

2023

BUDGET REPORT

\$2,624 ASSESSMENT

AN INCREASE OF \$275, OR 11.7%, FROM 2022

\$24.1 MILLION TOTAL OPERATING REVENUES INCLUDING ASSESSMENTS

RECREATION FEE

EFFECTIVE MAY 1, 2023

UP TO 2 PEOPLE: \$295

UP TO 4 PEOPLE: \$460

ADDITIONAL MEMBERS 5-8: \$165 PER MEMBER

PRIVATE AMENITY DAILY ACCESS FEES:

EFFECTIVE MAY 1, 2023

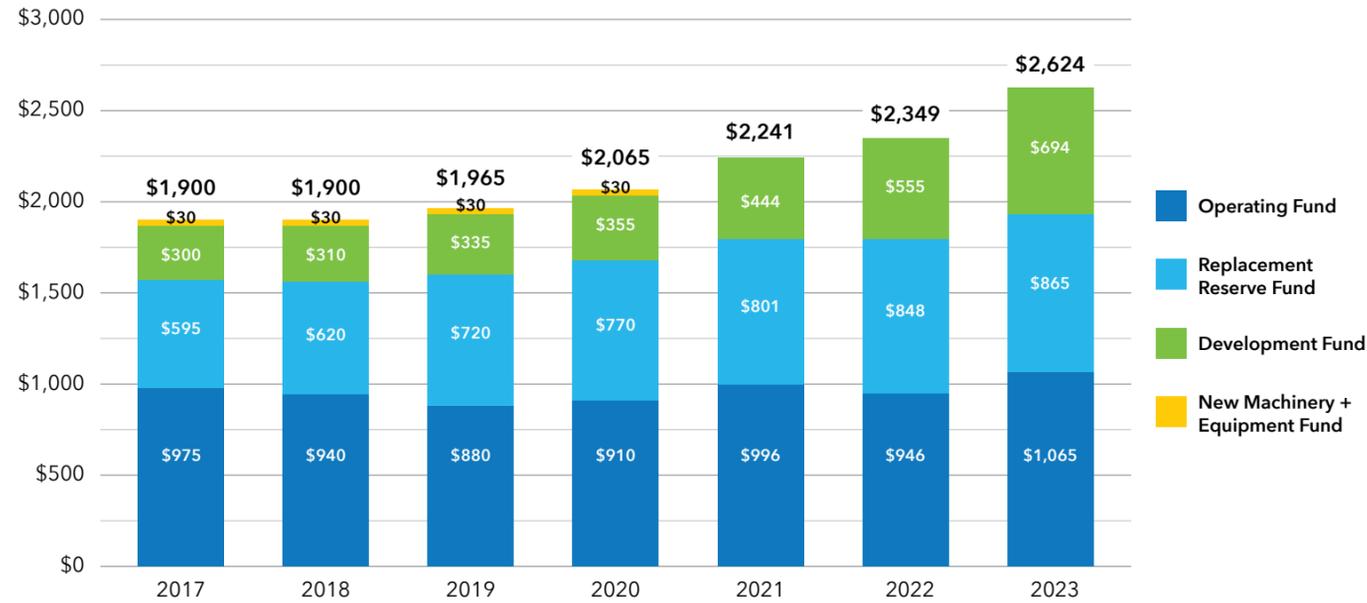
MEMBER WITHOUT PAID RECREATION FEE: \$12

GUEST WITH MEMBER: \$17

GUEST ON GUEST CARD WITHOUT MEMBER: \$20



Annual Assessment History Per Owner



INTRODUCTION

Dear Members,

The Tahoe Donner Association (TDA) Board of Directors approved the 2023 Budget at the Oct. 28, 2022, Regular Board Meeting. This action came after multiple public workshops and feedback from our membership. The 2023 Annual Assessment is \$2,624 per property, an increase of \$275, or 11.7%, over 2022. Several factors contributed to the Assessment increase including a sharp increase in labor costs (the Association's single largest expense category), a 14.2% year-over-year rise in insurance premiums, higher energy/utility costs and increased savings in our Capital Funds for asset renewal and replacement.

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

OPERATING FUND	\$ 1,065
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	\$ 865
Allows the Association to maintain our fixed assets	
NEW MACHINERY + EQUIPMENT FUND	\$ 0
Purchases new minor assets to meet current needs	
DEVELOPMENT FUND	\$ 694
Provides capital to expand and/or replace aging infrastructure	
2023 ANNUAL ASSESSMENT TOTAL	\$ 2,624

Given significant inflationary pressures and a much higher local wage rate environment, the management team was particularly challenged to recommend a budget that balanced our cost structure against the ability to deliver high-quality member experiences. The above-noted cost pressures were mitigated in part by extensive management efforts to control expenses and increase fees for non-members at the Association's public amenities. Notably, the Operating Fund portion of the Assessment increased in dollar terms for only the third time in the last seven years; it stands today below the 2016 amount.

During the budget process, the Board also directed staff to establish a two-person Recreation Fee to better accommodate property owners with smaller households. Amenity Daily Access Fees for members and guests were increased modestly - in dollar terms - to counter cost pressures.

