

# 2023 BUDGET REVIEW

TAHOE DONNER<sup>SM</sup> SEPTEMBER 8, 2022



# 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

# TODAY'S FOCUS: OPERATIONS ONLY

## WHAT IS NOT IN TODAY'S MEETING

- REPLACEMENT RESERVE FUND CAPITAL BUDGET
- DEVELOPMENT FUND CAPITAL BUDGET
- NEW MACHINERY + EQUIPMENT FUND 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

# 2022 OPERATIONS BUDGET RECAP

Anticipated visitation at Tahoe Donner and the region was impacted by cooler weather in May, June and 4<sup>th</sup> of July week.

- **Regionally:** North Lake Tahoe Resort Association reported a 34% decline in rooms booked in June 2022 vs June 2021 but only down 3% in August.
- **Tahoe Donner Beach Club Marina:** Down 33% or nearly 10,000 visits YTD 2021 vs 2022, assumed due to weather and road construction
- **Tahoe Donner Golf Course:** Rounds down 18% or 1,800 through July 2021 vs 2022, assumed due to weather (though preliminary August numbers are positive)





## 2022 OPERATIONS BUDGET RECAP CONTINUED

- Strong winter financial results have subsidized amenities adversely impacted by lower visitation and weather
- The Lodge Restaurant & Pub staffing was underbudgeted from January-May; addressed for 2023
- 2022 budget reflected a \$50 decrease in the operating portion of the Annual Assessment from 2021
- When the budget was set in October 2021, the staffing challenges throughout the region and higher-than-anticipated inflation pressures hadn't been realized at that point





## 2023 REVENUE ASSUMPTIONS

- Pricing strategies developed by further understanding the true cost of services
- Continued growth in budgeted revenue to cover anticipated increase in costs
- Increased projected Recreation Fee rates and daily access fees to address wage and operating expense pressures
- Projected increase in golf revenue
- Downhill skier visits projected similar to 2022
- Ski lodge closure in December 2023 to impact revenues in that month (45% reduction in December 2023)
- XC snowmaking to drive increased early-season visitation and revenues



# 2023 BUDGET ASSUMPTIONS

## STAFFING

- Sharp increase in payroll costs to remain competitive and to retain the best employees
- Ski industry trend to widely promote “most positions starting at \$20 per hour”
- Anticipating approximately 70 J-1 international employees, enabling group lessons and youth ski/race programs to grow

## CHANGES MADE TO OFFSET WAGE INCREASES

- Hold on filling vacant 2022 budgeted positions, which include Financial Analyst, Maintenance Manager, Maintenance Worker, Risk and Community Standards Specialist, Communications Assistant, Architectural Standards Office Associate, Member Services Technician, etc.
- Removing unfilled positions from the 2023 budget, replace select positions with part-time hours
- Ongoing reorganization opportunities



# 2022 VS. 2023 STAFFING COMPARISON

	2022 BUDGET	2022 FORECAST	2023 PROPOSED BUDGET
Salaries	4,495,909	4,709,915	5,058,669
Hourly Wages	6,750,521	6,857,731	7,335,218
Burden	2,781,895	2,932,638	3,177,977
<b>TOTAL</b>	<b>14,028,325</b>	<b>14,500,284</b>	<b>15,571,864</b>

# 2023 OPERATIONS EXPENSE CHANGES

## OTHER EXPENSE CHANGES (IN ADDITION TO STAFFING)

- Based on previous year increases, estimated 25% or \$345,000+ increase (\$53 per property) in property and casualty insurance premiums (quotes still forthcoming)
  - 3-year average increase of 34% or \$251,000 each year (2019-2022)
- 6.5% increase in medical insurance premiums
- Consolidation of Food + Beverage contracts with suppliers for cost savings
- Increase fuel and utility costs (example: natural gas, diesel for groomers, heating our amenities and chipping)

# DOWNHILL SKI ASSUMPTIONS

## ASSUMING

- Strong skier visitation from January through April 2023
- Additional international staffing to allow for a planned increase in group/private lesson capacity from January-April at Downhill Ski Resort
- Pricing strategy adjustment to better reflect the rising cost of business
- Downhill Ski Lodge projection to be under construction in December 2023
  - December will see reductions in skier visits, food and beverage, ski school and rentals; estimated December revenue reduction to be \$337,000

## EXPENSE ASSUMPTIONS

- Sharp increase in wages to be competitive in the ski industry
- Increase in insurance
- Increase in fuel and utilities
- Seasonal part-time employee housing cost increases





