An aerial photograph of a resort complex nestled in a dense forest. The resort features several swimming pools, including a large rectangular pool and a smaller one, both surrounded by lounge chairs and umbrellas. A multi-story resort building with a green roof is visible in the center. In the foreground, there is a large playground with colorful equipment. A parking lot with several cars is located in the upper right corner. The entire scene is surrounded by lush green trees.

CAPITAL FUNDS POLICIES UPDATE WORKSHOP NO.2

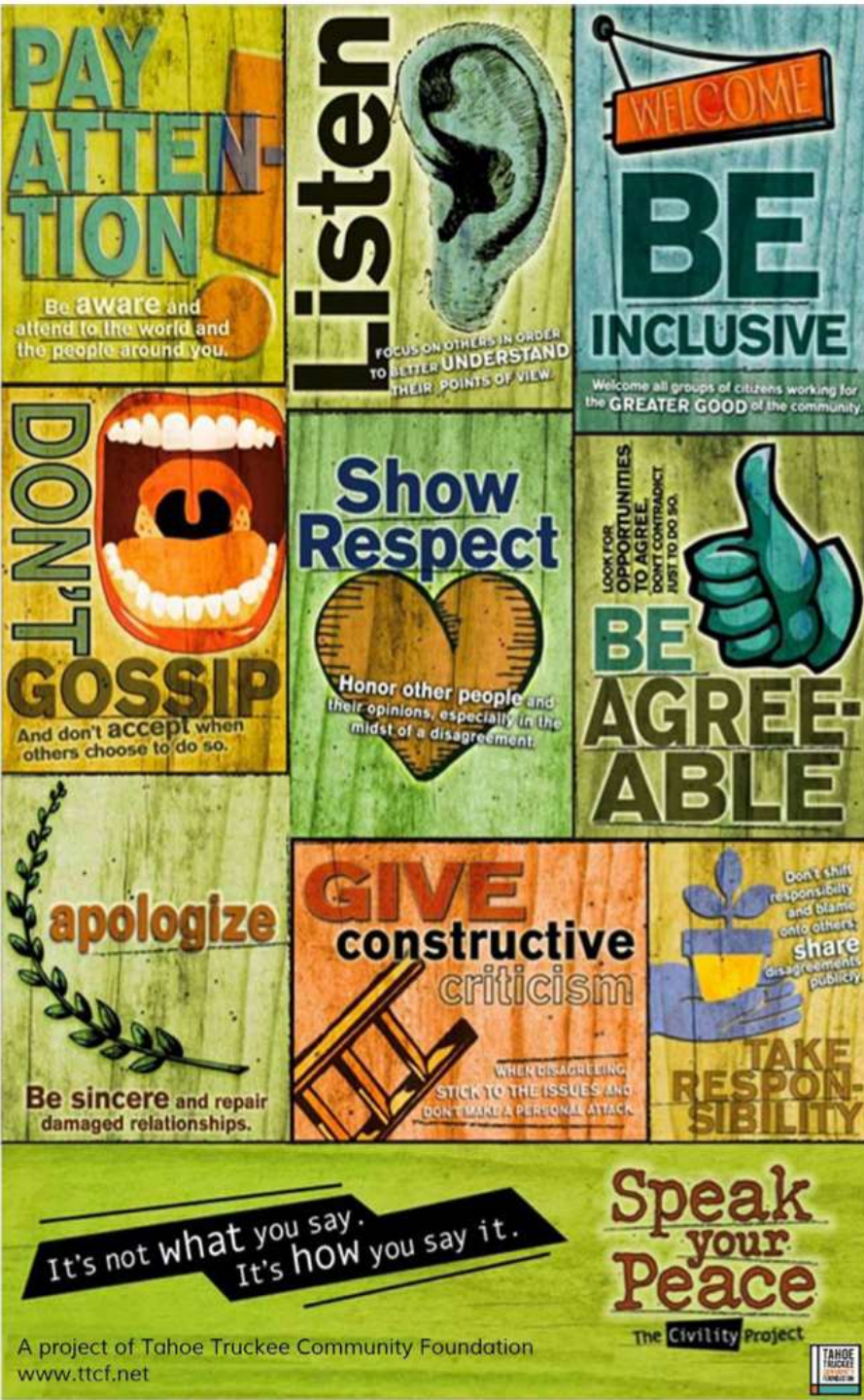
APRIL 30, 2024, BOARD OF DIRECTORS MEETING