The Capital Funds portion of the Annual Assessment (Replacement Reserve, New Machinery + Equipment and Development funds) has increased from roughly 42% in 2008 to 59% in 2023. This increase reflects the need to address aging and undersized amenities, some of which were built in the early 1970s.

The Association's 20-Year Capital Improvement Plan identifies and prioritizes major projects that will be funded by the Capital Funds. These investments address critical needs as the Association tackles mandatory ADA compliance, more stringent building code requirements, undersized and/or obsolete amenities and lack of functional space for staff and membership alike. Under California law, the Board has a responsibility to ensure that sufficient funding will be in place for these capital improvements.

From 2017 through 2021, Tahoe Donner transferred approximately \$5.5 million of annual Operating Fund surpluses to the Development and/or Replacement Reserve funds. These surpluses were generated almost exclusively from favorable weather (and excellent patronage) at our seasonal amenities. The transfers reduced the need to increase our Assessment in subsequent years.

Given the uncertain economic outlook for 2023, the Board elected to keep in reserve the 2021 Operating Fund surplus of approximately \$850,000. This decision was recommended by a majority of the Association's Finance Committee. The Board may act on this surplus in 2023 in accordance with the Association's Operating Fund policy, including covering any 2022 Operating Fund deficit or making transfers to our Capital Funds.

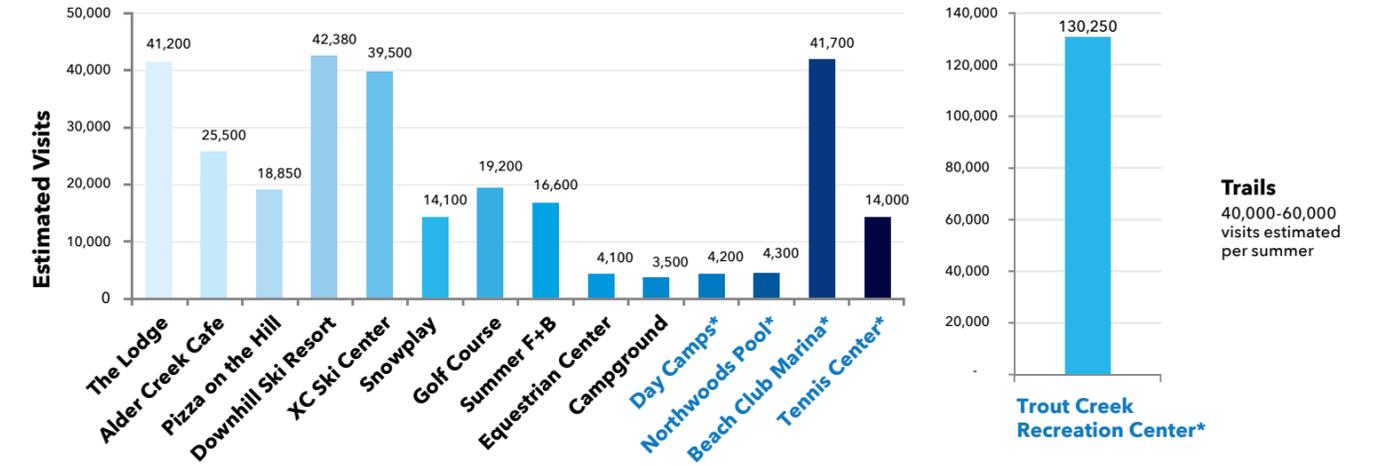
As you enjoy the unique amenities Tahoe Donner has to offer while skiing, hiking, swimming, dining and much more, we thank you for your support in upholding this Association's distinctive character.

Sincerely,

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

Stephen Mahoney
Board Treasurer

Visitation Tools That Help Generate Revenue Projections 2023 Estimated Amenity Visitation Metrics



TAHOE DONNER MEMBER BENEFITS

HOMEOWNERS ASSOCIATION SERVICES

Well-maintained facilities – 27 buildings

Maintenance of common areas, including trails, parks and open space

Administration, including accounting, member services and communication

Architectural review and property compliance

Covenants complaint management and compliance

Forestry management of open space and defensible space inspection program

Access to firewood rounds (\$50 per cord)

Free road-side green waste chipping program

Summer boat + RV storage (limited space, fee required)

AMENITIES

20% off coupons for Tahoe Donner restaurants in 2023 Annual Assessment

Access to private amenity restaurants, including Marco Polo Grill and Marina Grill*

Beach Club Marina access (private amenity)*

Beach Club Marina discounts for services

Lakeside kayak and SUP storage at Beach Club Marina (limited space, fee required)

Bikeworks discounts, including bike rentals, lessons and guided rides

Cross Country Ski Center discounts, including tickets, lessons and rentals

Downhill Ski Resort discounts, including tickets, lessons and rentals

Equestrian Center discounts, including horse boarding, pony rides and trail rides

Golf Course discounts, including tee times, lessons and rentals

Golf Course tee time reservation priority

Recreation program discounts

Snowplay sledding and tubing access*

Free or discounted admission to select Special Events

Summer Camps and programs reservation priority

Tahoe Donner Campground discounts

Tennis Center access (private amenity)*

Tennis and pickleball court reservation priority

Trout Creek Recreation Center access (private amenity)*

*Members with paid Recreation Fee have unlimited free access to these amenities. Members without a paid Recreation Fee pay a daily access fee of \$10 per access, which will increase to \$12 per access on May 1, 2023.