# CROSS COUNTRY SKI ASSUMPTIONS

## ASSUMING

- Strong skier visitation numbers as a result of snowmaking and investments in grooming operations
- Continued programs and lessons while delivering the high quality of service expected from our members

## EXPENSE ASSUMPTIONS

- Increase in wages to be competitive in the ski industry
- Increase in insurance
- Increase in fuel and utilities
- Snowmaking-associated costs, including staff and fuel



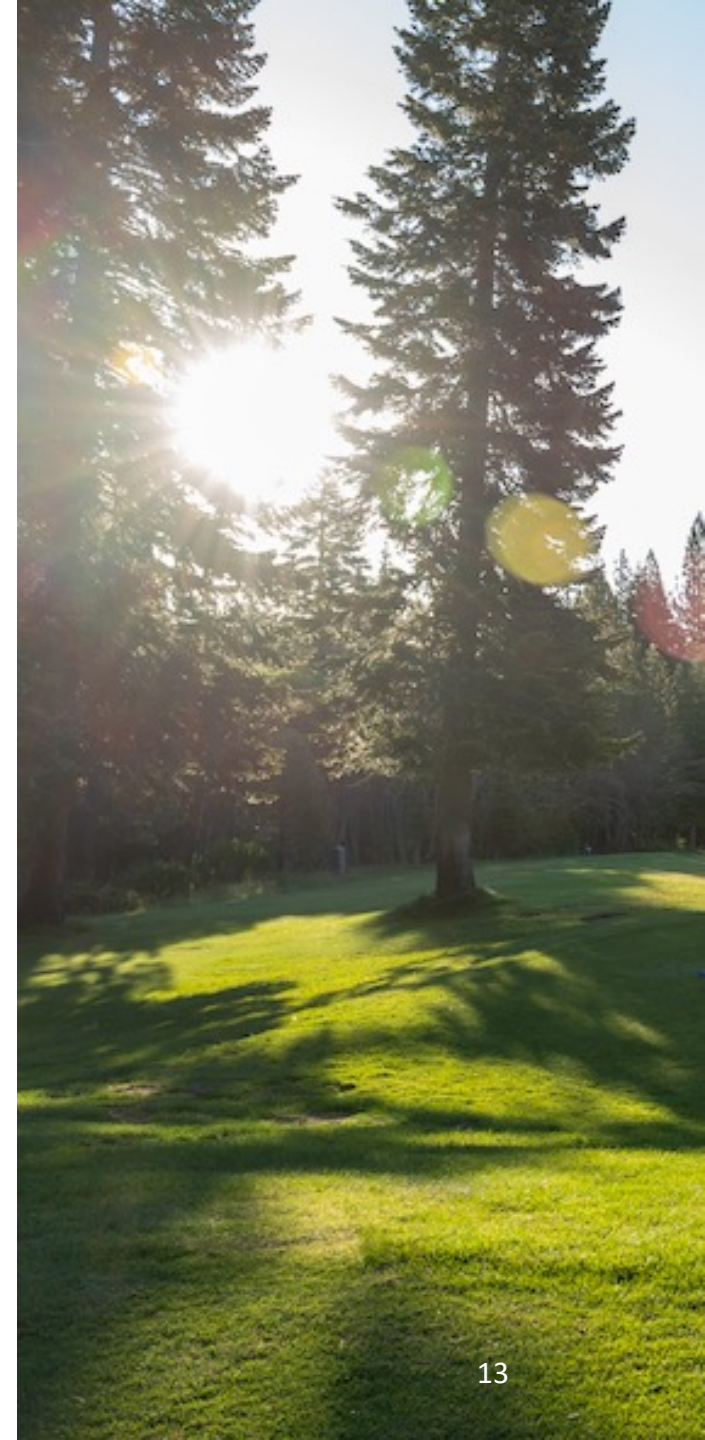
# GOLF ASSUMPTIONS

## ASSUMING

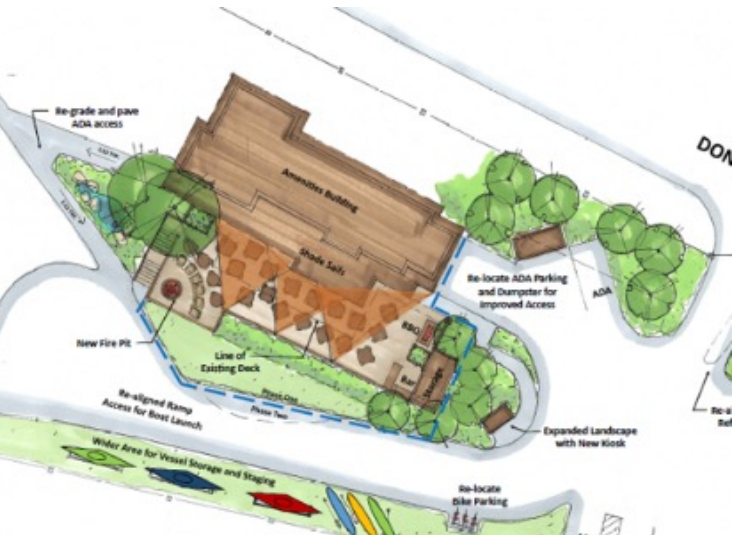
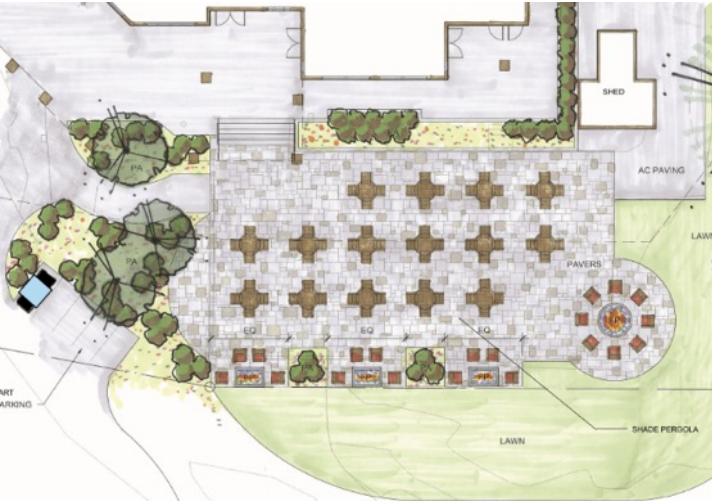
- Pursuing early-season tournament revenues
- Continued growth in golf shop retail revenues
- Continued momentum in lesson/clinic programs with head golf professional and experienced staff
- Anticipated growth in winter simulator participation

## EXPENSE ASSUMPTIONS

- Continued competition for local greenskeeper staff
- Increased investment in turf health program
- Steep increase in fertilizer and other golf maintenance equipment costs



# FOOD + BEVERAGE ASSUMPTIONS



## ASSUMING

- The Lodge Restaurant & Pub operating 5 days a week, except the week of 4<sup>th</sup> of July and Christmas to New Years week
- Pizza on the Hill operating at 5 days a week and 4 days a week during the shoulder season
- Alder Creek Cafe full service during ski season and bike season
- Continued success with summer food and beverage operations like Lodge Pavilion and Marina Grill, especially where capital enhancements are being completed
- December 2023 reduced revenue at Downhill Ski F+B due to ski lodge demolition

## EXPENSE ASSUMPTIONS

- Continued struggle hiring cooks causing wage increases
- Cost of goods, particularly on high-end proteins and all fresh food





# 2023/24 RECREATION FEE ASSUMPTIONS

- After reviewing four concepts, the Board directed staff to explore a hybrid 2-person/4+ person option and the status quo option
- Preliminary rate for the hybrid option is \$350 for 2 people and \$550 for 4+ and \$175 for cards 5-8
- Status quo option rate is \$530 for up to 4 people, and \$195 for cards 5-8
- Assumes reduction in sales due to elasticity, but many variables can impact the actual revenues
- Also assumes an increase in the daily access rate for members and guests

A woman and a child are shown in the left portion of the slide, both wearing ski helmets and goggles. The woman is wearing a red and black patterned ski jacket, and the child is wearing a blue ski jacket. They are standing on a snowy mountain slope under a clear blue sky.