TAHOE DONNER™

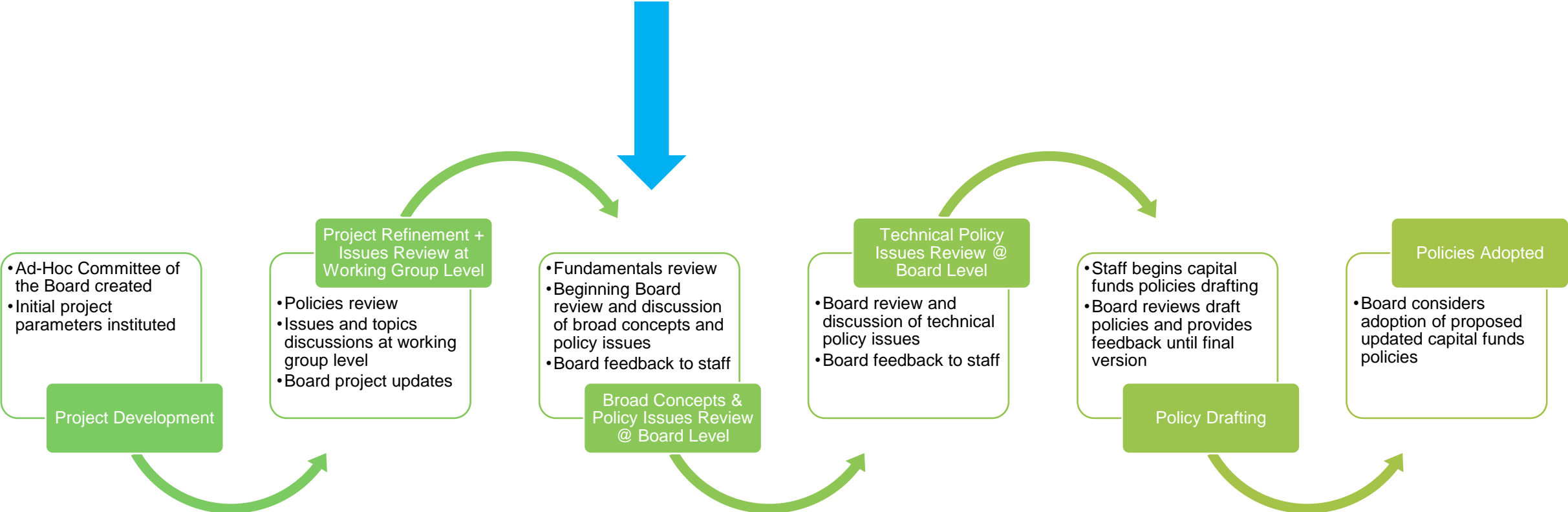
MEETING OVERVIEW

- Brief review of the project process and workshop overview
- Brief background on Board of Directors obligations
- Staff will present on sections of the workshop
- Board Q&A and comment at the end of each section and provide Board preliminary guidance through a straw poll
- A break will be provided between presentation and member comment
- Member comments will be heard
- Board will review the summary of preliminary guidance and accept or modify it for final guidance



CAPITAL FUNDS POLICIES UPDATE – PATH TO POLICY

We Are Here



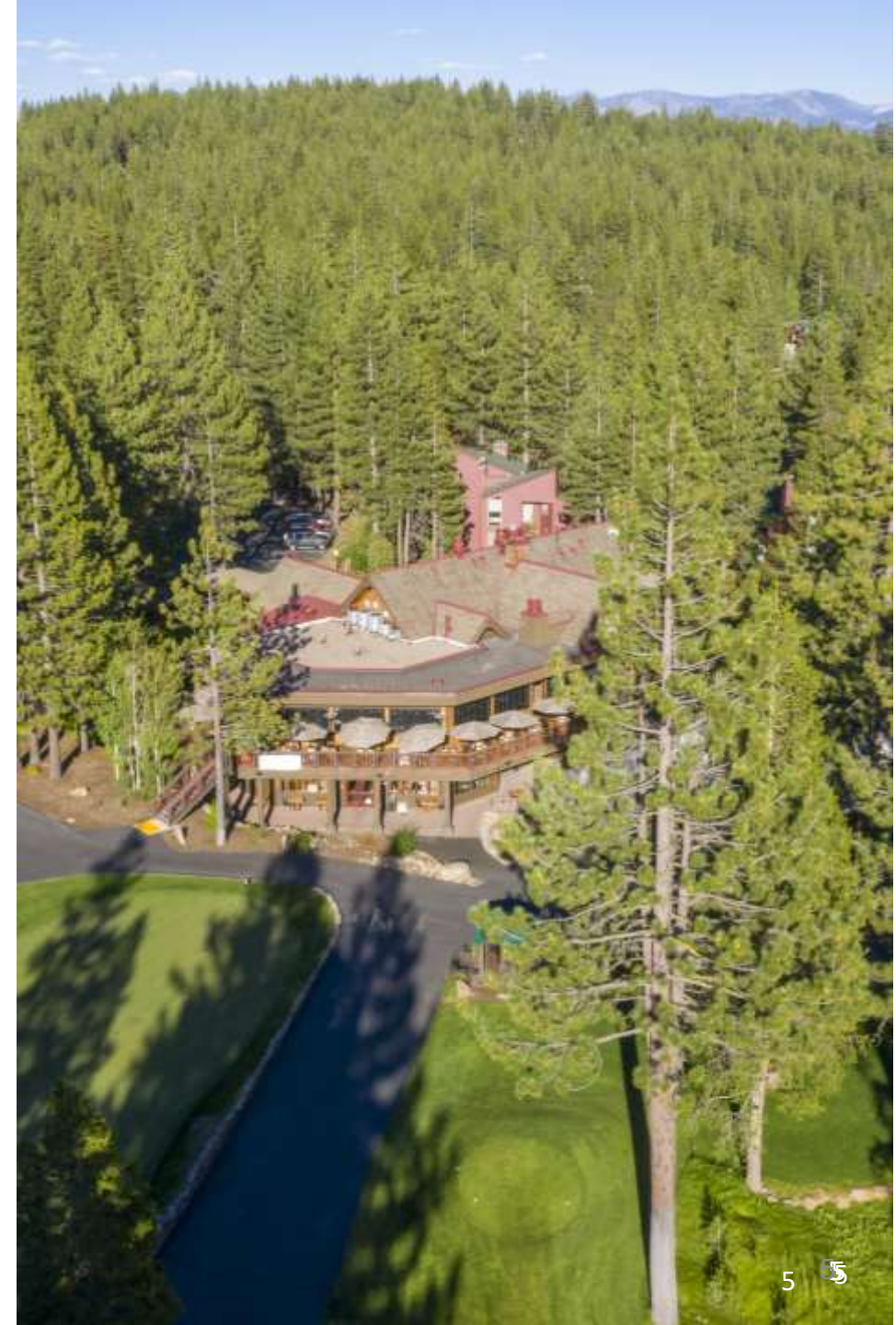
BROAD CONCEPTS FOR DISCUSSION TODAY

- Selecting and qualifying a component
- Policy topics regardless of where facility replacement is planned and funded
 - Obligation to maintain, repair, restore, expand, and replace Common Facilities
 - Funding horizon
- Where facility replacement should be planned and funded and the alternative options available to the Board
 - Existing framework – Development Fund
 - Alternative options