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 and addressing significant cost increases 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, such as the 2- and 4-person Recreation Fee options.

IN TOTAL, THE 2023 ASSESSMENT CONTRIBUTION TO OPERATIONS IS \$6,894,680 OR \$1,065 PER MEMBER-PROPERTY. THE 2023 AMOUNT REPRESENTS A \$119 INCREASE OVER 2022.

The total revenue requirement for a balanced 2023 Operating Fund budget is \$24,068,000. Operating revenues generated by users of \$17,173,000 fund 71% of the requirement (versus 72% in 2022). The necessary funding level for operations from the Annual Assessment is \$6,894,680, or 29%, of the requirement (versus 28% in 2022). This Assessment represents the shortfall of operating revenue versus operating costs in the Operating Fund budget. Refer to page 6 for budget summary by activity.

The revenue requirement to cover total operating costs represents an increase of \$2,400,000, or 12%, to the 2022 Budget with operating revenues (not including Assessment) up 10.3%, principally due to modest fee increases.

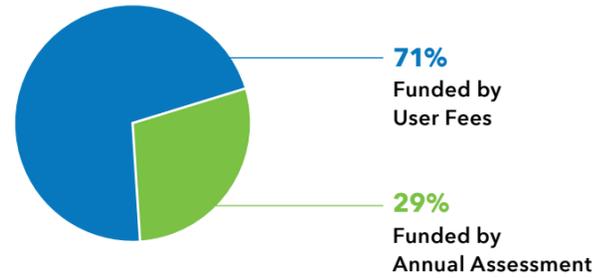
OPERATING REVENUE

Budget of \$17,173,000, excluding Assessment, has increased \$1,598,000, or 10.3%, from the 2022 Budget and represents an increase of \$1,084,000, or 6.7%, over the 2022 Forecast. Operating revenues are subject to significant volatility due to weather and snowpack, that can affect overall visitation and amenity usage. We are anticipating reduced Downhill Ski Resort revenues in December 2023 due to the planned construction of the Downhill Ski Lodge, mostly in Food + Beverage (F+B) and the Rental department. We are anticipating a 6% increase in revenues at Golf Course operations over 2022 Forecast, mostly due to increased budgeted visitation over the Memorial Day weekend and throughout June than what we saw in 2022. We are budgeting a modest 5% increase in revenue for 2023 F+B operations with a renewed focus on F+B events. We also look to further revenue opportunities with the remodeling of The Lodge Pavilion and Beach Club Marina. We welcome back a full complement of our international J-1 employees in 2023, which will see an anticipated 17% increase in Downhill Ski School revenues over 2022 Forecast.

(Continued on page 4)

Operating Fund Revenue Generated by Annual Assessment versus User Fees

Total Operating Fund = \$24,068,000



OPERATING PAYROLL

With a budget of \$15,669,000, this represents 64.1% of total operating costs and reflects an increase of 8.1% versus 2022 Forecast. A key element of any large-scale common interest development is 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. Minimum wage for 2023 is \$15.50 per hour; however, with the competitive nature of the labor market and the difficulty in attracting employees in the Tahoe region, the realized minimum wage is approximately 10% higher. Salaries and wages also include four currently unfilled positions that the Board and management kept budgeted for 2023. TDA saw a further 6.5% increase in medical insurance for 2023, of which the Association covers 90% of the premium for eligible employees. Driving the shortage of seasonal workers in the region is the low availability of seasonal housing options, which results in high monthly rental rates and overall cost of living.

OPERATING EXPENSE

A budget of \$7,196,000 represents 29.4% of our total operating costs and reflects a \$624,000 increase on 2022 Forecast. We have seen a significant increase in inflation over the past 12 months, which we believe will continue to place a further cost burden on TDA in 2023. The Association saw an increase of \$133,000, or 10%, (not including workers' compensation and net of any fees) to the comprehensive liability coverage carried annually. We have also continued to allocate considerable 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 \$1,595,000 represents 6.5% of our overall operating costs. Cost of goods sold (COGS) represents the wholesale cost of retail and F+B product and will increase and/or decrease proportionally with changes to sales of these goods. We continue to see cost pressure on our COGS due to increased fuel prices and distributional challenges of 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 to the right 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 three years and updated annually for the purpose of scheduling and analyzing the Association's funding needs. TDA's reserves consultant completed a comprehensive

3-year reserve study in 2022. **OVER 2,000 INDIVIDUAL ITEMS ARE TRACKED IN THIS PLAN, WITH A CURRENT REPLACEMENT VALUE OF APPROXIMATELY \$66,000,000.** Each item is evaluated by average useful life, present age, projected remaining useful life and estimated replacement cost.