# VARIANCE BETWEEN 2023 AMENITY NET OPERATING RESULTS COMPARED TO 2022 FORECAST

- **DOWNHILL + XC SKI SEASON PASS:** 2022/23 ski season pass revenue continued to grow from previous year
- **TRAILS:** Filling currently vacant manager role
- **PRIVATE AMENITIES:** Improved NOR across all private amenities
- **REC:** Some reduction in day camp capacity due to ski lodge project; creative strategies to minimize reductions planned
- **BIKEWORKS:** Bike camp cancellation policy adjustments to stabilize revenues
- **SNOWPLAY:** Modified reservation system to prevent no-shows from members with paid Recreation Fee

## 2023 AMENITY NET OPERATING RESULTS (NOR)

	2018 Actual	2019 Actual	2020 Actual	2021 Actual	2022 Forecast	2023 Budget
<b>Amenities</b>						
Trails	-\$147,800	-\$198,470	-\$104,366	-\$174,405	-\$160,401	-\$255,409
Marina	\$245,431	\$264,637	\$211,320	\$306,776	\$168,854	\$282,378
Equestrian	-\$84,565	-\$160,776	-\$111,287	-\$156,956	-\$137,902	-\$145,439
Tennis	-\$21,149	-\$9,668	\$95,877	\$30,146	\$79,471	\$89,070
Campground	\$10,063	-\$22,478	\$34,877	\$20,151	\$12,668	\$16,671
Cross Country Ski Center	\$198,004	\$417,941	\$480,105	\$686,038	\$754,845	\$836,910
Golf Course Operations	-\$113,147	-\$656,363	-\$529,534	\$36,612	-\$215,209	-\$264,585
The Lodge	-\$31,963	-\$491,191	-\$459,164	-\$650,170	-\$835,632	-\$696,203
Trout Creek/Aquatics/Rec/Day Camps	\$163,803	-\$75,820	-\$199,668	\$164,099	\$173,075	\$218,823
Bikeworks	\$1,319	-\$22,695	\$30,852	-\$17,116	-\$3,520	\$7,969
Pizza on the Hill	-\$74,431	-\$154,432	-\$18,571	-\$135,128	-\$275,948	-\$109,971
Alder Creek Café	-\$109,529	-\$68,501	-\$127,324	-\$111,779	-\$53,998	-\$53,835
Downhill Ski Consolidated	\$653,794	\$1,244,721	\$940,574	\$1,194,552	\$1,562,525	\$1,388,681
Snowplay	\$72,567	\$61,009	\$51,375	\$178,054	\$100,943	\$129,897
<b>Total Amenity Departments</b>	<b>\$762,397</b>	<b>\$127,914</b>	<b>\$295,066</b>	<b>\$1,370,871</b>	<b>\$1,169,772</b>	<b>\$1,444,958</b>





# VARIANCE BETWEEN 2023 HOA SERVICES NET OPERATING RESULTS COMPARED TO 2022 FORECAST

- **GENERAL:** Association insurance premium increases
- **ADMIN:** Reallocation of 25% of Administrative Services Director salary
- **HR:** Reallocation of 25% of Administrative Services Director salary
- **COMMUNICATIONS:** Reducing one full-time position to part-time, 2021 vacancies causing cost savings, increase paper cost
- **FORESTRY:** 2022 cost offset by CAL FIRE grant, not applicable in 2023
- **FACILITY ADMIN:** Added FTE Superintendent position and full-year cost in 2023 of Senior Project Manager position

## 2023 HOA NET OPERATING RESULTS (NOR)

	2018 Actual	2019 * Actual	2020 Actual	2021 Actual	2022 Forecast	2023 Budget
<b>Association Business</b>						
General	-\$833,142	-\$2,440,976	-\$701,538	-\$575,259	-\$887,572	-\$940,783
Administration	-\$774,570	\$0	-\$248,311	-\$1,234,798	-\$1,035,208	-\$1,113,206
Communications	-\$493,807	\$0	-\$362,548	-\$488,835	-\$561,432	-\$607,321
ASO	-\$174,883	-\$327,499	-\$15,104	-\$122,077	-\$111,955	-\$219,961
MIS - Information Technology	-\$631,806	\$0	-\$602,876	-\$703,080	-\$811,422	-\$860,490
Accounting	-\$760,917	\$0	-\$684,189	-\$827,649	-\$908,211	-\$967,607
Human Resources	-\$373,965	\$0	-\$329,913	-\$458,119	-\$455,179	-\$549,398
Member Services	-\$212,291	\$0	-\$206,725	-\$300,589	-\$356,821	-\$373,288
Forestry	-\$876,645	-\$1,323,833	-\$1,442,346	-\$1,252,544	-\$1,036,580	-\$1,149,814
Maintenance	-\$736,144	\$0	-\$559,624	-\$616,237	-\$643,624	-\$732,738
Facility Administration	-\$328,751	\$0	-\$335,027	-\$388,168	-\$534,910	-\$549,864
<b>Total Association Departments</b>	<b>-\$6,196,921</b>	<b>-\$4,092,308</b>	<b>-\$5,488,201</b>	<b>-\$6,967,355</b>	<b>-\$7,342,911</b>	<b>-\$8,064,472</b>