WORKSHOP OUTCOMES

The Board will provide feedback and direction on the following:

1. Capital funds policies update outcomes & objectives
2. Component eligibility criteria
3. Long-life components and methodology
4. Where facility replacement should be planned and funded
5. Funding horizon principles for facility replacement



BRIEF BACKGROUND ON BOARD OF DIRECTORS OBLIGATIONS

BOARD OF DIRECTORS OBLIGATIONS

The duties of the Board include, among other things:

- Duty to act as fiduciaries for the Association: duty of care, duty to act within the scope of the Board's authority, and duty of loyalty
- Duty to maintain, repair, and replace Common Areas and Common Facilities major components
- Duty to provide funding for the Association's Common Expenses
- Duty to conduct periodic reserve studies and establish reserve funding plan(s)
- Duty to identify the major components the Association is obligated to repair, replace, restore, or maintain as part of the reserve study
- Establish the Annual Assessment
- Ensure all Assessment funds are use exclusively for
 - “(a) to promote the recreation, health, safety and welfare of the Owners and other residents within the Properties;
 - (b) to promote the enjoyment and use of the Properties by the Owners and their families, tenants and guests; and
 - (c) to provide for the repair, maintenance, replacement, protection and expansion of the Common Area and Common Facilities.” TDA C&Rs Article IV, Section 6.
- Maintain any other accounts it shall deem necessary to carry out its purpose, including reserve accounts for replacement improvements.

OBLIGATION + RESPONSIBLE APPROACH TO FUNDING

Responsible Approach to Funding

- CAI Reserve Study Standards for reserve study funding plans “should provide for reliable and timely execution of the association’s major repair and replacement projects...without the reliance on additional supplemental funding.”
- Annual Assessments and Special Assessments
"The Special Assessment power conferred hereunder is not intended to diminish the Board’s obligation to plan and budget for normal maintenance, replacement and repair of the Common Area, existing Common Facilities or Other Association Real Property through Regular Assessments (including the funding of reasonable capital repair and replacement reserves)." C&Rs, Article IV, Section 3(a)(ii)
- Capital Funds Policies support a balanced approach to funding to meet the obligations in statute and TDA Governing Documents

Policies Update Objectives

- Clarify and communicate the Association's legal obligation for planning, saving, and the expenditure of capital improvement reserve funds
- Align and integrate the 2023 Community Association Institute (CAI) Reserve Study Standards with policies
- Create an effective facility replacement policy and funding plan within existing reserve funds or an alternative
- Develop a sustainable and more normalized capital funding plan
- Define a transition plan to grow into savings that creates a more normalized Annual Assessment
- Define all terminology and update policies to reflect current procedures and process

THE CAPITAL FUNDS ARE RESERVE ACCOUNTS

NEW EQUIPMENT

- Funding for new items that improve operational efficiency or additional member services
- Ex: Additional treadmill or new software

REPLACEMENT RESERVE

- Funds that plan for maintenance/repair, replacement, renovation, and restoration of common area components and components of facilities
- Ex: Replacing windows, furniture, and trail repair

