

**TAHOE DONNER ASSOCIATION  
BOARD OF DIRECTORS  
ADMINISTRATIVE RESOLUTION 2025-8**

**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 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 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>

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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.

<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** 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>

**WHEREAS**, the Governing Documents anticipate “that the existing Common Facilities will require future expansion in order to accommodate increased Member usage as Residences are constructed on Separate Interests within the Properties.”<sup>10</sup>

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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.

<sup>10</sup> First Restated Declaration of Covenants and Restriction of Tahoe Donner, Article VIII, Section 1(b).

**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 Reserves.<sup>11</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>12</sup>

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**WHEREAS**, the following General Policy On Capital Reserves and Capital Improvements 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. PURPOSE**

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

- Establish the principles and goals guiding Tahoe Donner's Capital Reserves and Capital Improvements management and planning.
- Define the Capital Reserves necessary to carry out the Association's duties and interests, and clarify the interrelationship among 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 Reserves.
- Identify the planning and funding processes and practices appropriate for carrying out the Association's Capital Improvement duties and interests.

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<sup>11</sup> Restated Bylaws of Tahoe Donner Association, Article IX, Section 2(a)(v).

<sup>12</sup> First Restated Declaration of Covenants and Restriction of Tahoe Donner, Article IV, Section 3(ii).

## **II. DEFINITIONS**

This policy shall be read and interpreted in conjunction with the definitions contained in the Financial Lexicon Policy.

## **III. 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, and any Capital Reserve Specific Policies created thereunder, 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.

## **IV. 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 Major Components.
- 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.

## **V. 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 IV above and with the following principles:

- The Association's various Capital Reserves are intended to be used in combination and in concert with each other to provide financial support for the Association's Capital Improvement duties and interests.
- All Capital Reserves shall be managed to:
  - Satisfy the Association's Capital Improvement duties and interests, including future long-range Capital Improvement duties and interests.

- 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 Improvement Schedules.

## **VI. APPLICABLE CAPITAL RESERVES**

All Capital Reserves established and maintained by the Association at the time of this policy's adoption, as well as any additional Capital Reserves 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 Specific Policy.

## **VII. CAPITAL RESERVE SPECIFIC POLICIES**

The Board of Directors shall establish and maintain Capital Reserve Specific Policies for all Association Capital Reserves. These policies shall define:

- The Capital Reserve's particular purposes, along with the particular purposes of any Sub-Funds thereunder.
- Any special funding, expenditure, or reporting requirements particular to the Capital Reserve and/or Sub-Fund.
- Appropriate Capital Reserve and/or Sub-Fund adequacy measures and/or other Capital Reserve and/or Sub-Fund balance policies.
- Any other policy guidance particular to the maintenance and management of the particular Capital Reserve and/or Sub-Fund.

## **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 Capital Reserve Umbrella Fund used to plan and provide funding for the repair, restoration, replacement, and/or maintenance of existing Major Components.<sup>13</sup> As more specifically defined in its Capital Reserve Specific Policy, the RSF includes two Sub-Funds:

- Repair and Replacement Fund (RRF)

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<sup>13</sup> This is an abbreviated description of the RSF's purpose. The complete purpose description may be found in the RSF's Capital Reserve Specific Policy.

- Long Life Fund (LLF)

**Development Fund:** The Development Fund<sup>14</sup> (DF) is a Capital Reserve Umbrella Fund used to provide funding for Capital Improvements that result in the creation or acquisition of new Major Components that do not qualify for RSF funding.<sup>15</sup> As more specifically defined in its Capital Reserve Specific Policy, the DF includes two Sub-Funds:

- New Capital Projects Fund (NCPF)
- New Equipment Fund (NEF)

## **IX. CAPITAL RESERVE FUNDING**

Capital Reserve funding is normally provided as part of the Association's regular annual assessment. The Board will make the final determinations regarding the level of funding for the various Capital Reserves and/or Sub-Funds in the context of the Association's overall budget and total annual assessment. Where one or more Sub-Fund exists under a Capital Reserve Umbrella Fund, assessment allocation decisions will typically be made at the Sub-Fund level.