\* 2019 included overhead allocation

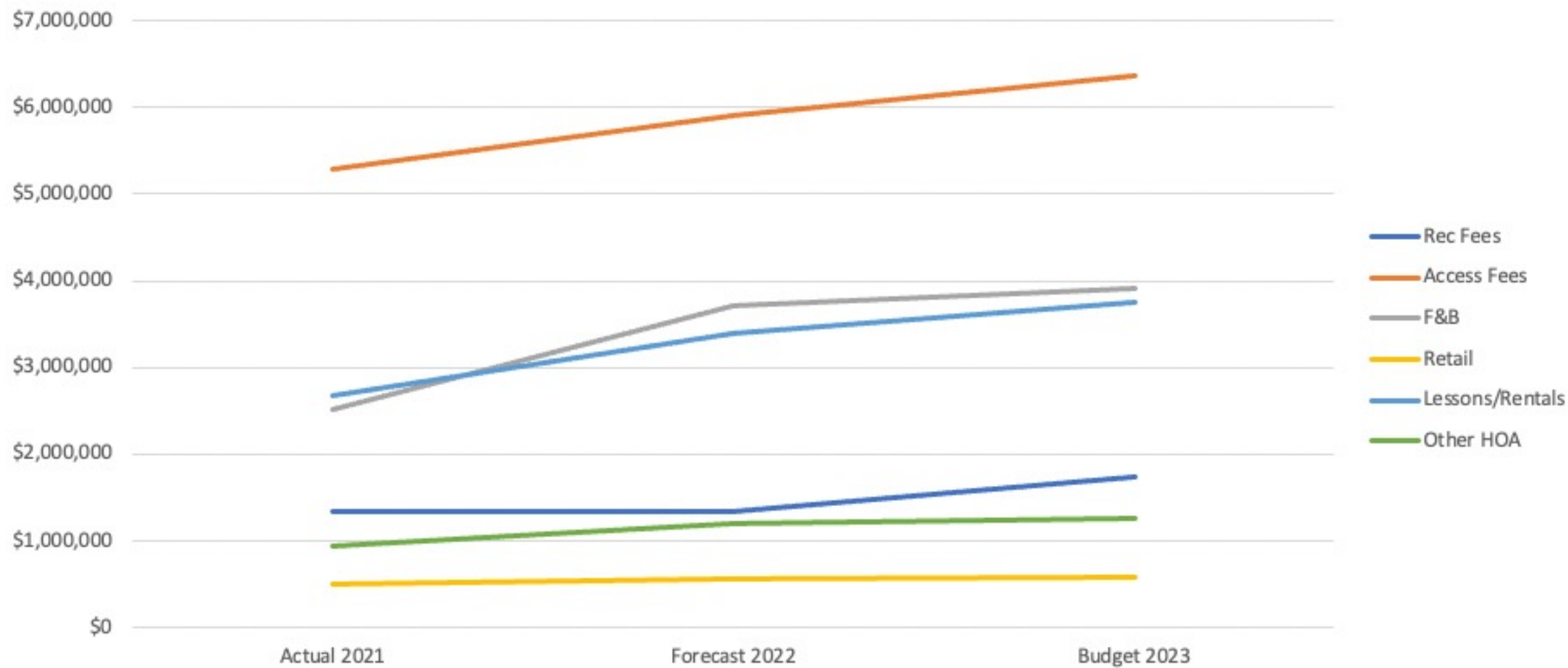
## 2023 SUMMARY OPERATING FUND PROFIT + LOSS