REPLACEMENT RESERVE FUND ANALYSIS

TAHOE DONNER ASSOCIATION 2023 BUDGET	Total Estimated Current Replacement Cost	Allocation of Accumulated Funds (Dec. 31, 2022)	100% Funded Allocation (Dec. 31, 2022)
Administration	\$ 2,412,830	\$ 274,581	\$ 778,508
Alder Creek Cafe	164,989	39,023	110,640
Beach Club Marina	1,353,770	365,890	1,037,395
Bikeworks	69,000	13,861	39,300
Campground	480,838	117,175	332,221
Capital Projects	246,650	73,865	209,428
Chalet House (Employee Housing)	349,519	105,648	299,540
Cross Country Ski Center	3,611,906	792,640	2,247,342
Equestrian Center	903,679	184,013	521,726
Food Trailer - TD Eats	65,500	15,287	43,343
Forestry	2,452,948	492,533	1,396,460
General Maintenance	676,157	166,423	471,854
Golf Complex	1,000,753	192,008	544,394
Golf Course	13,902,324	2,295,722	6,508,974
Information Technology	2,320,989	523,612	1,484,578
Maintenance	3,558,028	950,459	2,694,799
Northwoods Pool Building	437,323	114,452	324,502
Northwoods Clubhouse	3,426,448	975,531	2,765,887
Pizza on the Hill	535,714	117,711	333,741
Recreation Hut	656,797	190,357	539,712
Downhill Ski Resort			
Mountain Operations	6,540,024	1,829,564	5,187,294
Lift Maintenance	4,088,183	922,411	2,615,275
Rental + Retail	1,123,173	267,264	757,764
Snowmaking	1,060,213	197,485	559,923
Top Shop	302,874	76,243	216,170
Winter Food + Beverage	502,812	172,656	489,525
Snowplay	148,730	42,030	119,165
Tennis Complex	2,146,266	606,885	1,720,678
The Lodge Restaurant & Pub	3,723,727	1,048,854	2,973,775
Trails	3,471,576	758,959	2,151,848
Trout Creek Rec Center Building	2,464,125	509,366	1,444,187
Trout Creek Rec Center Pool Area	1,468,357	345,992	980,971
TOTALS	\$ 65,666,222	\$ 14,778,500	\$ 41,900,919

Note: Projected accumulated funds at Dec. 31, 2022 equal approximately 35.27% of the 100% funded total based on the method of calculation in Section 1362.2.5(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.

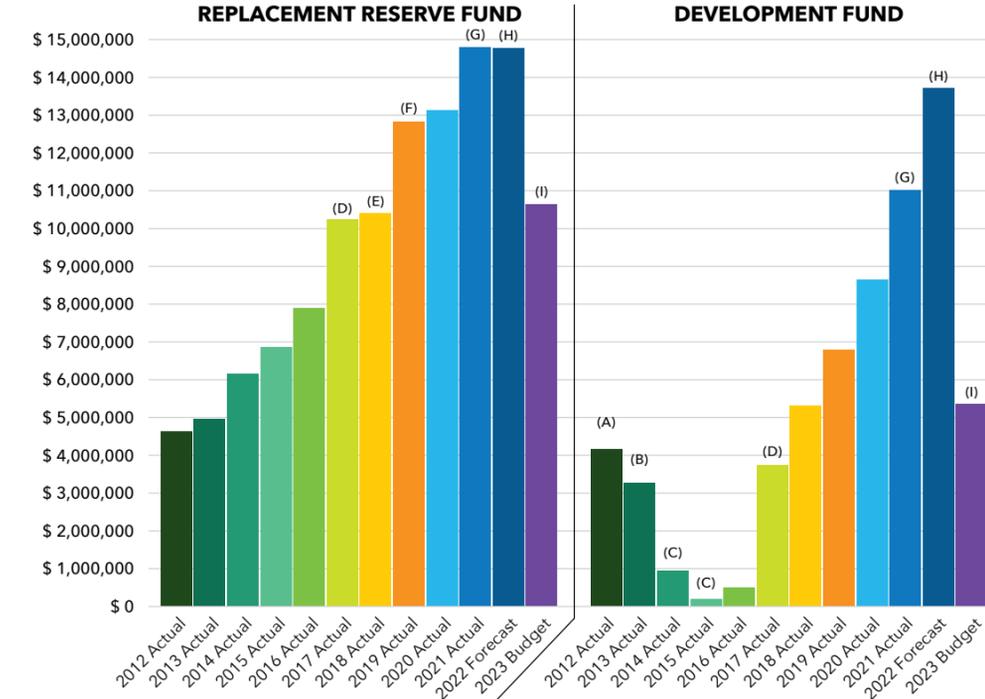
Reference Disclosure Summary on page 8 and Policy 2013-3 for further information.

REPLACEMENT RESERVE EXPENDITURES BUDGETED

The reserve plan schedules funding for replacement, repair and/or enhancement of the Association's existing capital investments.