Should alternative sources of Capital Reserve funding become available (including but not limited to grant funding, tax rebates, and Operating Fund surpluses), the Board may use such funding to supplement Capital Reserve 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.

## **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,<sup>16</sup> and in accordance with the guidelines published by the State of California Department of Real Estate<sup>17</sup>

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<sup>14</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>15</sup> This is an abbreviated description of the DF's purpose. The complete purpose description may be found in the DF's Capital Reserve Specific Policy.

<sup>16</sup> California Civil Code §5550.

<sup>17</sup> Reserve Study Guidelines for Homeowners Association Budgets, 2010 or successor guidelines.

and the standards published by the Community Associations Institute.<sup>18</sup> The Reserve Study shall include a physical inventory of all existing and newly qualifying Major Components.

The Association shall establish the following Capital Improvement Schedules and funding plans to meet the Association's obligations for the repair, maintenance, and replacement of all Major Components identified in the Reserve Study:

- **30-Year Expenditure Plan:** This plan covers a 30-year planning horizon and shall include all Major Components with a Useful Life of 30 years or less.
- **Long Life Expenditure Plan:** This plan covers a 50-year planning horizon and shall include all Major Components with a Useful Life in excess of 30 years.

The Board shall review the Reserve Study and its associated Capital Improvement Schedules and funding plan(s) no less than annually during the Annual Budget Development Process.

## **B. New Equipment Plan**

The New Equipment Plan (NEP) is intended to identify all proposed and planned Capital Improvements that result in new Major Components 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. Cost estimates shall be updated no less than annually.
- 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 Budget Development 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 Capital Projects Plan**

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

- The NCPP shall normally cover ten (10) budget years.
  - However, at the discretion of the Board and as recommended by management, the NCPP may include Capital Improvements beyond the 10-year range if those Capital Improvements warrant a longer planning horizon.

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<sup>18</sup> Community Associations Institute, Reserve Study Standards, 2023 or successor standards.

- The NCPP shall include cost estimates for each Capital Improvement listed. Cost estimates shall be updated no less than annually.
- The NCPP shall also inventory potential Capital Projects in the 10 to 20 year range. However, cost estimates for such projects shall not be required.
- All changes or updates to the NCPP shall be reviewed and approved by the Board. At a minimum, each year as part of the Annual Budget Development Process the Board of Directors shall review the NCPP and approve:
  - The addition or subtraction of Capital Improvements from the NCPP.
  - Changes to the prioritization, sequencing, or timing of items listed in the NCPP.

#### **D. Interagency Partnership Plan**

The Interagency Partnership Plan (IPP) is a Capital Improvement Schedule that includes all Tahoe Donner Capital Improvements that are being proposed and/or planned in cooperation or in partnership with governmental and non-governmental agencies.

- For each Capital Project included in the IPP, the IPP shall identify the lead agency, the proposed year of construction, and the funding source(s).
- Typically, the IPP will include Capital Project cost estimates only if either of the following conditions are met:
  - An estimate is provided by the lead agency.
  - The funding sources include an identified amount from Tahoe Donner Capital Reserves.
- When funding sources include Tahoe Donner Capital Reserves, the IPP will distinctly identify the Tahoe Donner portion in addition to any provided overall estimate.
- The IPP shall be managed by staff, with all changes or updates to the IPP reviewed no less than annually by the Board. At a minimum, each year the Board shall review the IPP as part of the Annual Budget Development Process.

#### **E. Significant Capital Projects Plan**

The Significant Capital Projects Plan (SCPP) is a consolidated 20-year Capital Improvement Schedule that includes all anticipated, proposed, and planned Significant Capital Projects.

The CPP shall include all Capital Projects listed in the NCPP within a minimum 10-year horizon, all Capital Projects listed in the Long Life Expenditure Plan 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 SCPP into sub-schedules (e.g. 10 and 20-year Significant Capital Projects Plans).