	2018 Actual	2019 Actual	2020 Actual	2021 Actual	2022 Forecast	2023 Budget	2023 Bud vs 2022 F/cast
Rec Fee Income	\$1,065,610	\$1,180,445	\$948,862	\$1,340,250	\$1,330,795	\$1,737,031	\$406,236
Access Fees	\$3,607,044	\$4,445,118	\$2,926,050	\$5,286,643	\$5,903,422	\$6,357,694	\$454,272
Food and Beverage	\$4,282,739	\$4,192,381	\$1,982,121	\$2,507,619	\$3,703,038	\$3,909,011	\$205,972
Retail	\$568,028	\$601,026	\$406,575	\$491,842	\$561,061	\$574,959	\$13,898
Lessons and Rentals	\$2,857,164	\$3,315,431	\$2,185,205	\$2,682,182	\$3,400,124	\$3,743,634	\$343,510
Other Income	\$972,461	\$961,116	\$1,005,059	\$939,609	\$1,189,961	\$1,265,528	\$75,567
<b>Total Gross Revenue</b>	<b>\$13,353,046</b>	<b>\$14,695,517</b>	<b>\$9,456,871</b>	<b>\$13,248,144</b>	<b>\$16,088,400</b>	<b>\$17,587,856</b>	<b>\$1,499,456</b>
COGS	-\$1,573,523	-\$1,554,427	-\$826,433	-\$1,103,995	-\$1,509,193	-\$1,594,633	-\$85,440
<b>Gross Margin</b>	<b>\$11,779,523</b>	<b>\$13,141,090</b>	<b>\$8,630,438</b>	<b>\$12,144,150</b>	<b>\$14,579,208</b>	<b>\$15,993,224</b>	<b>\$1,414,016</b>
Payroll	-\$12,141,808	-\$12,738,178	-\$9,000,731	-\$12,176,586	-\$14,500,284	-\$15,571,864	-\$1,071,581
Operating Expense	-\$5,072,241	-\$5,471,316	-\$5,020,385	-\$5,761,047	-\$6,572,063	-\$7,431,471	-\$859,408
<b>Net Operating Revenue</b>	<b>-\$5,434,526</b>	<b>-\$5,068,404</b>	<b>-\$5,390,678</b>	<b>-\$5,793,484</b>	<b>-\$6,493,139</b>	<b>-\$7,010,112</b>	<b>-\$516,973</b>
Overhead Charged to Other Funds	\$0	\$172,514	\$197,000	\$197,000	\$320,000	\$390,597	\$70,597
<b>Net Operating Revenue after Overhead Allocation</b>	<b>-\$5,434,526</b>	<b>-\$4,895,890</b>	<b>-\$5,193,678</b>	<b>-\$5,596,484</b>	<b>-\$6,173,139</b>	<b>-\$6,619,514</b>	<b>-\$446,375</b>
Per Property Assessment	\$840	\$756	\$802	\$865	\$954	\$1,023	
Assessment Increase (Decrease)						\$77	



