

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

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

*EXCERPTS FOR 4/21/25 - Please note **red text**, as this denotes changes to naming conventions and/or substantive additions.*

VIII. PRIMARY CAPITAL RESERVES

At a minimum, the Association shall establish, maintain, and manage the following Capital Reserves:

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 Major Association Components.¹ 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 Fund² (DF) is a reserve umbrella account used to provide funding for Capital Improvements resulting in new Capital Assets.³ As more specifically defined in its individual policy, the DF includes two sub-funds:

- **New Projects Fund (NPF)**
- New Equipment Fund (NEF)

¹ This is an abbreviated description of RSF's purpose. The complete purpose description may be found in the RSF's individual policy.

² 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.

³ This is an abbreviated description of DF's purpose. The complete purpose description may be found in the DF's individual policy.

X. CAPITAL IMPROVEMENT SCHEDULES

A. Reserve Study

The Reserve Study shall be performed by an independent certified reserve specialist working in conjunction with staff, **unless the General Manager determines that staff possesses the appropriate expertise to lead the Reserve Study and the Board approves staff to perform the study.** The Reserve Study shall be conducted in compliance with the Davis Stirling Act,⁴ and in accordance with the guidelines published by the State of California Department of Real Estate⁵ and the standards published by the Community Associations Institute.⁶ The Reserve Study shall include a physical inventory of all existing Association Capital Assets that qualify as Major Association Components.⁷

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 Association shall establish one or more funding plans to meet the Association's obligations for the repair and replacement of all Major Association Components identified in the Reserve Study.

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

B. 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 (3) budget years.
- The NEP shall include cost estimates for each Capital Improvement listed.

⁴ California Civil Code §5550.

⁵ Reserve Study Guidelines for Homeowners Association Budgets.

⁶ Reserve Study Standards.

⁷ Resolution 2025-X, Capital Asset Policy or an applicable successor resolution.

- All changes or updates to the NEP shall be reviewed and approved by the Board. At a minimum, 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.

C. New Projects Plan

The New Projects Plan (NPP) is intended to identify all proposed and planned Capital Improvements that result in new Capital Assets and that are considered either a Capital Project or a component of a Capital Project.

- The NPP shall normally cover ten (10) budget years.
 - However, at the discretion of the Board and as recommended by management, the NPP may include Capital Improvements beyond the 10-year range if those Capital Improvements warrant a longer planning horizon.
- The NPP shall include cost estimates for each Capital Improvement listed.
- All changes or updates to the NPP shall be reviewed and approved by the Board. At a minimum, each year as part of the annual budgeting process the Board of Directors shall review the NPP and approve:
 - The addition or subtraction of Capital Improvements from the NPP.
 - Changes to the prioritization, sequencing, or timing of items listed in the NPP.

D. Capital Projects Plan

The Capital Projects Plan (CPP) is a consolidated Capital Improvement Schedule that includes all anticipated, proposed, and planned Significant Capital Projects.

Hence, the CPP shall include all Capital Projects listed in the NPP, all Capital Projects listed in the Long Life Expenditure Report within a 20-year horizon, and any other Capital Projects designated as Significant Capital Projects.

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

Each year as part of the annual budgeting process the Board of Directors shall review the CPP and approve:

- The CPP shall include cost estimates for each Capital Project listed.
- The addition or subtraction of Capital Projects from the CPP.

- Changes to the prioritization, sequencing, or timing of items listed in the CPP.
- All changes or updates to the CPP shall be reviewed and approved by the Board. At a minimum, 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.

E. 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 Schedules and funding sources, and forecasting aggregate Capital Reserve cash flows for 10 and 20-year timeframes.

F. Capital Improvement Cost Estimates

The Capital Improvement Schedules shall provide individual cost estimates for each Capital Improvement listed. Capital Improvement cost estimates shall be updated no less than annually.

For Capital Projects, 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.⁸
- 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.

Cost estimates for Capital Projects shall include:

- A general description of the Capital Project
- A brief explanation of the method used to derive the Capital Project's cost estimate.

⁸ An example of an order of magnitude cost estimate scale is as follows:

- \$ - 2,000 to 1,000,000
- \$\$ - 1,000,000 to 5,000,000
- \$\$\$ - 5,000,000 to 15,000,000
- \$\$\$\$ - 15,000,000 to 30,000,000
- \$\$\$\$\$ - Greater than 30,000,000