

Tahoe Donner Association

Treasurer's Report for First Quarter 2023



May 26, 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 March 31, 2023.
- 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 March 31, 2023, continues to be:
 - 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 extend maturities given the rising rate environment;
 - Increased investment returns; and
 - Maintained our keen 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

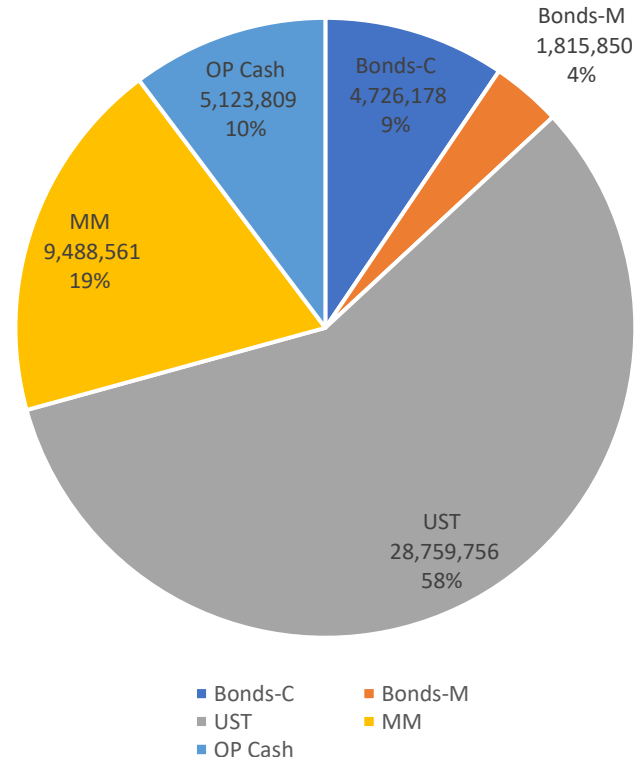
- The Operating Fund accounts for the regular revenue and expense activities of the Association. Operating Cash is a subset of the Operating Fund.
- Three other funds, collectively referred to as our Capital Funds, support the Association's longer-term needs for maintenance, refurbishment and replacement of our plant and equipment.

Fund	3/31/23 (\$)	%	12/31/22 (\$)	%	12/31/21 (\$)	%
Operating	5,590,988	12	2,916,231	7	4,099,483	12
Replacement Reserve	21,564,833	43	16,909,344	42	15,752,907	44
Development	17,002,418	34	12,714,891	31	10,616,925	30
New M&E	272,106	1	269,669	1	315,824	1
Operating Cash	5,123,809	10	7,923,886	19	4,707,276	13
Total	49,914,154	100	40,734,020	100	35,492,415	100

Asset Allocation and Credit Quality

- The TDA investment portfolio continues to be invested in extremely safe, highly liquid instruments consistent with our “buy and hold”, fixed income approach.
- We have increased our allocation to the safest investments. Approximately 58% of the portfolio is invested in US Treasury securities as compared to 46% at 12/31/22.
- We have reduced our exposure to corporate and municipal securities; combined they represent 13% of the portfolio.
- 100% of our bond portfolio has at least one credit rating of A- or higher.

03/31/2023 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. 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, over the past 12 months, the yield on 13-week US T-Bills has increased from 1.06% to 5.23%.
- Over the past 6 months we have gradually moved funds out of shorter-dated investments into longer-dated Treasury Bills. The weighted average term of the portfolio at 3/31/23 is approximately 175 days compared to 115 days at 12/31/22 (includes operating cash as an overnight investment).
- From January through the end of March 2023, we invested \$22.0 Million, from Annual Assessment inflows and maturing investments, into Treasury Bills primarily, with a weighted average maturity of approximately 6 ½ months and a weighted average yield of 4.88%.

Investment Returns

- Overall fixed income market returns were severely depressed in 2020 and 2021 due to the Covid-19 pandemic “flight to quality” effect.
- Market interest rates began to move higher in 2022 and on into 2023 due to Federal Reserve tightening. For example, the yield on the 13-week Treasury Bill was 5.23% as of May 17, 2023.
- TDA’s investment income in the three months ended 3/31/23 increased sharply as compared to 2022. Investment income was \$167,424, or 225% higher than the first quarter of last year. The annualized return on the average portfolio value (net of operating cash) was 1.73% (compared to 1.0% for all of 2022, and 0.8% for the nine months ended September 2022).
- Market conditions permitting, the overall portfolio return will continue to increase as we transition maturing investments into higher yielding instruments 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 due to (i) uncertainty about the 2023 economy, (ii) persistently high current inflation levels, and (iii) the impact of adverse weather on our ability to meet the 2023 Operating Fund budget. Given these uncertainties, we maintain an unallocated 2021 Operating Fund surplus of \$616,000, along with an Operating Fund contingency reserve of circa \$1.7MM as required by TDA policy.
- Complete planning and permitting for, and start construction on, the replacement to our 50-year-old ski lodge. Carefully manage members' money along the way.
- Complete long overdue planning for a Building Replacement Fund to address known but currently unfunded renovation/replacement capital requirements over the next five to twenty years. Focused planning now will allow us to replace ageing amenities while responsibly managing the growth rate of the the Annual Assessment.