ANY DIFFERENCES IN ASSESSMENT REVENUE DUE TO ROUNDING

Fund Balances Reserved for Future Capital Needs of the Association Members' Equity (as of Dec. 31)



- (A) Expenditures include the Euer Valley land purchase in 2012.
- (B) Expenditures include The Lodge Restaurant & Pub expansion in 2013.
- (C) Expenditures include the Alder Creek Adventure Center building construction in 2014 and 2015 and snowmaking in 2015.
- (D) 2017 balance includes Operating Fund transfers of \$1,500,000 to Replacement Reserve Fund (RRF) and \$1,800,000 to Development Fund.
- (E) 2018 balance includes Operating Fund transfers of \$500,000 to RRF. Expenditures include Snowbird Lift replacement.
- (F) 2019 balance includes Operating Fund transfers of \$1,000,000 to RRF.
- (G) 2021 expenditures include Cross Country snowmaking from the Development Fund, and shuttle buses and Trout Creek Rec Center parking lot improvements from the RRF.
- (H) 2022 investment includes professional services for the Downhill Ski Lodge and Cross Country snowmaking from the Development Fund. Grooming snowcats, Trout Creek fitness equipment and Tennis Center court repairs are several areas of investment funded by the Replacement Reserve Fund.
- (I) 2023 Development Fund investment includes anticipated Downhill Ski Lodge construction, a generator at The Lodge Restaurant & Pub and the commencement of the Workforce Housing Feasibility Study, while RRF investment includes Golf Course cart paths and Euer Valley Restoration.

The 2023 Budget capital investment and expenditures are \$9,900,000 for the RRF and \$13,000,000 for the Development Fund.

Each budgeted expenditure item over \$50,000 is subject to review and approval by the Board of Directors prior to expenditure.

In the year 2023, budgeted reserve project expenditures total \$9,857,000. Components scheduled for 2023 may not necessarily be expended, based on management and Board review, the availability of contractors and other contributing factors.

The 2023 Annual Assessment contribution to the Replacement Reserve Fund reflects a 2% increase on 2022. Historically, the Association increases the contribution by 4%. In order to provide overall Assessment cost relief to property owners, the Board approved the staff-proposed 2% increase. This totals \$5,598,886, or \$865 per member-property, which is an increase of \$17, or 2%, over 2022.

The following outlines notable 2023 Budget year planned expenditure items in excess of \$100,000:

DOWNHILL SKI LODGE, \$3,500,000: Expenditure in relation to the replacement of the Downhill Ski Lodge.

GOLF COURSE CART PATHS, \$865,000: Full repaving of the paths due to safety concerns, roots and overall damage. This will assist in keeping carts off the course fairways and rough areas.

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

MARINA DECK EXPANSION + SHADE STRUCTURES, \$127,000: Proposed project expands the existing limited deck onto the lawn area and better utilizes the space for member enjoyment.

SOUTH EUER VALLEY ROAD, \$125,000: The road is in 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 as trail connectivity in summer.

GOLF COURSE RESTROOMS, \$100,000: The three restrooms were constructed in 1992 and are due for a remodel and plumbing upgrades in 2023.

DEVELOPMENT FUND

The Development Fund was established as authorized in governing documents to accumulate funds for large-scale projects identified as necessary due to the new capacity requirements or changing needs of the Association. In order to facilitate the future use of Development Fund Assessments toward the funding of large-scale

projects, each year projects are identified as eligible for such future funding. Projects designated as eligible, though not approved, to receive funding from future Assessment contributions include building replacements, amenity expansions and additions, and recreational land and infrastructure improvements.

The 2023 Annual Assessment contribution to the Development Fund totals \$4,492,262, or \$694, per member-property, an increase of \$139, or 25%, over 2022.

Tahoe Donner's 50th anniversary in 2021 was a clear reminder that facilities built around our opening in 1971, such as the Downhill Ski Lodge, Northwoods Clubhouse and Tennis Center, are nearing the end of their useful lives, have a myriad of issues impacting services offered and need to be addressed. The Board has a responsibility under California law to ensure that there are funding sources for these projects. Given the lack of funding contributed to the Development Fund in the past, the Board approved the staff-recommended 25% increase in 2022 and again for the 2023 Budget. The forecast fund balance ending in 2023 is \$5,359,000, after approximately \$11,218,000 has been invested in the planned Downhill Ski Lodge.

Projects scheduled for 2023 may not necessarily be expended, based on management review/approval by the Board.

The following outlines notable 2023 Budget-year planned expenditure items in excess of \$50,000:

DOWNHILL SKI LODGE REPLACEMENT, \$11,218,000: Demolition and construction costs in relation to the replacement of the Downhill Ski Lodge.

THE LODGE GENERATOR, \$278,000: To address future power outages due to heavy winds, snowfall and summer fire prevention protocols, an outdoor generator is deemed essential for the Association, which will allow The Lodge Restaurant & Pub to be used as emergency shelter for members.

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.

WORKFORCE HOUSING FEASIBILITY STUDY/PROJECT, \$75,000: Investments in workforce housing help to resolve a major issue for the Association in attracting and retaining seasonal employees. First year of a multi-year study.