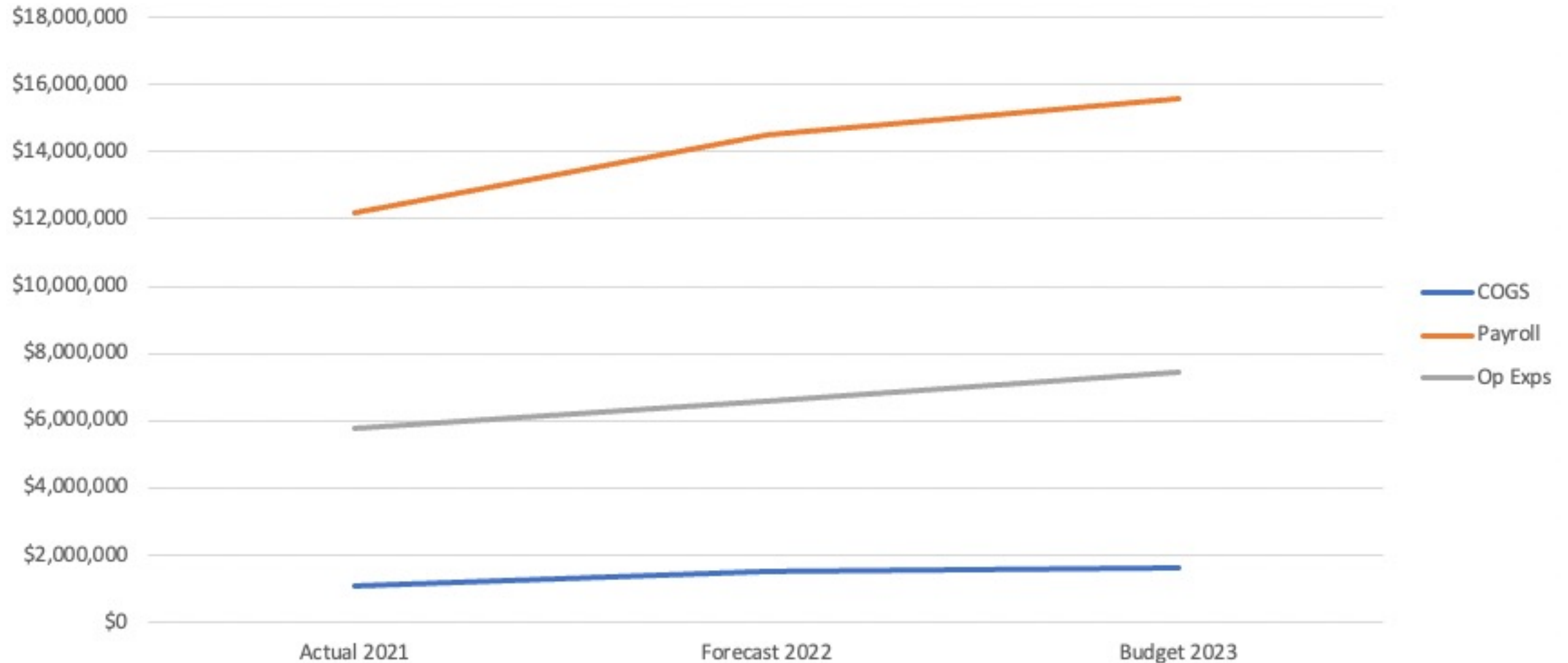
# SUMMARY OPERATING FUND PROFIT + LOSS

## REVENUE



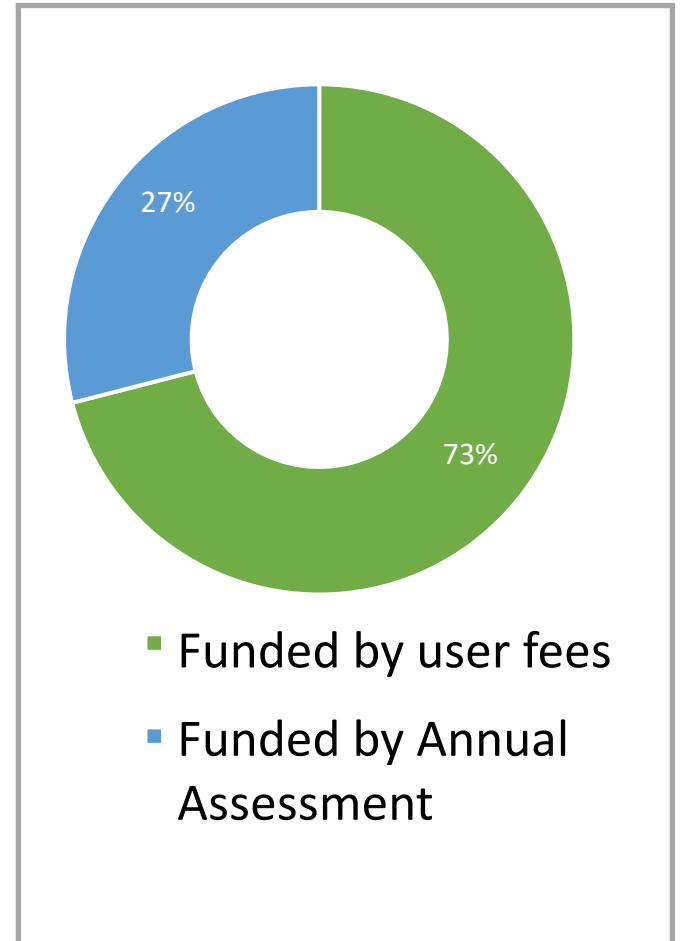
# 2022 SUMMARY OPERATING FUND PROFIT + LOSS

