

Tahoe Donner Association

Treasurer's Report for December 31, 2022



February 24, 2023

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 December 31, 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 December 31, 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 banks; and
 - Fully compliant with the TDA Investment Policy.

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

- Our capital funds (Replacement Reserve and Development Funds) stand at the highest levels in the Association's history; we are well prepared for renewal of our ageing amenities.

Portfolio Structure

- The Operating Fund accounts for the regular 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.

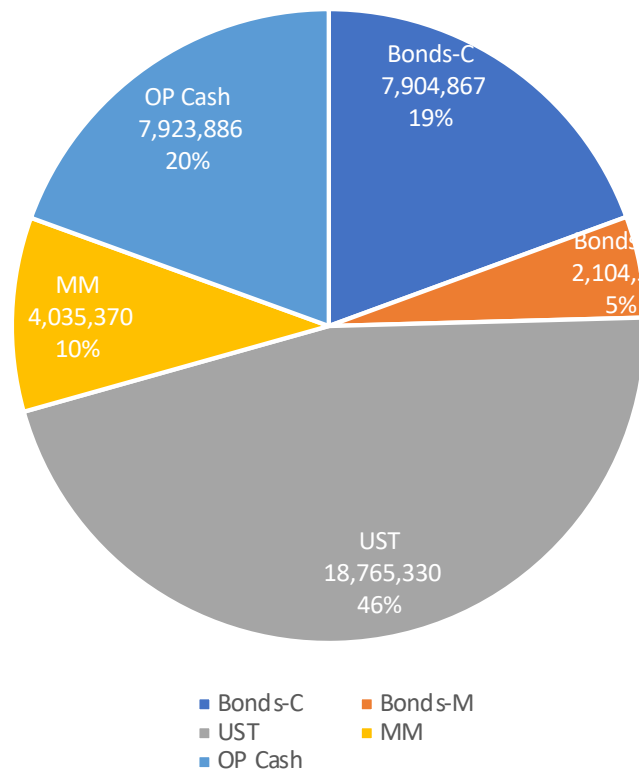
Fund \$ (000s)	12/31/22	%	9/30/22	%	6/30/22	%	12/31/21	%
Operating	\$ 2,916	7.2	\$2,914	7.5	\$2,804	6.7	\$4,100	11.6
Replacement Reserve	\$ 16,909	41.5	\$18,363	47.3	\$18,396	44.1	\$15,753	44.4
Development	\$ 12,715	31.2	\$14,161	36.5	\$14,133	33.9	\$10,617	29.9
New M & E	\$ 267	0.7	\$348	0.9	\$347	0.8	\$316	0.9
General Operating Cash	\$ 7,924	19.5	\$2,996	7.7	\$6,036	14.5	\$4,707	13.3
Total Operating & Capital Funds	\$ 40,734	100	\$38,781	100	\$41,715	100	\$35,492	100

May not add correctly due to rounding

Asset Allocation and Credit Quality

12/31/2022 Asset Value by Class

- The TDA investment portfolio continues to be invested in extremely safe, highly liquid instruments.
- Approximately 46% of the portfolio is invested in US Treasury securities.
- Another 24% 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



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 shifted to shorter-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.
- Throughout 2022 and into 2023 market interest rates increased sharply due to Federal Reserve Bank tightening. For example, the yield on 13-week US T-Bills has increased nearly 4.50% over the past 12 months.
- Consequently, we gradually moved funds out of shorter-dated (overnight) money market funds into longer dated Treasury Bills. The weighted average life of the portfolio (net of operating cash) at 12/31/22 is approximately 6 months.
- From October through the end of January 2023, we invested approximately \$15.0 Million (about 46% of our portfolio net of operating cash) into Treasury Bills with a weighted average maturity of 5.5 months and a weighted average yield of 4.45%.

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 in 2022 due to Federal Reserve tightening. The yield on the 13-week Treasury Bill was 3.18% on 9/30/22 (and is 4.79% on 2/19/23).
- TDA’s investment income in the twelve months ended 12/31/22 was \$315,585, or 78% higher than last year. The annualized return on the average portfolio value (net of operating cash) was 1.0% (compared to 0.83% for the nine months ended September 2022).
- The overall portfolio return will increase as we transition maturing investments into higher yielding instruments. We will continue to look for opportunities to generate greater income while remaining compliant with our conservative investment policy.

Issues and Opportunities

- Evaluate opportunities to lengthen the investment portfolio's weighted average maturity to drive higher income, while maintaining our strong focus on credit quality;
- Maintain a conservative budget posture given (i) uncertainty about the 2023 economy, (ii) persistently high current inflation levels, (iii) ongoing COVID-19 impacts to our business units, and (iv) our reliance on favorable weather to meet the 2023 Operating Fund budget.
- Complete planning for, and start construction on, the replacement to our 50-year-old ski lodge while carefully managing members' money along the way.
- Accelerate long overdue planning for a Building Replacement Fund to address known but currently unfunded renovation/replacement capital needs required over the next five to twenty years. Better planning now will allow us to replace ageing amenities while responsibly managing the growth rate of the the Annual Assessment.