2023 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	\$1,935,261	-\$1,931,465	\$3,796	-\$528,912	-\$525,116
Beach Club Marina	\$762,577	-\$530,244	\$232,333	-\$145,942	\$86,391
Tennis Center	\$456,173	-\$406,751	\$49,422	-\$145,910	-\$96,488
TOTAL PRIVATE AMENITIES	\$3,154,011	-\$2,868,460	\$285,551	-\$820,764	-\$535,213
PUBLIC AMENITIES					
Downhill Ski Resort	\$5,242,676	-\$3,768,751	\$1,473,925	-\$977,359	\$496,566
Cross Country Ski Center	\$2,073,128	-\$1,204,579	\$868,549	-\$384,250	\$484,299
Snowplay Sledding and Tubing	\$300,928	-\$178,147	\$122,781	-\$13,337	\$109,444
Equestrian Center	\$157,400	-\$296,507	-\$139,107	-\$69,579	-\$208,686
Campground	\$118,750	-\$99,731	\$19,019	-\$33,277	-\$14,258
Trails	\$0	-\$263,813	-\$263,813	-\$248,291	-\$512,104
Bikeworks	\$173,400	-\$161,530	\$11,870	-\$24,422	-\$12,552
Golf Course	\$1,611,663	-\$1,822,976	-\$211,313	-\$935,955	-\$1,147,268
Alder Creek Cafe	\$361,890	-\$407,249	-\$45,359	-\$12,268	-\$57,627
The Lodge Restaurant & Pub and Summer F+B	\$2,378,117	-\$3,035,186	-\$657,069	-\$221,991	-\$879,060
Pizza on the Hill	\$535,280	-\$637,903	-\$102,623	-\$44,044	-\$146,667
TOTAL PUBLIC AMENITIES	\$12,953,232	-\$11,876,372	\$1,076,860	-\$2,964,773	-\$1,887,913
TOTAL AMENITIES	\$16,107,243	-\$14,744,832	\$1,362,411	-\$3,785,537	-\$2,423,126

HOMEOWNERS ASSOCIATION OPERATIONS

General HOA	\$0	-\$880,725	-\$880,725	\$0	-\$880,725
Architectural Standards Office	\$349,050	-\$602,432	-\$253,382	\$0	-\$253,382
Forestry and Defensible/Open Space	\$293,000	-\$1,494,728	-\$1,201,728	-\$281,133	-\$1,482,861
TOTAL HOA OPERATIONS	\$642,050	-\$2,977,885	-\$2,335,835	-\$281,133	-\$2,616,968

AMENITY + HOMEOWNERS ASSOCIATION SUPPORT SERVICES

Communications	\$243,800	-\$862,832	-\$619,032	-\$530,211	-\$1,149,243
Facility Administration and Risk Management	\$0	-\$982,785	-\$982,785	\$0	-\$982,785
Administration	\$150,740	-\$1,298,025	-\$1,147,267	\$0	-\$1,147,267
Information Technology	\$0	-\$851,324	-\$851,324	-\$683,527	-\$1,534,851
Accounting and Finance	\$0	-\$1,067,238	-\$1,067,238	\$0	-\$1,067,238
Human Resources	\$0	-\$539,670	-\$539,670	\$0	-\$539,670
Member Services	\$28,994	-\$394,569	-\$365,575	\$0	-\$365,575
Maintenance	\$0	-\$740,264	-\$740,264	-\$318,478	-\$1,058,742
TOTAL SUPPORT SERVICES	\$423,534	-\$6,736,707	-\$6,313,155	-\$1,532,216	-\$7,845,371
Expenses Allocated to Capital Funds	\$0	\$391,899	\$391,899	\$0	\$391,899
TOTAL OPERATING FUND	\$17,172,827	-\$24,067,525	-\$6,894,680	-\$5,598,886	-\$12,493,566

Capital Charge (CC) is the Replacement Reserve Fund Assessment contribution amount only.

2023 BUDGET SUMMARY – BY FUND

Number of Properties = 6,473

	2023 Budget	\$ per Property
OPERATING FUND		
Beginning Balance, Start of Year	\$ 3,485,000	\$ 538
Assessment Contribution	6,894,680 (A1)	1,065
Net Operating Results	- 6,894,680	-1,065
Operating Fund, Year-End Balance	\$ 3,485,000	\$ 538

REPLACEMENT RESERVE FUND

Beginning Balance, Start of Year	\$ 14,778,500	\$ 2,283
Assessment Contribution	5,598,886 (A2)	865
Interest Income	116,376	18
Salvage Receipts	46,925	7
Income Tax and Other Expenses	-45,800	-7
Payroll Costs	-215,000	-33
Capital Investment	-7,684,565	-1,187
Major Repairs, Maintenance and Lease Expenses	-1,957,298	-302
Replacement Reserve Fund, Year-End Balance	\$ 10,638,024	\$ 1,643