## EXPENSES



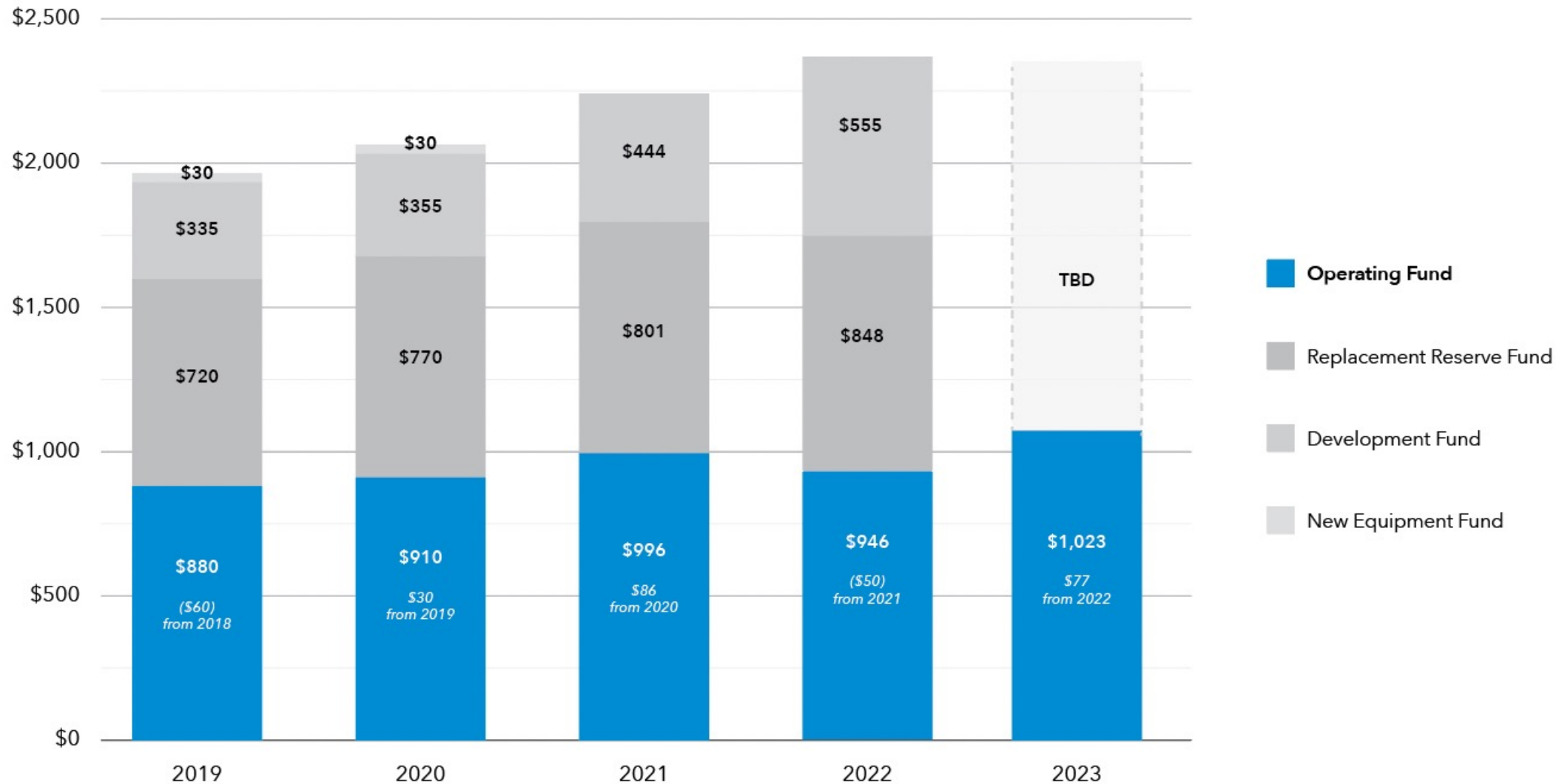
# REVENUE GENERATED BY USERS VS. ANNUAL ASSESSMENT

- **\$24,207,370:** The total revenue requirement for a balanced 2023 Operating Fund budget
- **\$17,587,856:** Operating revenues generated by user fees; 73% of the requirement
- **\$6,619,514:** Annual Assessment-generated funding; 27% 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 PORTION OF THE ANNUAL ASSESSMENT IS A NET INCREASE of \$77, FROM \$946 TO \$1,023 PER PROPERTY.

## WHY AN INCREASE

- Required increase in entry-level position rates, which make up a large portion of the TD workforce; this will allow the association to attract staff, remain competitive and offer a high level of service to the membership
- Insurance increases result in a \$53 increase per homeowner
- Inflation impacts the cost to operate in all business lines and services

*Projects and numbers may change as staff work through the budget process*



# NEXT MEETING FOCUS

- **UPDATED OPERATING FUND BUDGET**
- **REPLACEMENT RESERVE FUND CAPITAL BUDGET**
- **DEVELOPMENT FUND CAPITAL BUDGET**
- **NEW MACHINERY + EQUIPMENT FUND CAPITAL BUDGET**
- **TOTAL ANNUAL ASSESSMENT RECOMMENDATION**





# QUESTIONS?

## THANK YOU



TAHOE DONNER<sup>SM</sup>