

Tahoe Donner Association

Treasurer's Report for September 30, 2022

November 10, 2022



Introduction

- This presentation is a brief update on the status of the Tahoe Donner Association (“TDA”, or the “Association”) cash and investment portfolio as of September 30, 2022.
- The purpose of the Association’s investment portfolio is to provide funds to support (i) current operations, and (ii) the Association’s longer-term needs for renovation, replacement, improvement and expansion of TDA amenities and physical plant.

Summary

- The TDA cash and investment portfolio as of September 30, 2022 is:
 - Comprised of very liquid, easily accessible investments;
 - Invested across a variety of conservative instruments including US Treasuries, money market funds, highly-rated US corporate and municipal bonds, and cash deposits at local banks; and
 - Fully compliant with the TDA Investment Policy.

- Overall, your Association is in very strong financial condition. Since the last report, we have
 - Extended maturities given the rising rate environment;
 - Increased investment returns; and
 - Maintained our high credit quality focus.

Portfolio Structure

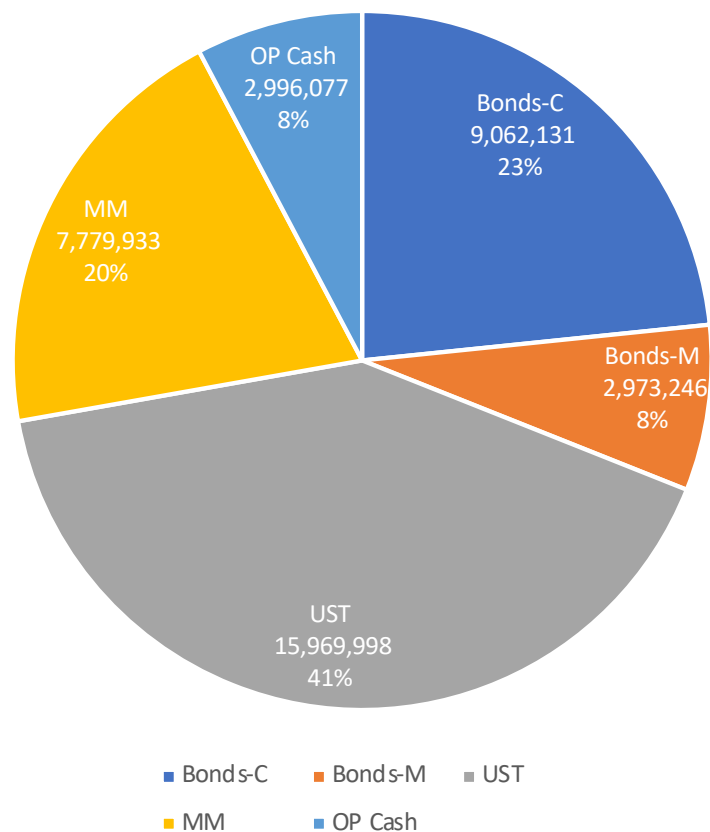
- The Operating Fund accounts for the annual revenue and expense activities of the Association.
- Three other funds, collectively referred to as our Capital Funds, support the Association’s longer-term needs for maintenance, refurbishment and replacement of our physical infrastructure.

Fund \$ (000s)	09/30/2022	%	06/30/2022	%	12/31/2021	%
Operating	\$2,913.6	7.5	\$2,803.8	6.7	\$4,099.5	11.6
Replacement Reserve	18,362.7	47.3	18,396.1	44.1	15,752.9	44.4
Development	14,161.3	36.5	14,132.9	33.9	10,616.9	29.9
New M & E	347.7	0.9	346.6	0.8	315.8	0.9
General Operating Cash	2,996.1	7.7	6,035.7	14.5	4,707.3	13.3
Total Operating & Capital Funds	\$38,781.4	100	\$41,715.2	100	\$35,492.4	100

Asset Allocation and Credit Quality

- The TDA investment portfolio continues to be invested in extremely safe, highly liquid instruments.
- Approximately 44.6% of the portfolio (not including operating cash at banks) is invested in US Treasury securities.
- Another 33.6% of the portfolio is invested in US corporate or municipal debt.
- 100% of our bond portfolio has at least one credit rating of A- or higher

09/30/22 Asset Value by Class



Maturity Profile

- Market interest rates declined sharply in 2020 and 2021 as a result of the COVID-19 pandemic. The average term to maturity of the TDA portfolio declined during 2020 and 2021, too. We elected to rollover maturing investments into short-dated, money market funds as a liquidity hedge against the pandemic's impact on our operations and because we were poorly compensated to invest longer term.
- In early 2022 we positioned the portfolio to take advantage of expected higher rates and the opportunity to extend maturities to generate better investment returns. At 9/30/2022, approximately 93% of the portfolio had a maturity date of less than one year.
- More recently, market interest rates have increased sharply as a result of Federal Reserve Bank tightening. The yield on 13-week US T-Bills has increased nearly 4.00% this year.
- In the past 60 days we have invested approximately \$10.45MM (about 30% of our portfolio net of operating cash) into Treasury Bills with a weighted average maturity of 7 months. We will continue to look for opportunities to generate greater income while remaining compliant with our conservative investment policy.

Investment Returns

- Overall fixed income market returns were severely depressed in 2020 and 2021. For example, the pandemic “flight to quality” effect drove the 13-week US Treasury Bill yield from 1.27% on February 28, 2020, to 0.03% as of December 31, 2021.
- Market interest rates began to move higher earlier this year due to Federal Reserve tightening. The yield on the 13-week Treasury Bill was 3.18% on 9/30/22 (and is 4.05% on 11/10/22).
- TDA’s investment income in the nine months ended 9/30/22 was \$207,187, or approximately 61% higher than last year. The annualized return on the average portfolio value (net of operating cash) was 0.83%.
- The overall portfolio return will increase significantly as we transition maturing investments into higher yielding instruments. For example, the weighted average yield on the \$10.45MM of Treasury Bill investments made in mid-September to mid-October was approximately 3.7%.

Issues and Opportunities

- Evaluate opportunities to lengthen the investment portfolio's weighted average maturity (assuming market conditions allow) to drive higher income, while maintaining our strong focus on credit quality;
- Maintain a conservative budget position given uncertainty about the 2023 economy, persistently high current inflation levels, ongoing COVID-19 impacts to our business units, and our reliance on favorable December weather to meet the 2022 Operating Fund budget.
(Note: On 10/28/22, the TDA Board elected to keep in reserve the 2021 Operating Fund surplus of circa \$850,000 pending greater clarity on the issues noted above.)
- Accelerate long overdue planning for a Building Replacement Fund to address currently unfunded renovation/replacement capital needs required over the next five to twenty years. This includes ageing, not fit for purpose buildings including the Northwoods Clubhouse, Tennis Center, etc. Do so while responsibly managing the growth rate of the the Annual Assessment.