

**TAHOE DONNER ASSOCIATION  
BOARD OF DIRECTORS  
ADMINISTRATIVE RESOLUTION 2025-##**

**GENERAL POLICY ON CAPITAL RESERVES  
AND CAPITAL IMPROVEMENTS**

**WHEREAS**, the duties of the Tahoe Donner Board of Directors include, among other things:

**The** duty to ensure that Tahoe Donner Association complies with the Davis-Stirling Common Interest Development Act, which is commonly referred to as Davis- Stirling. Davis-Stirling requires that common interest developments prepare and distribute financial information to all of its Members that includes the association’s estimated revenue and expenses on an accrual basis and a summary of the association’s reserves and plan for funding the future maintenance, repair, restoration, or replacement of Major Association Components.<sup>1</sup>

**The** duty to own, manage, and maintain the Common Areas, Common Facilities, and Other Association Real Property.<sup>2</sup>

**The** duty to provide funding for the Association’s Common Expenses, which include “all expenses or charges incurred by or on behalf of the Association for the management, maintenance, administration, insurance, operation, repairs, additions, alterations or reconstruction of the Common Area, Common Facilities, or Other Association Real Property,” as well as “any amounts reasonably necessary to fund reserves for the maintenance, repair, expansion and replacement of the Common Areas and Common Facilities and Other Association Real Property.”<sup>3</sup>

**The** duty to maintain the Common Areas, Common Facilities, and Other Association Real Property includes, but is not limited to, the duty to conduct periodic reserve studies to identify “the major components that the association is obligated to repair, replace, restore, or maintain that, as of the date of the study, have a remaining useful life of less than 30 years,” and to

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<sup>1</sup> Davis-Stirling Common Interest Development Act, Chapter 7, Article 3, Sections 5560-5580.

<sup>2</sup> First Restated Declaration of Covenants and Restriction of Tahoe Donner, Article III, Section 6a, First Restated Declaration of Covenants and Restriction of Tahoe Donner, Article III, Section 7a, First Restated Declaration of Covenants and Restriction of Tahoe Donner, Article IV, Section 3a(ii).

<sup>3</sup> First Restated Declaration of Covenants and Restriction of Tahoe Donner, Article I, Section 9.

establish a reserve funding plan “to meet the association’s obligation for the repair and replacement of all major components with an expected remaining life of 30 years or less.”<sup>4</sup>

**The** duty to prepare annual budgets “to fund the Association’s anticipated Common Expenses for the next succeeding fiscal year (including additions to any reserve fund established to defray the costs of future repairs, replacement or additions to the Common Facilities).”<sup>5</sup>

**The** duty to establish a regular Assessment to fund the Association’s Common Expenses.<sup>6</sup>

**The** duty to ensure that all Assessment funds are used exclusively for the following purposes: “(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.”<sup>7</sup>

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**WHEREAS**, in addition to maintaining an “Operating Account,” the Governing Documents require the Board to “maintain any other accounts it shall deem necessary to carry out its purposes, including reserve accounts for replacement of capital improvements.”<sup>8</sup>

**WHEREAS**, California state law defines “reserve accounts” to include “Moneys that the board has identified for use to defray the future repair or replacement of, or additions to, those major components that the association is obligated to maintain.”<sup>9</sup>

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<sup>4</sup> California Civil Code §5550. This section further provides that “components that the board has determined will not be replaced or repaired” may be omitted from this funding plan, provided that, per California Civil Code §5300, the Annual Budget Report includes a “statement as to whether the board has determined to defer or not undertake repairs or replacement of any major component with a remaining life of 30 years or less, including a justification for the deferral or decision not to undertake the repairs or replacement.” Under the Governing Documents, the board is also obligated “to operate the Association, including its Common Facilities.” First Restated Declaration of Covenants and Restriction of Tahoe Donner, Article VIII, Section 1(b); Restated Bylaws of Tahoe Donner Association, Article IX, Section 2(b)(i); Article XII, Section 3. Therefore, considerations to defer or abandon repairs, improvements, or replacement must be balanced with the board’s obligation to fulfill its duty to operate the Association’s Common Facilities. See also California Civil Code §4177, §4178, §5300, §5560, and §5565.