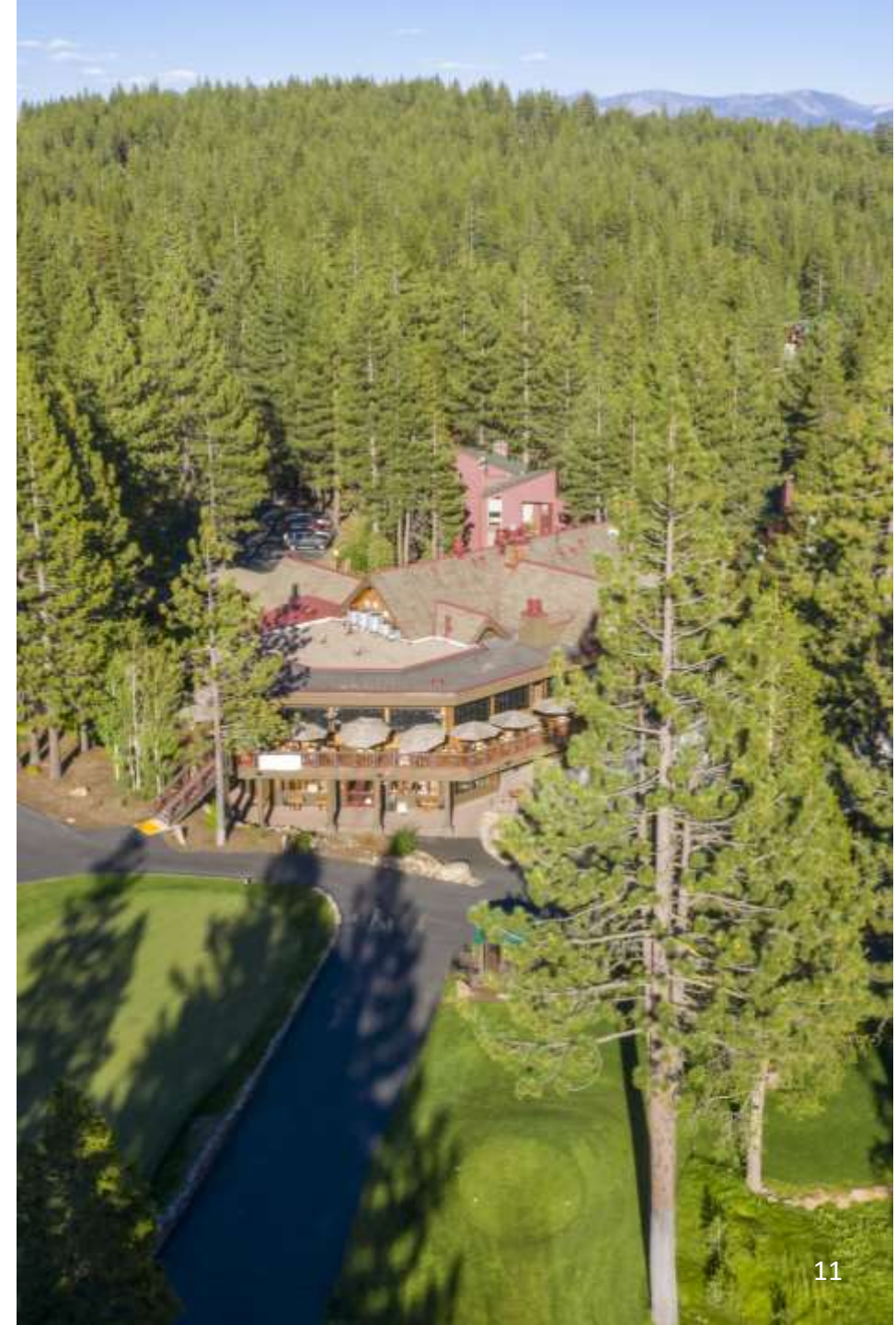
DEVELOPMENT

- Anticipated Capital large-scale improvements
- Ex: Facilities, additions, major upgrades and infrastructure improvements, real estate purchases

1. CAPITAL FUNDS POLICIES UPDATE OUTCOMES AND OBJECTIVES

PROJECT OUTCOMES

- 2024 Annual Strategic Objective implemented
- The Capital Funds Policies and associated Funding Plans and/or Projections are updated
- Policy adoption in time for the 2025 budget process (August – October 2024)
- An implementation plan is provided if there are changes to the funding plan and assessment projections
- Organizational alignment on long-range financial planning and policy implementation



BOARD GUIDANCE

Does the Board concur with the project outcomes?

- Yes
- Yes, with modifications
- No

PROJECT OBJECTIVES

Updated and revised with Board feedback from the 3/29/24 workshop

- Clarify and communicate the Association's legal obligation for planning, saving, and the expenditure of capital improvement reserve funds
- Align and integrate the 2023 Community Association Institute (CAI) Reserve Study Standards with policies
- Create an effective facility replacement policy and funding plan within existing reserve funds or an alternative
- Develop a sustainable and more normalized capital funding plan
- Define a transition plan to grow into savings that creates a more normalized Annual Assessment
- Define all terminology and update policies to reflect current procedures and process



BOARD GUIDANCE

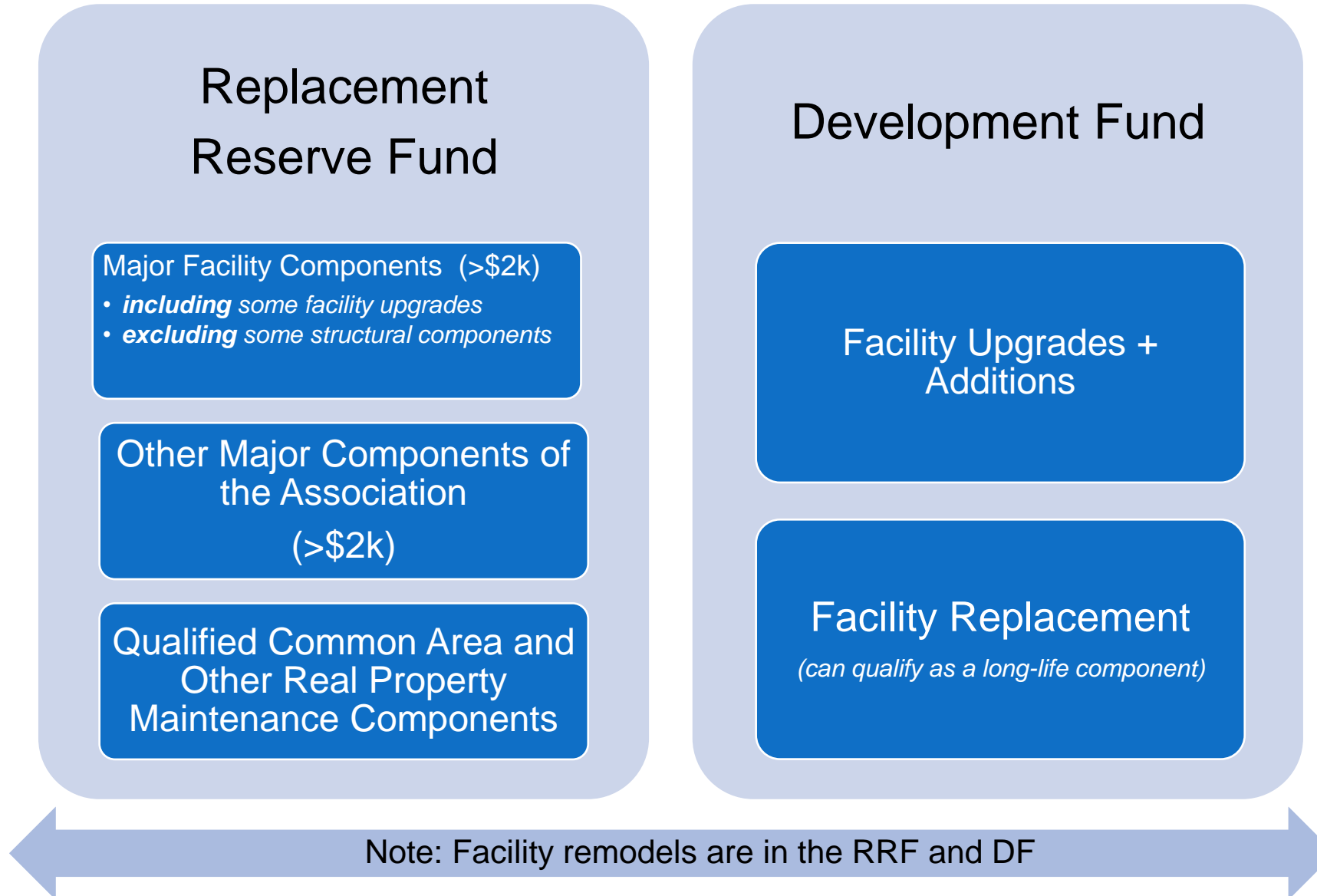
Does the Board concur with the project objectives?