NEW MACHINERY + EQUIPMENT FUND

Beginning Balance, Start of Year	\$ 291,126	\$ 45
Assessment Contribution	-	-
Interest Income	220	0
Capital Investment	-121,000	-19
New Machinery + Equipment Fund, Year-End Balance	\$ 170,346	\$ 26

DEVELOPMENT FUND

Beginning Balance, Start of Year	\$ 13,728,187	\$ 2,121
Assessment Contribution	4,492,262 (A3)	694
Interest Income	136,000	21
Income Tax and Other Expenses	-18,000	-3
Payroll Costs	-170,000	-26
Capital Investment	-12,809,941	-1,979
Development Fund, Year-End Balance	\$ 5,358,508	\$ 828

Combined CAPITAL FUNDS ACTIVITY

Expenditures for Capital Additions	\$ -20,615,506	\$ -3,185
Major Repairs, Maintenance and Lease Expenses	-1,957,298	-302
Combined CAPITAL FUNDS ACTIVITY – Total	\$ -22,572,804	\$ -3,487

2023 ANNUAL ASSESSMENT RECAP

Operating Fund	\$ 6,894,680 (A1)	\$ 1,065	41%
Capital Funds			
Replacement Reserve Fund	5,598,886 (A2)	865	33%
Development Fund	4,492,262 (A3)	694	26%
Capital Funds, Subtotal	\$ 10,091,148	\$ 1,559	59%
Annual Assessment – Total	\$ 16,985,828	\$ 2,624	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 \$20,616,000 and estimated depreciation expense of \$4,105,000.

ASSESSMENT AND REPLACEMENT RESERVE FUNDING DISCLOSURE SUMMARY

(CA CIVIL CODE SECTION 5570)

The 2023 regular Annual Assessment per ownership interest is \$2,624. The updated 30-year funding and expenditure plan, utilizing a 3.5% annual inflation of repair and replacement costs, requires a contribution to the Replacement Reserve Fund (RRF) of \$865 per property for 2023 – an increase of \$17, or 2%, over 2022, according to the funding plan. This amounts to a 2023 contribution to the RRF of \$5,599,000. 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). The Board approved a 2% increase to the RRF for 2023 as recommended by staff; this will see a projected fund balance at the end of 2023 of \$10,638,000.

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.

Based on the method of calculation in paragraph four of subdivision (b) of CA Civil Code Section 5570, the estimated amount required in the RRF at the end of the current fiscal year is \$41,900,919*, based in whole or in part on the most recently completed reserve study in 2022, prepared by management and Hughes Reserves and Asset Management, Inc. as of October 2022. The projected RRF cash balance at the end of the current fiscal year is \$14,778,500, resulting in reserves being 35.3% funded at this date.

* 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 four of subdivision (b) of Section 5570 of the Civil Code, the estimated amount required in the RRF at the end of each of the next five budget years is \$41,900,000 in 2023, \$38,800,000 in 2024, \$40,700,000 in 2025, \$42,700,000 in 2026 and \$46,400,000 in 2027. The projected RRF cash balance in each of those years, assuming a planned 2% increase to the RRF portion of the Annual Assessment in 2023 and 4% in subsequent years, is \$10,600,000 in 2023, \$10,000,000 in 2024, \$10,500,000 in 2025, \$13,100,000 in 2026 and \$13,200,000 in 2027, leaving the reserve at 28.2% funded in 2027.

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 a conservative 1% per year, and the assumed long-term inflation rate to be applied to major component repair and replacement costs was 3.5% per year.

NEW MACHINERY + EQUIPMENT FUND

The New Machinery + Equipment Fund is used to acquire new items identified as necessary to be more efficient in operations or to provide new services to the membership. The 2023 Assessment contribution to the fund totals \$0, or \$0 per property owner. The decision was made to not contribute to this fund for 2023. The fund is projected to have a 2023 year-end balance of \$170,000 after budgeted expenditures including commercial umbrellas at The Lodge Pavilion and an attachment for the golf tractor. Fund expenditures may arise in 2023 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 Regular Assessment is due at the beginning of each fiscal year on Jan. 1, and becomes delinquent on March 3 of the same fiscal year. Special and Special Individual Assessments (Architectural Standards, Covenants and Forestry Assessments, Fines and Inspection Fees) are due 30 days after invoicing and delinquent 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 and 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, 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's 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 and 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, 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's 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 or electronic payments via the Member Portal in eUnify) 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 Jan. 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 Jan. 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's fees, interest and costs of collection are less than \$1,800. For delinquent Assessments or dues in excess of \$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's 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/INLAND MARINE/BOILER INSURANCE POLICIES:

Granite State Insurance Co.: Property Limit - \$86,512,960; Deductible - \$100,000 per occurrence for buildings, contents, lifts, moveable equipment etc. Granite State Insurance Co.: Inland Marine Limit - \$9,788,539; Deductible - \$100,000 per occurrence. Granite State Insurance Co.: Boiler Limit - \$48,361,834; Deductibles - \$100,000 minimum for compressors, motors, pumps, equipment generating electricity and property damage

GENERAL LIABILITY POLICIES: Granite State Insurance Co.: Limit - \$1,000,000; General Aggregate - \$2,000,000 per occurrence; Deductible - \$15,000 per occurrence, \$75,000 aggregate