<sup>5</sup> First Restated Declaration of Covenants and Restriction of Tahoe Donner, Article IV, Section 2(a). See also California Civil Code §5300.

<sup>6</sup> First Restated Declaration of Covenants and Restriction of Tahoe Donner, Article IV, Section 2(b).

<sup>7</sup> First Restated Declaration of Covenants and Restriction of Tahoe Donner, Article IV, Section 6.

<sup>8</sup> Restated Bylaws of Tahoe Donner Association, Article XII, Sections 3 and 4.

<sup>9</sup> California Civil Code §4177.

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**WHEREAS**, Tahoe Donner’s Governing Documents restrict the Association’s authority to borrow money, with funding for Capital Improvements intended to be provided through the Association’s various Capital Reserve funds.<sup>10</sup>

**Reserve** funding adequate to address the Association’s capital expenditure needs is intended to be supported by the regular assessment, with the Association’s Governing Documents stating that “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).”<sup>11</sup>

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**WHEREAS**, the following policy supersedes Resolution 1998-7, General Policy Regarding Capital Improvements in Association Amenities;

**NOW, THEREFORE, BE IT RESOLVED**, that the Board of Directors of Tahoe Donner Association approves and adopts the following General Policy On Capital Reserves and Capital Improvements:

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**I. DEFINITIONS**

*[NOTE: Definitions for the following have been temporarily relocated to the working document glossary: Capital Asset, Major Association Component, Capital Improvement, Capital Project, Capitalized Expenditure, Common Facility, Common Area, Other Association Real Property, Total Useful Life, Remaining Useful Life.]*

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**I. PURPOSE**

The purposes of the General Policy On Capital Reserves and Capital Improvements are to:

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<sup>10</sup> Restated Bylaws of Tahoe Donner Association, Article IX, Section 2(a)(v).

<sup>11</sup> First Restated Declaration of Covenants and Restriction of Tahoe Donner, Article IV, Section 3(ii).

- Establish the principles and goals guiding Tahoe Donner's Capital Reserves and Capital Improvements management and planning.
- Define the Capital Reserve accounts necessary to carry out the Association's duties and interests, and clarify the interrelationship between the Association's Capital Reserves in carrying out these duties and interests.
- Define the general processes and practices appropriate to the management and maintenance of the Association's Capital Reserve funds.
- Identify the processes and practices appropriate to the management and maintenance of the Association's Capital Improvement and funding plans.

## **II. RESPONSIBILITY & AUTHORITY**

The Board of Directors and the General Manager, to the extent authorized by the Board of Directors, have the full authority and responsibility to administer the General Policy On Capital Reserves and Capital Improvements in accordance with the terms and provisions contained herein.

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.

## **III. CAPITAL RESERVES GENERAL PURPOSES**

The general purposes for all Capital Reserves are to:

- Ensure that Tahoe Donner remains a vibrant and desirable mountain community by maintaining, protecting and enhancing the Association's Capital Assets.
- Ensure that the Association's Common Area, Other Association Real Property, Common Facilities and any other operational infrastructure are attractive, well-maintained, and meet current and future Association needs.
- Maintain, protect and enhance owner investment in the Association.
- Maintain, protect and enhance the value and benefits appurtenant to Association membership.
- Provide for member enjoyment, comfort, welfare, safety, and health.

## **IV. CAPITAL RESERVES AND CAPITAL IMPROVEMENT PRINCIPLES**

Consistent with the Davis-Stirling Act and the Association's Governing Documents, the Association shall develop and implement capital funding, planning, and improvement policies, practices, and plans consistent with the Capital Reserves General Purposes defined in Section III above and with the following principles:

- The Association’s various Capital Reserve funds are intended to be used in combination and in concert with each other to provide financial support for the Association’s Capital Improvement needs.
- All Capital Reserve funds shall be managed to:
  - Meet the ongoing Capital Improvement obligations and needs of the organization, including future long-range Capital Improvement requirements.
  - Promote predictable and sustainable annual assessment levels by mitigating year-to-year variability in Capital Reserve allocations.
  - Mitigate the need for special assessments.
- The Board shall exercise prudent fiscal management in maintaining the integrity of the Capital Reserves, and in adopting and maintaining Capital Reserve funds and Capital Improvement plans.

