,659	-\$930,723	-\$1,029,382
Alder Creek Cafe	\$343,620	-\$380,519	-\$36,899	-\$14,613	-\$51,512
The Lodge Restaurant & Pub and Summer F+B	\$2,298,493	-\$2,634,045	-\$335,552	-\$210,017	-\$545,569
Pizza on the Hill	\$490,190	-\$497,082	-\$6,892	-\$44,266	-\$51,158
TOTAL PUBLIC AMENITIES	\$11,564,064	-\$10,519,161	\$1,044,903	-\$2,951,530	-\$1,906,627
TOTAL AMENITIES	\$14,642,791	-\$13,085,543	\$1,557,248	-\$3,775,917	-\$2,218,669

HOMEOWNERS ASSOCIATION OPERATIONS

General HOA	\$0	-\$898,248	-\$898,248	-\$549,947	-\$1,448,195
Architectural Standards Office	\$254,180	-\$457,311	-\$203,131		-\$203,131
Forestry, Defensible + Open Space	\$214,500	-\$1,468,238	-\$1,253,738	-\$270,236	-\$1,523,974
TOTAL HOA OPERATIONS	\$468,680	-\$2,823,797	-\$2,355,117	-\$820,183	-\$3,175,300

AMENITY + HOMEOWNERS ASSOCIATION SUPPORT SERVICES

Communications	\$289,800	-\$812,540	-\$522,740	\$0	-\$522,740
Facility Administration + Risk Management	\$0	-\$676,693	-\$676,693	\$0	-\$676,693
Administration	\$140,200	-\$1,145,498	-\$1,005,280	\$0	-\$1,005,280
Information Technology	\$0	-\$830,808	-\$830,808	-\$643,463	-\$1,474,271
Accounting + Finance	\$600	-\$908,301	-\$907,701	\$0	-\$907,701
Human Resources	\$0	-\$472,957	-\$472,957	\$0	-\$472,957
Member Services	\$32,897	-\$400,345	-\$367,448	\$0	-\$367,448
Maintenance	\$0	-\$860,177	-\$860,177	-\$249,541	-\$1,109,718
TOTAL SUPPORT SERVICES	\$463,497	-\$6,107,319	-\$5,643,804	-\$893,004	-\$6,536,808

Expenses Allocated to Capital Funds	\$0	\$320,717	\$320,717		\$320,717
TOTAL OPERATING FUND	\$15,574,968	-\$21,695,942	-\$6,120,956	-\$5,489,104	-\$11,610,060

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

2022 BUDGET SUMMARY – BY FUND

of Properties = 6,473

	2022 Budget	\$ per Property
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OPERATING FUND

Beginning Balance, Start of Year	\$ 2,918,033	\$ 451
Assessment Contribution	6,120,956 A1	946
Net Operating Results	-6,120,956	-946
Operating Fund, Year-End Balance	\$ 2,918,033	\$ 451

REPLACEMENT RESERVE FUND

Beginning Balance, Start of Year	\$ 13,625,446	\$ 2,105
Assessment Contribution	5,489,104 A2	848
Interest Income	160,000	25
Salvage Receipts	40,000	6
Income Tax and Other Expenses	-25,000	-4
Payroll Costs	-203,634	-31
Expenditures for Capital Additions	-4,933,636	-184
Major Repairs, Maintenance and Lease Expenses	-1,190,960	-762
Replacement Reserve Fund, Year-End Balance	\$ 12,961,320	\$ 2,002

NEW MACHINERY + EQUIPMENT FUND

Beginning Balance, Start of Year	\$ 294,236	\$ 45
Assessment Contribution	-	-
Interest Income	110	0
Expenditures for Capital Additions	-140,500	-22
New Machinery + Equipment Fund, Year-End Balance	\$ 153,846	\$ 24