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: Limit - \$5,000,000; Marke American: Limit - \$10,000,000; Starstone: Limit - \$10,000,000; Westfield: Limit - \$10,000,000; Liberty: Limit - \$10,000,000

CRIME POLICIES: Granite State Insurance Co.; Limit - \$500,000; Deductible - \$5,000 per occurrence; Additional excess crime coverage: Travelers: Limit - \$5,000,000, Granite American Insurance Co., Limit - \$20,000,000

EARTHQUAKE AND FLOOD INSURANCE POLICIES: Granite State Insurance Co; Limit - \$3,000,000 per occurrence; Earthquake Aggregate - \$3,000,000; Deductible - \$100,000; Flood Deductible - \$50,000

POLLUTION POLICIES: Beazley: Limit - \$1,000,000 per occurrence; General Aggregate - \$2,000,000; Deductible - \$25,000

TERRORISM/SABOTAGE/ACTIVE SHOOTER POLICIES: Lloyds: \$88,512,960 terrorism/sabotage limits; \$1,000,000 per occurrence for active shooter/malicious acts limits; Deductible - \$5,000

DIRECTORS AND OFFICERS LIABILITY INSURANCE POLICIES: 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; RSUI: Limit - \$5,000,000; Houston Specialty: Limit - \$5,000,000

BUSINESS AUTOMOBILE POLICIES: 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

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.

PHOTO CREDITS:

Cover - Vera Fuad, submitted for the 2022 Tahoe Donner Photo Contest, shows a walk along the Nature Loop after the massive Dec. 2021 snowfall.

Page 7 - Gary Welch, submitted for the 2022 Tahoe Donner Photo Contest, shows pine cones on the fairway of Hole 7 at the Tahoe Donner Golf Course.

Page 11 - Ethan Parker, submitted for the 2020 Tahoe Donner Photo Contest, shows a late September sunset on the Tahoe Donner trails.

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 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

Rules and Fines, refer to 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.

2023 BUDGET SUMMARY

\$2,624
ANNUAL
ASSESSMENT

PER OWNER PROPERTY
(DUE JAN. 1, 2023)

VERSUS 2022 - AN INCREASE OF \$275 (\$22.92 PER MONTH)

- + \$188 Salary and wage increases, 4% merit increase (not guaranteed), budgeting for all positions and full operations, including increased J-1 staffing in Downhill Ski School
- + \$139 Increase Development Fund contribution to address the changing needs of the members and address aging facilities needs
- + \$49 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
- + \$21 Liability insurance policy increases due to industry losses
- + \$17 Increase Replacement Reserve Fund contribution in alignment with funding plan to ensure adequate funding
- + \$16 Increase in workers' compensation premium
- \$90 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
- \$84 Increase in revenue at the Downhill Ski Resort, driven by additional J-1 staffing at the ski school and modest increases in overall pricing and user fees
- \$34 Receipt of grants for Forestry Department
- \$29 Expanded revenue opportunities at The Lodge Restaurant & Pub Pavilion and the Marina Grill at the Beach Club Marina
- \$15 Continued momentum within Golf Course operations and associated revenues
- \$15 ASO fees increases
- \$9 Increase in revenue from Recreation Fee to help cover private amenity costs
- \$9 Increase in revenue in employee housing due to increased recruitment of summer and winter J-1 employees
- \$145 Other increases in revenue and expense savings

= + \$275 TOTAL CHANGE IN ANNUAL ASSESSMENT

RECREATION FEE OPTIONS + PRIVATE AMENITY DAILY ACCESS FEES

EFFECTIVE MAY 1, 2023

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

The Recreation Fee has been reconfigured this year to provide more pricing alternatives for different-sized households.

UP TO 2 PEOPLE
\$295

UP TO 4 PEOPLE
\$460

Additional members 5-8: \$165 per member

PRIVATE AMENITY DAILY ACCESS FEES

Member without paid Recreation Fee:
\$12, an increase of \$2 from 2022

Guest with Member:
\$17, an increase of \$5 from 2022

Guest on Guest Card without Member:
\$20, an increase of \$3 from 2022

FACTS + FIGURES ABOUT YOUR ASSOCIATION

ESTIMATES AS OF NOV. 2022; SUBJECT TO CHANGE

- 6,473 Member Property Owners
- 25,000 Members
- Established in 1971
- 90% Built-Out
- Owned and Managed by the Property Owners
- \$34,200,000 Budget for 2023
- \$84,600,000 in Total Assets
- 7,000 Acres
- 27 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)
- \$4.35 Billion Estimated Tahoe Donner Community Real Estate Value

PAY YOUR ANNUAL ASSESSMENT ONLINE

Quickly and easily pay your 2023 Annual Assessment and the 2023/24 Recreation Fee online via the Tahoe Donner member portal.

For step-by-step instructions, visit tahoedonner.com/online-annual-assessment.

[TAHOEDONNER.COM/MEMBER-PORTAL](https://tahoedonner.com/member-portal)