## **V. APPLICABLE CAPITAL RESERVES**

All Capital Reserve funds established and maintained by the Association at the time of this policy’s adoption, as well as any additional Capital Reserve funds the Board of Directors may establish as necessary to provide for the Association’s purposes, shall be subject to and maintained in accordance with the General Policy On Capital Reserves and Capital Improvements, unless explicitly exempted in part or in whole by a Capital Reserve’s fund-specific policy.

## **VI. FUND-SPECIFIC POLICIES**

The Board of Directors shall establish and maintain fund-specific policies for all Association Capital Reserves. These fund-specific policies shall define:

- The Capital Reserve fund’s particular purposes, along with the particular purposes of any sub-funds thereunder.
- Any special funding, expenditure, or reporting requirements particular to the reserve fund and/or sub-fund.
- Appropriate fund and/or sub-fund adequacy measures and/or other reserve fund and/or sub-fund balance policies.
- Any other policy guidance particular to the maintenance and management of the particular reserve fund and/or sub-fund.

## **VII. PRIMARY CAPITAL FUNDS**

At a minimum, the Association shall establish, maintain, and manage the following Capital Reserve fund accounts:

**Reserve Study Fund:** The Reserve Study Fund (RSF), which is based on the Association’s Reserve Study, is a reserve umbrella account used to plan and provide funding for the repair, restoration, replacement, or maintenance of existing Capital Assets.<sup>12</sup> As more specifically defined in its individual policy, the RSF includes two sub-funds:

- Repair and Replacement Fund (RRF)
- Long Life Fund (LLF)

**Development Fund:** The Development Fund<sup>13</sup> (DF) is a reserve umbrella account used to provide funding for Capital Improvements resulting in new Capital Assets.<sup>14</sup> As more specifically defined in its individual policy, the DF includes two sub-funds:

- Community Improvement Fund (CIF)
- New Equipment Fund (NEF)

## VIII. CAPITAL RESERVE FUNDING

Capital reserve funding is normally provided as part of the Association’s regular annual assessment. The Board will make the final determination regarding the level of funding for the various Capital Reserve funds and/or sub-funds in the context of the Association’s overall budget and total annual assessment.

Should alternative sources of capital funding become available (including but not limited to grant funding, tax rebates, and Operating Fund surpluses), the Board may use such revenue to supplement Capital Reserve funding support. However, this supplemental funding shall not diminish the Board’s obligation to plan and budget for appropriate Capital Reserve funding through regular annual assessments.

## IX. CAPITAL IMPROVEMENT SCHEDULES

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<sup>12</sup> This is an abbreviated description of RSF’s purpose. The complete purpose description may be found in the RSF’s individual policy.

<sup>13</sup> The original 1971 Declaration of Covenants and Restrictions required the Association to establish, and empowered the Association to fund, so-called Development Funds for the following purpose: “to provide for the development of those facilities, in addition to those conveyed to the Association by Declarant, which the Association may from time to time require.” The Development Fund concept was retained in the 1993 Declaration of Covenants and Restrictions and in the 1993 Restated Bylaws.

<sup>14</sup> This is an abbreviated description of DF’s purpose. The complete purpose description may be found in the DF’s individual policy.

## A. Reserve Study

The Reserve Study shall be performed by an independent certified reserve specialist working in conjunction with staff, and conducted in compliance with the Davis Stirling Act,<sup>15</sup> and in accordance with the guidelines published by the State of California Department of Real Estate<sup>16</sup> and the standards published by the Community Associations Institute.<sup>17</sup> The Reserve Study shall include a physical inventory of all existing Association Capital Assets that qualify as Major Association Components, as defined by the Association's Capital Asset Policy.<sup>18</sup> The report shall be segmented into two parts:

- **30-Year Expenditure Report:** This report shall include all Major Association Components with a Total Useful Life of 30 years or less.
- **Long Life Expenditure Report:** This report shall include all Major Association Components with a Total Useful Life in excess of 30 years.

The Board shall review the Reserve Study and its associated funding plan(s) at least once a year during the annual budget process.