DEVELOPMENT FUND

Beginning Balance, Start of Year	\$ 10,011,237	\$ 1,547
Assessment Contribution	3,592,515 A3	555
Interest Income	93,000	14
2021 Operating Surplus Transfer Forecast*	350,000	54
Income Tax and Other Expenses	-14,000	-2
Payroll Costs	-117,083	-18
Expenditures for Capital Additions	-1,109,527	-171
Development Fund, Year-End Balance	\$ 12,806,142	\$ 1,978

Combined CAPITAL FUNDS ACTIVITY

Expenditures for Capital Additions	\$ -6,183,663	\$ -955
Major Repairs, Maintenance and Lease Expenses	-1,190,960	-184
Combined CAPITAL FUNDS ACTIVITY - Total	\$ -7,374,623	\$ -1,139

2022 ANNUAL ASSESSMENT RECAP

Operating Fund	\$ 6,120,956 (A1)	\$ 946	40%
Capital Funds			
Replacement Reserve Fund	5,489,104 (A2)	848	36%
Development Fund	3,592,515 (A3)	555	24%
Capital Funds, Subtotal	\$ 9,081,619	\$ 1,403	60%
Annual Assessment - Total	\$ 15,202,575	\$ 2,349	100%

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 \$6.2M and estimated depreciation expense of \$3.6M.

*Subject to Board approval.



ASSESSMENT AND RESERVE FUNDING DISCLOSURE SUMMARY

(CA CIVIL CODE SECTION 5570)

The 2022 regular Annual Assessment per ownership interest is \$2,349. The updated 30-year funding and expenditure plan, utilizing a 2.5% annual inflation of repair and replacement costs, requires a contribution to the Reserve Fund of \$848 per property for 2022 - an increase of \$47, or 6%, over 2021, according to the funding plan. This amounts to a 2022 contribution to the Reserve Fund of \$5,489,000. 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 about those long-lived assets not included in the reserve calculation.

Based on the method of calculation in paragraph (4) of subdivision (b) of CA Civil Code Section 5570, the estimated amount required in the Replacement Reserve Fund at the end of the current fiscal year is \$39,210,214*, based in whole or in part on the last reserve study and the update prepared by management and Hughes Reserves and Asset Management, Inc. as of October 2019. The projected Replacement Reserve Fund cash balance at the end of the current fiscal year is \$13,625,446, resulting in reserves being 34.7% funded at this date. If an alternate, but generally accepted, method of calculation is used, the required reserve amount is \$13,625,446, this alternate method being the threshold pooling method. This difference (\$25.6M) equates to an estimated \$3,953 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 Replacement Reserve Fund at the end of each of the next five (5) budget years is \$39.5M in 2022, \$40.6M in 2023, \$39.2M in 2024, \$41.6M in 2025 and \$41.4M in 2026. The projected Reserve Fund cash balance in each of those years, assuming a planned 5.2% increase over the next five years to the Replacement Reserve Fund portion of the Annual Assessment is implemented, is \$13M in 2022, \$10M in 2023, \$11.2M in 2024, \$10.4M in 2025 and \$11.3M in 2026, leaving the reserve at 27.3% funded in 2026.

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 1% per year, and the assumed long-term inflation rate to be applied to major component repair and replacement costs was 2.5% per year.

NEW MACHINERY AND EQUIPMENT FUND

The New Machinery and Equipment Fund is used to acquire new items identified as necessary for more efficient operations or to provide new services to the membership. The 2022 assessment contribution to the fund totals \$0, or \$0 per property owner. The decision was made to not contribute to this fund for 2022. The fund is projected to have a 2022 year-end balance of \$153,846 after budgeted expenditures including Beach Club Marina bike parking and shade sails at the day camp building along with Zendesk member services expansion. Fund expenditures may arise in 2022 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 Assessment is due at the beginning of each fiscal year on January 1 and becomes delinquent on March 3 of the same fiscal year. Special assessments and special individual assessments (Architectural Standards, Covenants and Forestry Assessments, Fines and Inspection Fees) are due thirty (30) days after invoicing and considered to be 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% per annum).