- Yes
- Yes, with modifications
- No

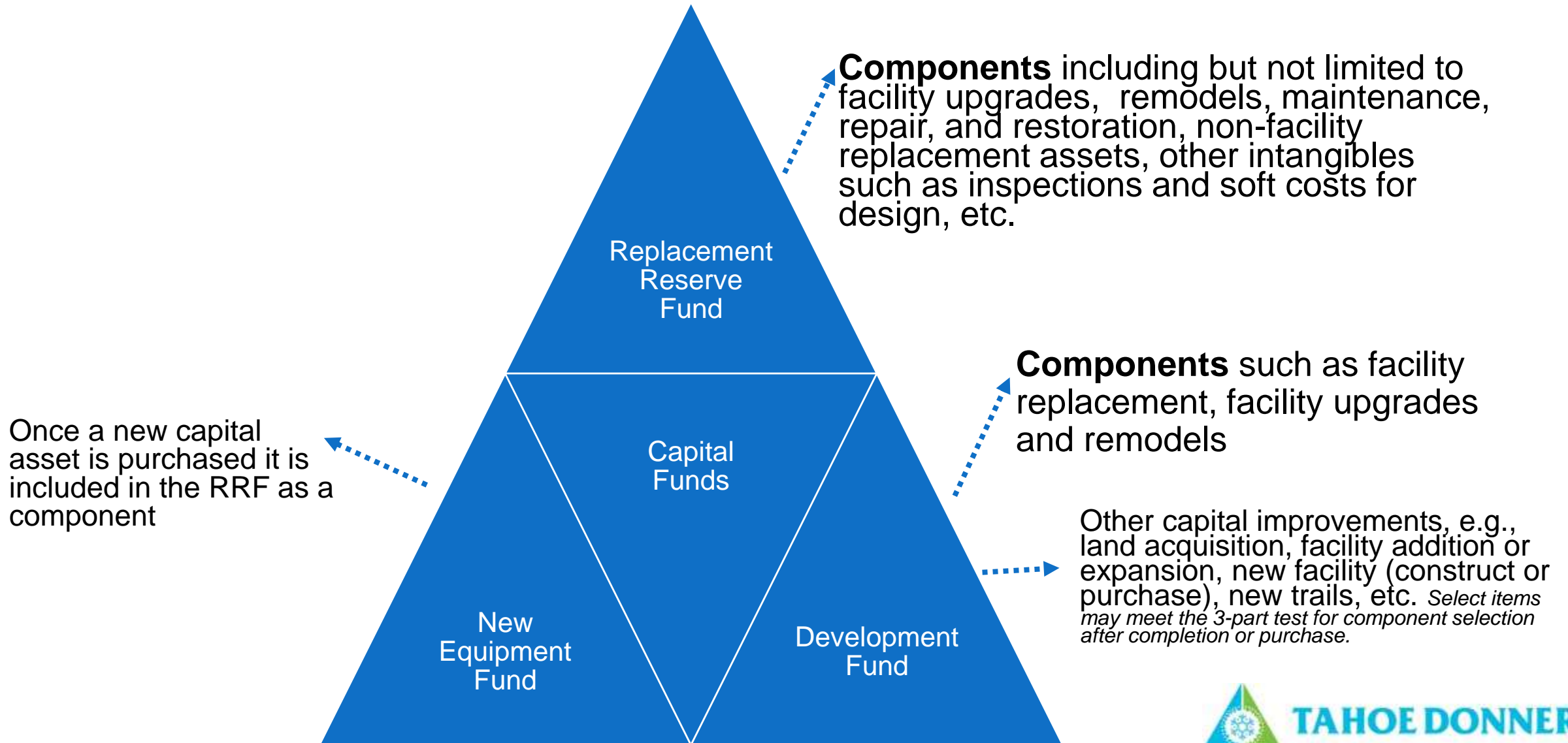
2. COMPONENT SELECTION

CURRENT STATE:

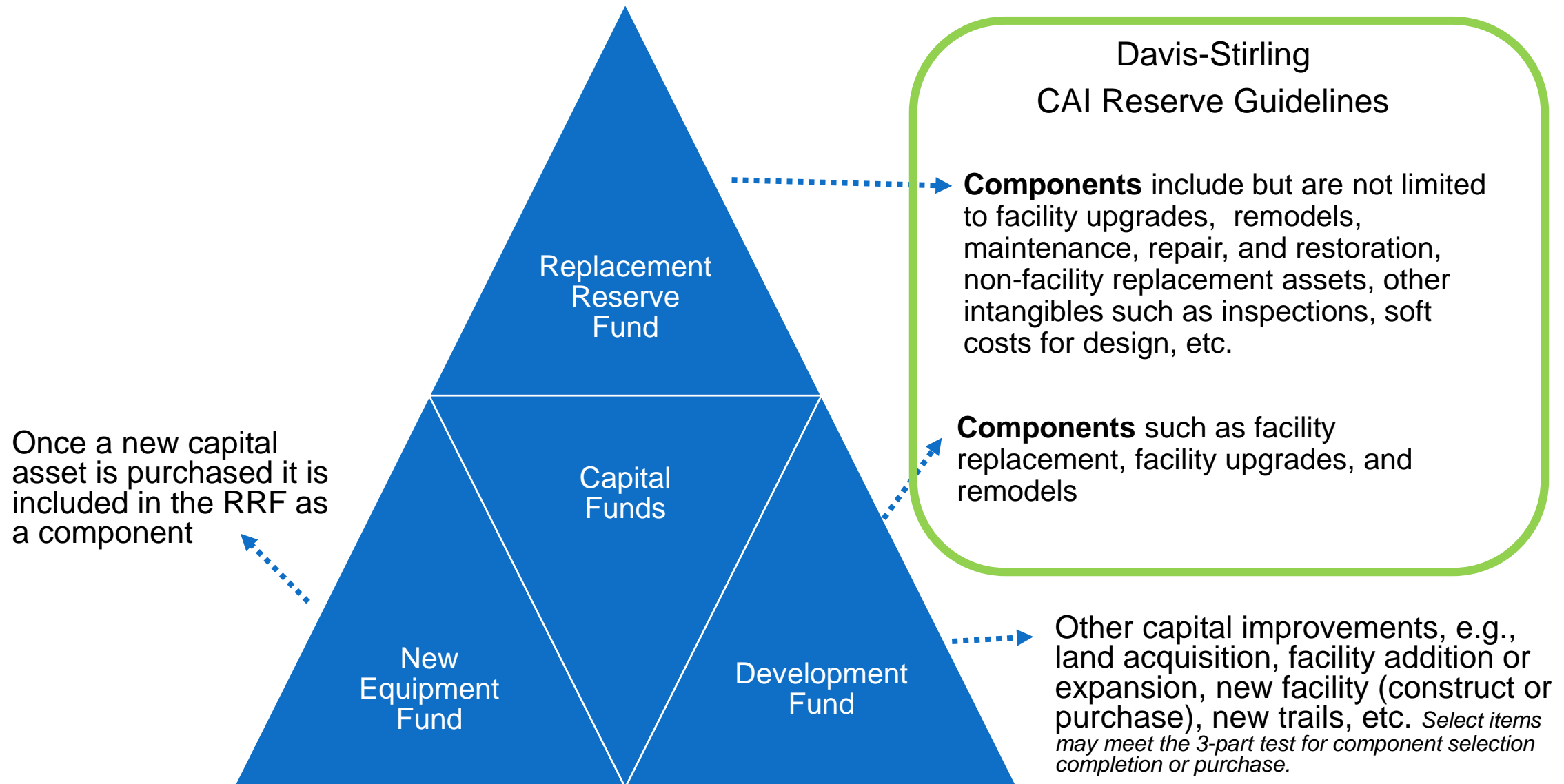
COMPONENTS BY TYPE + FUND LOCATION



CURRENT STATE: CAPITAL RESERVE FUNDS + COMPONENT LOCATIONS



REGULATORY CONSIDERATIONS



COMPONENT SELECTION

RESERVE STUDY DEFINITION

“A budget planning tool which defines the components that a community association is responsible to maintain or replace, the current status of the reserve fund, and a stable and equitable funding plan to offset the anticipated future major common area expenditures.”

COMPONENT SELECTION

The 3-part test for identifying and selecting components:

1. The association has the obligation to maintain or replace the existing element.
2. The need and schedule for this project can be reasonably anticipated.
3. The total cost for the project is material to the association, can be reasonably estimated, and includes all direct and related costs.

STAFF RECOMMENDATION: Apply the CAI Reserve Study Standards to Tahoe Donner component identification and selection as follows:

1. Tahoe Donner is obligated to maintain, repair, or replace the Common Area, Common Facilities, and Other Association Real Property.
2. There is a need and schedule for projects (i.e., elements of the above) that can be reasonably anticipated
3. Total cost for the project is
 - a) material (identified by the Resolution 2019-1 as existing elements “in excess of \$2,000,” and
 - b) can be reasonably estimated (as part of the budget process estimates are compiled, including direct and related costs).

BOARD GUIDANCE

Does the board concur with the applied CAI Reserve Study Standards component selection process?

- Yes
- Yes, with modifications
- No

STAFF RECOMMENDATION: Apply the CAI Reserve Study Standards to Tahoe Donner component identification and selection as follows:

1. Tahoe Donner is obligated to maintain, repair, or replace the Common Area, Common Facilities, and Other Association Real Property.
2. There is a need and schedule for projects (i.e., elements of the above) that can be reasonably anticipated
3. Total cost for the project is
 - a) material (identified by the Resolution 2019-1 as existing elements “in excess of \$2,000,”
 - b) can be reasonably estimated (as part of the budget process estimates are compiled, including direct and related costs).

3. LONG-LIFE COMPONENTS AND METHODOLOGY

FUNDING HORIZON – REPLACEMENT RESERVE FUND

RESERVE STUDY + RRF

Rolling 30-year funding plan (***TDA currently uses this methodology***)

Methodology options for long-life components:

- A. Inclusion of long-life components with funding in the study.
- B. Addition of long-life components with funding at the time when they fall within the 30-year period from the date of study preparation. (***TDA currently uses this methodology***)
- C. Identification of long-life components in the component inventory, even when they are not yet being funded in the 30-year funding plan. (*This means that a facility with a useful life of 50 years will be in the reserve study component inventory with the funding plan accounting for its estimated cost.*)

BOARD GUIDANCE

Which long-life methodology should TDA use?

- A. Inclusion of long-life components with funding in the study.
- B. Addition of long-life components with funding at the time when they fall within the 30-year period from the date of study preparation. (***TDA currently uses this methodology***)
- C. Identification of long-life components in the component inventory, even when they are not yet being funded in the 30-year funding plan.
- D. Something else.

STAFF RECOMMENDATION: No change to the funding methodology for long-life components.