## B. Capital Projects Plan

The Capital Projects Plan (CPP) is intended to identify all anticipated, proposed, and planned Significant Capital Projects covering a 20-year planning horizon.

The CPP shall provide individual cost estimates for each Capital Project listed. These cost estimates shall be made using the best information available at each stage of project planning and development.

- For minimally defined conceptual Capital Projects at the earliest stages of development, cost estimates shall be presented as order of magnitude cost estimates.<sup>19</sup>

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<sup>15</sup> California Civil Code §5515.

<sup>16</sup> Reserve Study Guidelines for Homeowners Association Budgets.

<sup>17</sup> Reserve Study Standards.

<sup>18</sup> Resolution 2025-X, Capital Asset Policy or an applicable successor resolution.

<sup>19</sup> See the Capital Asset Policy, Section X regarding cost estimates of Major Association Components. An example of an order of magnitude cost estimate scale is as follows:

- \$ - 2,000 to 1,000,000
- \$\$ - 1,000,000 to 10,000,000
- \$\$\$ - 10,000,000 to 20,000,000
- \$\$\$\$ - 20,000,000 to 40,000,000
- \$\$\$\$\$ - Greater than 40,000,000

- As Capital Projects progress through the various stages of project planning (e.g. study, screening, definition, design, permitting, and consideration for final approval), cost estimates shall be increasingly detailed and definitive.

Capital Project cost estimates are intended to ensure that accumulated capital funds will be sufficient to cover Capital Project needs. Capital Project cost estimates shall be updated no less than annually and include a general description of the project and method used to derive each project cost estimate

As appropriate for presentation and planning purposes, management may segment the CPP into sub-schedules (e.g. 10 and 20-year Capital Project Plans).

- All changes or updates to the CPP shall be reviewed and approved by the Board.
- Each year as part of the annual budgeting process the Board of Directors shall review the CPP and approve:
  - The addition or subtraction of Significant Capital Projects from the CPP.
  - Changes to the prioritization, sequencing, or timing of the Capital Projects listed in the CPP.

### **C. New Equipment Plan**

The New Equipment Plan (NEP) is intended to identify all proposed and planned Capital Improvements that result in new Capital Assets and that are not considered and/or cannot be considered a Capital Project or a component of a Capital Project.

- The NEP shall cover no less than three budget years.
- All changes or updates to the NEP shall be reviewed and approved by the Board.
- The NEP shall include cost estimates for each Capital Improvement listed.
- Each year as part of the annual budgeting process the Board of Directors shall review the NEP and approve:
  - The addition or subtraction of Capital Improvements from the NEP.
  - Changes to the prioritization, sequencing, or timing of items listed in the NEP.

### **D. Capital Funds Projection**

Developed as part of the annual budget in concert with the other Capital Improvement Schedules, the Capital Funds Projection (CFP) is a financial report summarizing overall Capital Improvement plans and funding sources, and forecasting aggregate Capital Reserve cash flows for 10 and 20-year timeframes.



## **X. CAPITAL PROJECT DEVELOPMENT FRAMEWORK**

The Association shall develop a Capital Project Development Framework to guide planning for individual Capital Projects. This framework shall:

- Be developed by staff with board input.
- Be published on the Tahoe Donner website.
- Be adaptable to a wide range of Capital Project scopes, scales, member interest levels, and effects.
- Provide for appropriate member, committee, and board input.
- Provide for appropriate board oversight at key decision points (e.g. study, screening, definition, design, permitting, and consideration for final approval).

Staff and the board shall review and update the Capital Projects Development Framework as appropriate no less than every three years.

## **XI. CAPITAL IMPROVEMENT MODIFICATION & APPROVAL**

To manage individual and aggregate reserve fund balances and expenditures, or for other Capital Improvement management purposes, the Board of Directors may modify, reschedule or otherwise reexamine specific Capital Improvements.

Should the Board determine that a specific Capital Improvement is no longer advisable, it may cancel the Capital Improvement and reallocate any accumulated funds to other designated Capital Improvements. The Board may also modify the scope of a Capital Improvement if it determines that the Capital Improvement requirements have changed since it was originally identified.