ANNUAL REGULAR ASSESSMENT

March 3: DELINQUENCY FEE (10% 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, a 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 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% OF ASSESSMENT BALANCE) is charged to the account; also, interest equal to the maximum allowed by law (currently 12% 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, a 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 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 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 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 - \$ 61,400,373; 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, 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; \$52,012,307 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; Landmark: 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 minutes of 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

Refer to Rules and Fines at 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.

2022 BUDGET SUMMARY

\$2,349
ANNUAL
ASSESSMENT

PER OWNER PROPERTY
(DUE JAN. 1, 2022)

VERSUS 2021 - AN INCREASE OF \$108 (\$9 PER MONTH)

- + \$162 Salary and wage increases per compensation study recommendations, 4% merit increase (not guaranteed), budgeting for full operations
- + \$45 Increase in payroll taxes, health insurance renewal and reduction of employee portion of medical plan, plus an increase in TDA contributions to employee 401(k) program
- + \$45 Liability insurance policy increases due to industry losses
- + \$111 Increase Development Fund contribution to address the changing needs of the members and address aging facilities needs
- + \$47 Increase Replacement Reserve Fund contribution in alignment with funding plan to ensure adequate funding
- \$149 Increase in revenue at the Downhill Ski Resort, driven by increased skier visits due to return of normal operations and minor user fee increases
- \$74 Indoor dining at all F+B outlets budgeted for full-year operations
- \$64 Continued momentum within Golf Operations and associated revenues
- \$25 Receipt of grants for Forestry Department
- \$17 Increase in revenue at the Cross Country Ski Center, driven by increased skier visits due to return of normal operations and minor user fee increases
- \$17 Increase in revenue in Day Camps activity due to overwhelming demand
- \$12 Increase in revenue in employee housing due to return of summer and winter J-1 employees
- \$3 Reduction in workers' compensation premium
- \$49 All other changes

= + \$108 TOTAL CHANGE IN ANNUAL ASSESSMENT

\$395
RECREATION
PASS

(EFFECTIVE MAY 1, 2022)

DAILY
ACCESS FEES

(EFFECTIVE JAN. 1, 2022)

AN INCREASE OF \$10

The optional yet ever-popular Recreation Fee (valid for up to four individuals) equates to as low as \$8.23 per person per month for unlimited access to all private amenities and Snowplay.

The Recreation Fee allows cardholders access to the Trout Creek Recreation Center, Beach Club Marina, Northwoods Pool, Tennis Center and Snowplay.

The Recreation Fee and Daily Entry Fees have been increased in recent years to offset increased operating costs, most notably wages and to support capital improvements.

PRIVATE AMENITY DAILY ENTRY FEES

- Member without paid Recreation Fee: \$10, an increase of \$1 from 2021
- Guest with Member: \$12, an increase of \$1 from 2021
- Guest on Guest Card without Member: \$17, an increase of \$1 from 2021

FACTS + FIGURES ABOUT YOUR ASSOCIATION

ESTIMATES AS OF NOVEMBER 2021 / SUBJECT TO CHANGE

- 6,473 Member Property Owners
- 25,000 Members
- Established 1971
- 90% Built-Out
- Owned and Managed by the Property Owners
- \$30.2 Million Budget for 2022
- \$75.0 Million in Total Assets
- 7,000 Acres
- 26 Buildings
- 120,000 Square Feet of Conditioned Space
- Over 55,000 Trees Planted in Past Decade
- 68 Miles of Paved Public Roads
- 60 Miles of Trails (and More Planned)
- \$4.7 Billion Estimated Tahoe Donner Community Real Estate Value



TAHOE DONNER

eUNIFY

**MEMBER PORTAL
NOW AVAILABLE**

View Association documents, manage your membership and pay your Annual Assessment online 24/7 via the new member portal.

TAHOEDONNER.COM/MEMBER-PORTAL