4. WHERE FACILITY REPLACEMENT SHOULD BE PLANNED AND FUNDED

EVALUATION OF WHERE FACILITY REPLACEMENT SHOULD BE PLANNED AND FUNDED

DEVELOPMENT FUND OPTION		REPLACEMENT FUND OPTION		NEW RESERVE FUND OPTION	
STRENGTHS	WEAKNESSES	STRENGTHS	WEAKNESSES	STRENGTHS	WEAKNESSES
The principle of the framework is sound but needs improvement	Reduces understanding of TDA obligation(s)	Statute for reserve funds relating to existing assets	Member perception of a shift and unintended consequences of a change	Increases visibility of facility replacement	Increases complexity of capital funds
Ensures continuity of approach over time	Current funding methodology	National and state standards on long-life components, and life-of-a-building components	Reduces visibility of facility replacement lumped in with a couple of thousand other components	Designated facility replacement fund name can improve member understanding of the purpose of the fund	Member perception of a shift and unintended consequences of a change
Member recognition and awareness of where facility replacements are planned and funded	Members find it confusing that the facility replacement fund is derived from two different funds, the DF and RRF	Keeping to a rolling 30-year funding plan allows for a long runway to save	Reduces decision-making flexibility for capital resource allocation		Possible increase in investment fees and decrease in investment potential
Decision-making flexibility of capital resource allocation	Cost estimation as projects move through phases of development & refinement				Reduces decision-making flexibility for capital resource allocation

BOARD GUIDANCE

In which fund should facility replacement be placed?

- Development Fund
- Replacement Reserve Fund
- A new facility replacement specific fund

STAFF RECOMMENDATION: Keep facility replacement in the Development Fund.

EVALUATION OF WHERE FACILITY REPLACEMENT SHOULD BE PLANNED AND FUNDED

SUBSET OF FUND STRENGTHS	SUBSET OF FUND WEAKNESSES	SUB-FUND STRENGTHS	SUB-FUND WEAKNESSES
A subset of the DF or RRF fund can improve visibility and easily accomplished	No foreseeable weakness in a subset reporting	Increases visibility of facility replacement	Increases complexity of capital funds
Decision-making flexibility of capital resource allocation		Designated facility replacement sub-fund name can improve member understanding of the purpose of the fund	Member perception of a shift and unintended consequences of a change
Increases visibility of facility replacement			Possible increase in investment fees and decrease in investment potential Reduces decision-making flexibility for capital resource allocation

BOARD GUIDANCE

SUB-FUND

Should facility replacement be placed in a sub-fund if placed in an existing fund?

- Yes, it should be in a sub-fund
- No, it should not be in a sub-fund

STAFF RECOMMENDATION: Do not create a sub-fund for facility replacement.

SUBSET

Should facility replacement be placed in a subset of an existing fund?

- Yes, it should be in a subset
- No, it should not be in a subset

STAFF RECOMMENDATION: A subset is recommended for reporting purposes.

5. FUNDING HORIZON PRINCIPLES FOR FACILITY REPLACEMENT

FUNDING HORIZON – DEVELOPMENT FUND

CURRENT METHODOLOGY

- Annual review of 10 and 20-year outlook. In practice, funding requirements focus on the 10-Year Development Fund Projection schedule during the annual budget process and adjustments are made for yearly and future cash flow needs

METHODOLOGY OPTIONS

Reserve Standards 30-year

Step vs Sliding Scale Approach

Facility Replacement example,

- For projects over \$10MM, start accumulating capital 20 years out
- For projects between \$5-\$10 MM, start 15 years out.
- For projects less than \$5 MM, start 10 years out.
- Rules can be modified (time and dollar amount) for the best effect.

Other Capital Improvements (future workshop topic)

Facility Replacement

- Existing facilities listed on the Facility Replacement Inventory Schedule

Other Capital Improvements

- May include facility addition or expansion, upgrades, large-scale capital asset improvement or purchase (new trails, real estate, or other)

BOARD DISCUSSION

METHODOLOGY FOR FUNDING LONG-TERM FACILITY REPLACEMENT

What additional information does the Board need for staff to bring a recommendation on methodology for funding long-term facility replacement?

MEMBER COMMENTS + BOARD GUIDANCE

BOARD GUIDANCE WRAP-UP

Based on the workshop discussion and after member comments, the Board will review a summary of the preliminary guidance developed and accept or modify it as final guidance.

The topics below will be updated live to provide board guidance wrap-up.

1. Capital funds policies update outcomes & objectives
2. Component eligibility criteria
3. Long-life components and methodology
4. Where facility replacement should be planned and funded
5. Funding horizon principles for facility replacement

