

**TAHOE DONNER ASSOCIATION
BOARD OF DIRECTORS
ADMINISTRATIVE RESOLUTION 2023-##
OPERATING FUND POLICY**

WHEREAS, the Tahoe Donner Association Board of Directors is responsible for the establishment of the annual regular assessment based upon preparation of an annual budget that estimates “the total amount required to fund ... anticipated Common Expenses for the next fiscal year;”¹

WHEREAS, Common Expenses are defined to include “all expenses or charges incurred by or on behalf of the Association for the management ... administration, insurance, [and] operation ... of the Common Area, Common Facilities, or Other Association Real Property;”²

WHEREAS, the intent of the annual regular assessment includes promoting “the recreation, health, safety and welfare of the Owners and other residents within the Properties,” and promoting “the enjoyment and use of the Properties by the Owners and their families, tenants and guests;”³

WHEREAS, Tahoe Donner Association shall establish and maintain an “operating account”, commonly referred to as the Operating Fund, and will deposit the operating portion of all regular and special assessments in accordance with its governing documents⁴ ; and,

WHEREAS, the following constitutes the Operating Fund Policy of Tahoe Donner Association and supersedes Resolution 2018-4 and all previously approved Operating Fund Policies;

NOW THEREFORE, BE IT RESOLVED, that the Board of Directors of Tahoe Donner Association approves and adopts the following Operating Fund Policy:

PURPOSE

The Operating Fund is established in accordance with the Association’s Governing Documents as an operating account for the revenue and expense activities of the Association’s operational Common Expenses, including its general, administrative, service, and facility departments. The Operating Fund is used for all non-capital expenses essential to the Association’s operation.

¹ First Restated Declaration of Covenants and Restrictions of Tahoe Donner, Article IV, Section 2(a)

² First Restated Declaration of Covenants and Restrictions of Tahoe Donner, Article I, Section 9

³ First Restated Declaration of Covenants and Restrictions of Tahoe Donner, Article IV, Section 6

⁴ Restated Bylaws of Tahoe Donner Association, Article XII, Section 3

Funds for capital expenditures are held in the Replacement Reserve Fund⁵, the Development Fund⁶, and the New Equipment Fund⁷ according to their individual policies.

RESPONSIBILITY & AUTHORITY

The Board of Directors and the General Manager, to the extent authorized by the Board of Directors, will have the full authority and responsibility to administer the Operating Fund in accordance with the terms and provisions contained in the Operating Fund Policy.

The Board shall exercise prudent fiscal management in maintaining the integrity of the Operating Fund, and in adopting and maintaining operating revenue and expenditure plans. The Board of Directors has the authority to allow for specific exceptions to the stated parameters or restrictions, except those mandated by statute or those limited by the Governing Documents.

Operating Fund budgets are developed by Staff for all operational departments. The Finance Committee, at the direction of the Board, will assist in the budget development process.

Detailed budgets are reviewed and approved by the Board of Directors each year in accordance with the Association's Financial Planning, Budgeting, and Reporting Procedures.⁸

FUND PRINCIPLES

Each year, the Association shall develop an Operating Fund budget that it considers realistic and responsible. The Operating Fund budget shall be developed according to the following principles:

- Promote member use and enjoyment of the Common Facilities, while also including reasonable and realistic revenue contributions from member facility access fees and annual Recreation Pass purchases;
- Ensure member priority at the Common Facilities, and strive for consistent access fee pricing scales favoring members over non-members;
- Include member access fee and annual Recreation Pass rates that reflect the fact that members typically pay for the capital and replacement costs of maintaining the Common Facilities, including their equipment and furnishings;
- Ensure consistent service levels;
- Provide for competitive employee compensation in line with market conditions;

⁵ Resolution 2019-1, Replacement Reserve Fund Policy, and subsequent revisions, if any.

⁶ Administrative Resolution 2017-3, Development Fund Policy, and subsequent revisions, if any.

⁷ Administrative Resolution 2017-4, New Equipment Fund Policy, and subsequent revisions, if any.

