



FINANCE COMMITTEE MEETING

FINAL REPORT

June 16, 2022

Northwoods Clubhouse, Mezzanine Room and Zoom

1. **Call to Order / Call for Quorum (5):** The Chair (Dundas) called the meeting to order at 3:03 pm PDT after noting that a quorum was present.

Attendees (All attendees present on either Zoom Video Conference Call or in person at Northwoods Clubhouse):

Members: Dundas, Ravano, Rudolph, Vietor, Kodres, Niedringhaus

Staff Lead: Martyn-Jones (DFA)

Board Liaison(s): S. Mahoney and J. Roth

LRPC Liaison: None

TDA Staff: Steve Hogan (Controller), John Mitchell (Capital Projects)

TDA Members: Jim Colbert

2. **APPROVAL of Agenda:** A motion was made by Dundas to approve the Agenda for the meeting. Ravano provided a 1st and Kodres a 2nd. Motion was approved 6-0.
3. **APPROVAL of Committee Draft Report, May 19, 2022:** Chair Dundas requested comments about the Finance Committee Report prepared after the May 2022 Finance Committee meeting. No comments were offered. Chair Dundas made a motion to approve the report for forwarding to the Board. Niedringhaus provided a 1st and Vietor provided a 2nd. The motion was approved 6-0 to send the final report to the Board.
4. **Member and Committee Member Comments:** A request was made by the Chair for comments by any Member or Committee Member who wished to do so. There were no Member or Committee Member comments.
5. **Committee Management:**
 - a. Member BBQ and Expo: Chair Dundas requested volunteers to staff the Finance Committee table at the forthcoming annual meeting. Vietor and Ravano volunteered with Niedringhaus being a "possible". Dundas will also be available.
 - b. Committee still in need of another Member: Attendees were requested to think about other TD Members who would want to become more involved with the Finance Committee.
6. **Committee Tasks**
 - a. Recurring Tasks (RT)
 1. **DISCUSSION:** RT #1 - Financial Performance Update.
Martyn-Jones reviewed financial statements for May 2022: Tahoe Donner recorded an Actual Net Operating loss of approximately \$1,105,049 for the month with a budgeted loss of

\$1,128,708. This produced favorable budget variance \$23,659 or 2.10%. Highlights for the month:

- a. Visitation for the Memorial Day holiday weekend was down due to unfavorable weather conditions. Lower visits by members and guests impacted golf and the marina operations most notably. The impact to golf revenue was a negative \$25,000 and negative \$18,500 for marina operations. A question arose about the Marina revenue and Martyn-Jones will follow up to provide an answer.
- b. Delayed opening of the Driving Range due to tee box repair had an approximate negative impact of \$4,500 on revenue for May
- c. A savings of \$73k (actual versus budget) occurred in Payroll (including burden). The continuing inability to fill open positions was the main factor.
- d. The Lodge revenue was up \$16,000 when compared to budget, ACAC food/beverage was favorable to budget \$2,000 and Pizza on the Hill was favorable to budget by \$8,000. The plan assumed that openings for the facilities would occur just prior to Memorial Day while the facilities had all opened much earlier in the month (favorable timing variance versus increased volume). Other F&B facilities that are connected with golf and marina operations did have significant negative variances due to reduced member/guest traffic.
- e. Cost of Goods Sold (COGS) was unfavorable to budget by -\$45,000. Principal reasons for the variance were an end of season true up and a number of invoices that were not received in April. For the month, Cost of Goods is 38% of revenue
- f. As noted, Payroll was favorable to budget by \$73,000 due to the following factors:
 1. Forestry had a favorable variance of \$22,000 due to not finding people to fill positions.
 2. Maintenance was favorable to budget by \$17,000 due to not filling open positions.
 3. Additional savings occurred in Trails and also in Communications with vacant manager positions open.
- g. Other Operating Expense savings occurred with lower staff expenses, Utilities, Supplies, Maintenance and Administration. The favorable variance to plan was +\$50,000.
- h. Net Operating Result (“NOR”): Year to Date, the NOR is favorable to budget by \$171,724 or +10%

b. DISCUSSION/ACTION: RT #2 - 5501 Subcommittee Report.

1. FC Attendees for upcoming 5501 Subcommittee Meetings (3-5 pm) via Zoom:
 - a. June 28, 2022
 1. Member: Dundas
 - b. July 26, 2022
 1. Member: Kodres
 - c. August 23, 2022
 1. Member: Vietor with Niedringhaus as a backup

c. **Special Tasks (ST)**

1. **Discussion: ST#3 – Reserve Funding of Long-Range Capital Improvement Program.**
The need for the creation of a reserve fund was discussed at great length with all FC members having comments and expressing their views. A reserve funding analysis must be done every 3 years per Davis - -Sterling. Tahoe Donner is now in the process of selecting a qualified reserve specialist to issue a report based on assets, useful life of the assets and other factors such as potential inflation. In addition to each asset, the “shell” of each asset (for example: a building is the asset and actual physical structure of the asset is the shell) has not historically been considered as part of the reserve analysis. Based on observations as well as analysis, the Finance Committee believes that underfunding of replacement costs of various TD assets has occurred over the years. There was a lot of discussion about the process of determining the value of an asset, the amount of funding required, useful life of an asset, etc. For example, what portion of funding should come from cash flows into TD versus the Member assessment. We need to evaluate assets that are not currently part of the asset pool which is under analysis. And, at some point recommendations and policy will be developed that will go to the Board for approval. An “inventory” of where we are today and then beginning to build a base line of all assets and their components would be part of an early process to get funding requirements down. The next step is for Dundas and Mitchell to meet and discuss this topic.
2. **UPDATE:** Ms. Kodres provided a brief update and there was a discussion about the status of the project. It was agreed that Kodres will do a brief Q and A to send out to various Committee Members and Staff for review. Cathy Ravano also offered to review the financial aspects of the proposed Q and A.
7. **Next FC Meeting:** July 21, 2022, 3:00-4:30 pm, Northwoods Clubhouse, Mezzanine Room + Zoom
8. **Preliminary Agenda Topics:**
 - a. Review Financial results
 - b. 5501 Report review and FC Attendees
 - c. Improving Financial Reporting – Ravano
 - d. Financial FAQs – Kodres
 - e. Reserve Funding of Long-Range Capital Improvement Program - Dundas
9. **Adjournment:** A motion was made by Mr. Dundas to adjourn the meeting. Ms. Ravano provided a 1st and Mr. Niedringhaus provided a 2nd. The meeting was adjourned at 5:03 pm PDT with a 6-0 vote.

Prepared and submitted by Michael Rudolph, Vice Chair, Finance Committee