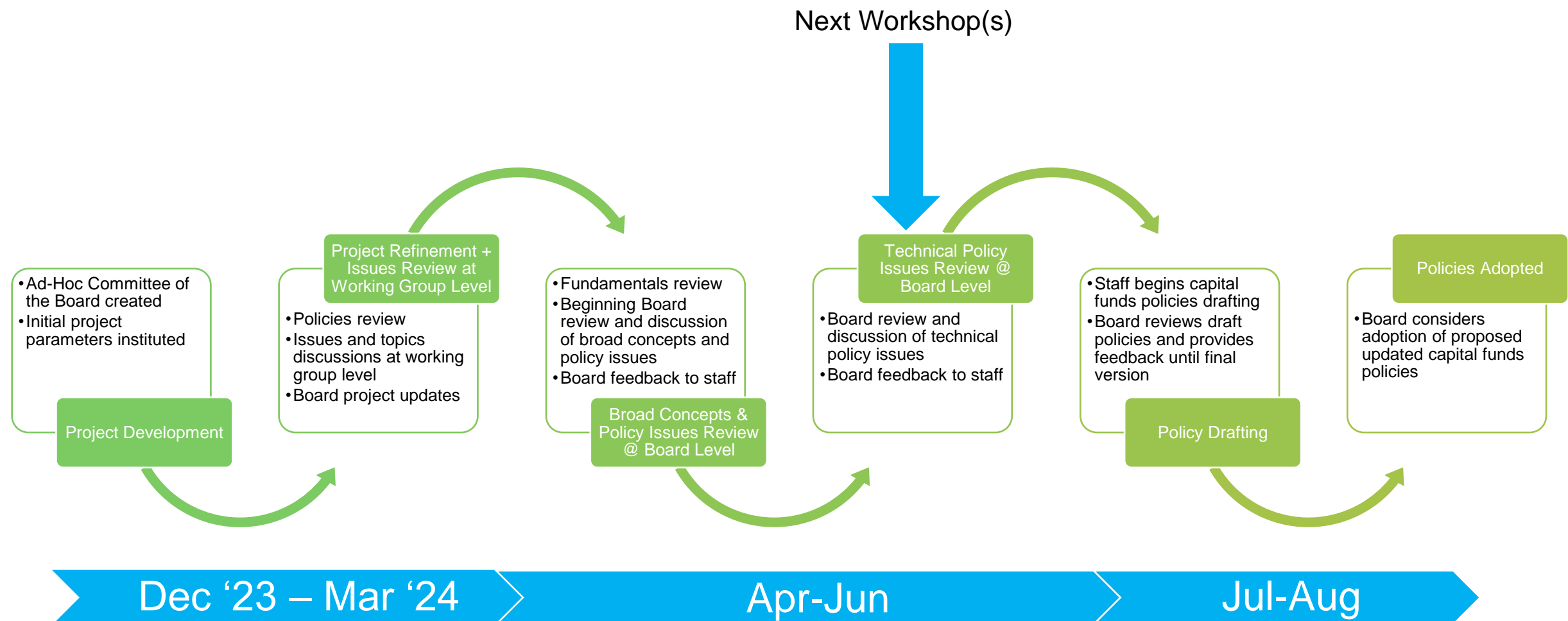
NEXT STEPS

CONCEPTS FOR DISCUSSION AT THE FUTURE WORKSHOPS

- Development Fund – Other Capital Improvements
- New Equipment Fund – Should it stay or be wrapped up with the Development Fund?
- Technical aspects of the Capital Funds Policies Update
 - Funding adequacy measures
 - Cost estimation and annual updates
 - Inflation and contingency factors



CAPITAL FUNDS POLICIES UPDATE – PATH TO POLICY



THANK YOU

APPENDICES

WHAT IS THE REPLACEMENT RESERVE FUND (RRF)?

The fund accumulates and expends funds for “the repair, replacement, restoration and maintenance of, and additions to, or enhancements of the major components, which the Association is obligated to maintain (exclusive of structure replacement which is included in the Development fund).” Resolution 2019-1

Eligibility Criteria	Funding Plan	Funding Horizon	Sufficiency Measure
Major common area component A component must have a minimum threshold of \$2,000 in aggregate Useful life >1 year and < than 30 years <i>Excludes some structural components and facility replacement</i>	Annual minimum contribution of 4% until sufficiency measures are met or greater, consider future years' % funded and cash balances to minimize need for large adjustments in the future	Rolling 30 years	Minimum balance that equates to 10% of TDA's Net Property + Equipment 25% funding level or greater

EXAMPLES OF 2024 BUDGETED INVESTMENTS

- Fuel Reduction (Defensible Space) Common Area
- Fleet Vehicle Replacement
- Facility Painting

Required by,

- Davis-Stirling Act
- TDA Covenants & Restrictions

Establish with

- Resolution 2019-1

Requirements

- Reserve Study
- Funding Plan
- Annual Disclosures

WHAT IS THE DEVELOPMENT FUND (DF)?

The fund accumulates and expends funds for large-scale “capital improvement projects identified; including real estate acquisitions, building upgrades and additions (i.e. expansion), and building replacements that do not qualify for funding from the Replacement Reserve Fund.” Resolution 2017-3

Eligibility Criteria	Funding Plan	Funding Horizon	Sufficiency Measure
Capital improvements including; real estate acquisitions, building upgrades and additions (i.e. expansion), and building replacements	Annual contribution...will normally be one-twentieth (1/20), or five percent (5%), of the capital improvement projects...over a subsequent 20-year period	20 years	Cash flow

EXAMPLES OF 2024 BUDGETED INVESTMENTS

- Downhill Ski Lodge Replacement
- Maintenance Yard Fueling Station
- Trails Master Plan Projects

Certain elements of the DF are required* by

- Davis-Stirling Act
- TDA Covenants & Restrictions

Establish with

- Resolution 2017-3

Requirements

- Funding Plan
- Annual Disclosures

**Where TDA is obligated to maintain, repair, restore, expand, or replace Common Area, Common Facilities, and Other Association Real Property*

WHAT IS THE NEW EQUIPMENT FUND (NEF)?

An established reserve account to acquire new capital assets identified as necessary for more efficient operations, or to provide new machinery and equipment for programs, activities, and services to the membership. Resolution 2017-4

Eligibility Criteria	Funding Plan	Funding Horizon	Sufficiency Measure
New capital assets above \$2,000 individually or combined	Annual contribution to the NEF will normally be determined to cover planned expenditures for specific capital assets	1 year out	A contingency reserve minimum balance of \$25,000* after expenditures

EXAMPLE: 2024 BUDGETED INVESTMENTS

- Maintenance Dump Trailer
- Forestry ASVI Mastication Implement
- Fleet Vehicles

*With Board approval required to draw down below minimum

Authority to create a reserve account

- Davis-Stirling Act
- TDA Covenants & Restrictions

Establish with

- Resolution 2017-4

Requirements

- Funding Plan
- Annual Disclosures