⁸ General Resolution 2014-1, Financial Planning, Budgeting, and Reporting, and subsequent revisions, if any

- Mitigate exposure to revenue and/or cost pressure risk related to weather, economic conditions, and variable revenue and operating expenses;
- Provide for the Association’s general, administrative, service, and facility operational needs⁹;
- Provide for any shortfall between the Association’s Common Expenses and projected income from sources other than the annual regular assessment¹⁰;
- When developing Operating Fund budget income targets for revenue sources other than the annual regular assessment, include an amount of public, i.e. non-member, patronage at the Association’s publicly accessible facilities that will not overburden those facilities or otherwise materially impair or deter member use and enjoyment.
- As provisional guidance absent realistic and reasonable cost recovery targets for each facility and facility access fee schedules, Operating Fund budget reliance on user fees should not normally exceed 70%.

COST RECOVERY TARGETS

This policy recommends that, within 3 years of this policy’s adoption, staff develop realistic and reasonable cost recovery targets for each facility and facility access fee schedule that are consistent with the Fund Principles contained in the Operating Fund Policy.

OPERATING FUND CONTINGENCY RESERVE (OFCR)

In accordance with the fund principles, the Association shall maintain a certain level of Members Equity to be held as an Operating Fund Contingency Reserve (OFCR) in the Operating Fund.

The OFCR is designed to cover unanticipated shortfalls in the operating budget, and intended to ensure that Management can meet short-term working capital requirements, while at the same time requiring Management to take rapid steps to mitigate any substantial shortfalls in the actual operations versus budget.

The OFCR balance in the Operating Fund shall be no less than \$750,000 and up to 10% of the current year’s gross Operating Revenue Budget, at the discretion of the Board. At the end of each fiscal year, Management will review the Operating Fund to ensure that the year-end closing balance meets the minimum OFCR requirements in accordance with this Policy.

To the extent that the Operating Fund forecasted year-end closing balance is less than the minimum required OFCR balance, this shortfall must be replenished through the Annual Assessment for the following fiscal year.

⁹ First Restated Declaration of Covenants and Restrictions of Tahoe Donner, Article IV, Section 2(b)

¹⁰ First Restated Declaration of Covenants and Restrictions of Tahoe Donner, Article IV, Section 2(b)

If, in any given period, the operating shortfall in funds exceeds the balance in the OFCR, the Board of Directors may authorize Management to borrow from the Development Fund or from the Replacement Reserve Fund to meet such shortfalls, but this borrowing must be repaid within the following fiscal year.¹¹

The Board of Directors shall review the amount of the minimum and maximum OFCR balance annually during the budget process to ensure that the estimated operating fund balance will continue to be adequate for the needs specified above.

OPERATING FUND SURPLUSES

When surpluses occur in the Operating Fund at the end of the fiscal year, amounts in excess of the minimum OFCR balance may be transferred to the Development Fund, Replacement Reserve Fund, or the New Equipment Fund at the discretion of the Board of Directors.

FUNDING

As determined during the annual budgeting process, the annual regular assessment contribution to the Operating Fund shall be sufficient to provide for the Association's operational common expenses (including the OFCR), consistent with this policy and the Association's Governing Documents.¹²

EXPENDITURES

Appropriate expenditures from the Operating Fund include expenses for operating the Association in accordance with Board approved expenditure authorizations.¹³

REPORTING

A summary of the results of the Association's annual operating budget, along with the funding level being assessed for the Operating Fund, will be reported to Association Members as part of the Association's Annual Budget Report. Furthermore, the accounting of the Association's actual operations in each fiscal year will be reported to Association Members as part of the Association's year-end Annual Report as required by the Governing Documents.¹⁴

¹¹ Resolution 2019-1, Replacement Reserve Fund Policy, and subsequent revisions, if any; California Civil Code §1365.5, or applicable successor statute.

¹² First Restated Declaration of Covenants and Restrictions of Tahoe Donner, Article IV, Section 2(b)

¹³ Corporate Resolution 2012-2, Resolution Regarding Budget Authority, and subsequent revisions, if any.

¹⁴ Restated Bylaws of Tahoe Donner Association, Article XII, Section 5, Budgets and Financial Statements

APPROVAL

Approval of the Operating Fund Policy and any changes, amendments, or modifications thereafter, may only be accomplished at a properly noticed meeting of the Board, after a full reading of the policy in open session, with reasonable time allowed for property owner comment.

ACCEPTED AND DATED: MONTH ##, 2023

DRAFT