Consistent with the Governing Documents, all Capital Improvements not requiring approval of the Members of the Association shall require approval of the Board of Directors.<sup>20</sup> Board of Directors adoption of the Annual Budget, which includes the Reserve Study and associated funding plan(s), the Capital Improvement Schedules, and the Capital Reserve fund allocations, shall constitute approval of funding for the identified Capital Improvements for the upcoming fiscal year, subject to applicable expenditure authorization levels and legal limits on the Board of Directors authority.

## **XII. EXPENDITURES**

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<sup>20</sup> For legal guidance on this topic that is current at the time of this policy's adoption, see: Law Offices of Deon Stein, Re: Downhill Ski Lodge Building Renovation Issues, October 1, 2021.

Capital reserve funds shall only be expended for the purposes for which the reserve fund was created.<sup>21</sup> These purposes include:

- Each Capital Reserve fund and/or sub-fund's particular purposes as defined by the fund's individual policy.
- The general Capital Reserve fund purposes defined by this policy.

Expenditure authorization levels are subject to budget authority levels established by the Board of Directors.<sup>22</sup>

## **X. TRANSFER OF CAPITAL RESERVE FUNDS**

The transfer of Capital Reserve funds from one Capital Reserve fund account to another, or from a Capital Reserve account to the Operating Fund, may only be accomplished at a properly noticed meeting of the board, and with the following conditions met:

- The published agenda for the meeting of the board must explicitly state that the board will consider the transfer of funds from a Capital Reserve fund.
- The decision to transfer funds may only be made following reasonable time allowed for member comment.

Further, no transfer of Capital Reserve funds may be completed unless and until the board issues a written finding, recorded in a board approved corporate resolution, explaining why the transfer is warranted and how the transfer will affect Capital Reserve fund balances and cash flows.

Additionally, any transfers from a Capital Reserve fund to pay for litigation shall be made in accordance with Civil Code §5520 or any applicable successor statute.

### **A. Temporary Transfers**

The Board of Directors may authorize the temporary transfer (“borrowing”) of funds from one Association Capital Fund to the Association’s Operating Fund or to another Association Capital Reserve fund, provided that such borrowing is made in accordance with the Governing Documents and with California Civil Code §5515, or applicable successor statute.

Consistent with California Civil Code §5515, the borrowed funds shall be restored to the lending capital fund within one year of the borrowing, unless the one-year period is extended by the board in accordance with the statute. A special assessment to recover the full amount of the

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<sup>21</sup> See California Civil Code §5510(b).

<sup>22</sup> 2025-X, Authorization Levels Policy.

funds borrowed shall be levied if necessary to restore the funds, provided applicable member-approval requirements are met.

### **B. Permanent Transfers**

The Board of Directors may authorize the permanent transfer of funds from one Association Capital Fund to another Association Capital Fund, provided that such a permanent transfer is made in accordance with the Governing Documents and with any applicable Civil Codes.

## **XIII. NEW CAPITAL ASSETS**

Any new Capital Assets acquired through the expenditure of Capital Reserve funds shall be incorporated into the Reserve Study and accounted for as appropriate in the RSF.

## **XIV. POLICY CONSTRUCTION AND IMPLEMENTATION**

### **A. Liberal Construction**

This policy and its associated fund-specific policies shall be liberally construed to facilitate their implementation and to effectuate their purposes.

### **B. Implementation**

Through the annual budget process, staff shall develop and the Board shall adopt a plan to:

- Fully implement this policy and its associated fund-specific policies no later than January 1, 202#.
- Achieve all funding minimums and funding targets associated with the fund-specific policies no later than the dates specified in the fund-specific policies.

To evaluate progress and to provide direction, the Board shall review and, if appropriate, update this plan annually through the budget process..

## **XV. REPORTING**

The reporting provided to the members through the Association's Annual Budget Report, the Association's year-end Annual Report, and any other Association reporting publications, shall be consistent with all applicable requirements imposed by statute and the Governing Documents.

## **XVI. APPROVAL**

Approval of the General Policy on Capital Reserves and Capital Improvements and any changes, amendments, or modifications thereafter, may only be accomplished at a properly noticed meeting of the Board, with reasonable time allowed for member comment.

**ACCEPTED AND DATED: Month ##, 2025**

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