- The SCPP shall include cost estimates for each Capital Project listed, provided cost estimates for that Capital Project are available. Cost estimates shall be updated no less than annually.
- All changes or updates to the SCPP shall be reviewed and approved by the Board. At a minimum, each year as part of the Annual Budget Development Process the Board of Directors shall review the SCPP and approve:
  - The addition or subtraction of Significant Capital Projects from the SCPP.
  - Changes to the prioritization, sequencing, or timing of the Capital Projects listed in the SCPP.

## **F. 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 the Capital Improvement Schedules and funding sources, and forecasting aggregate Capital Reserve cash flows for 10 and 20-year timeframes.

## **G. Capital Project Cost Estimates**

Cost estimates for Capital Projects in the various Capital Improvement Schedules shall be made by staff using the best information available at each stage of Capital Project planning and development.

- For minimally defined conceptual Capital Projects at the earliest stages of development, cost estimates may be presented as order of magnitude cost estimates.<sup>19</sup>
- As Capital Projects progress through the various stages of project planning (e.g. study, scoping, 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.

## **XI. CAPITAL PROJECT DEVELOPMENT FRAMEWORK**

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<sup>19</sup> 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

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 no less than every three years.

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

To manage individual and aggregate Capital Reserve 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 monies, provided that the reallocated monies are used consistent with Article XIII (Expenditures) of this policy. The Board may also modify a specific 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 allocations, shall constitute approval of the identified Capital Improvements for the upcoming fiscal year, subject to applicable expenditure authorization levels<sup>21</sup> and legal limits on Board of Directors authority.

## **XIII. EXPENDITURES**

Capital Reserves shall only be expended for the purposes for which the Capital Reserves were created.<sup>22</sup> These purposes include:

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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.

<sup>21</sup> 2025-12, Authorization Levels Policy.

<sup>22</sup> See California Civil Code §5510(b).

- Each Capital Reserve and/or Sub-Fund's particular purposes as defined by the applicable Capital Reserve Specific Policy.
- The general Capital Reserve purposes as defined by this policy.

Expenditure authorization levels are subject to budget authority levels established by the Board of Directors.<sup>23</sup>

#### **XIV. TRANSFER OF MONIES FROM CAPITAL RESERVES**

The transfer of Capital Reserve monies from one Capital Reserve to another, or from a Capital Reserve 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 monies from a Capital Reserve.
- The decision to transfer monies may only be made following reasonable time allowed for Member Comment.

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

Additionally, any transfers from a Capital Reserve 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 monies from one Capital Reserve to the Operating Fund or to another Capital Reserve, 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 monies shall be restored to the lending Capital Reserve 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 monies borrowed shall be levied if necessary to restore the monies, provided applicable Member- approval requirements are met.

##### **B. Permanent Transfers**

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<sup>23</sup> 2025-12, Authorization Levels Policy.

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

### **C. Transfers Involving Capital Reserve Disbursements**

Capital Reserve funds transferred to the Operating Fund to facilitate Capital Reserve disbursements shall not be subject to the provisions of Section XIV of this policy. Such transfers shall be recorded and reported, for accounting purposes, as “due/from” the involved funds.

## **XV. NEW CAPITAL ASSETS AND MAJOR COMPONENTS**

Any new Capital Assets acquired, created, and/or established through the expenditure of Capital Reserve monies shall be accounted for in accordance with the Capital Asset Policy.

Any new Major Component acquired, created, and/or established through the expenditure of Capital Reserve monies shall be incorporated into the Reserve Study.

## **XVI. POLICY CONSTRUCTION AND IMPLEMENTATION**

### **A. Liberal Construction**

This policy and its associated Capital Reserve Specific Policies shall be liberally construed to facilitate their implementation and to effectuate their purposes.

### **B. Implementation**

Through the Annual Budget Development Process, staff shall develop and the Board shall adopt an Implementation Plan to:

- Implement this policy and its associated Capital Reserve Specific Policies beginning with the 2026 Annual Budget, and;
- Achieve all funding minimums and funding goals associated with the Capital Reserve Specific Policies no later than the dates specified in the Capital Reserve Specific Policies.

To evaluate progress and to provide direction, the Board shall review and, if appropriate, update this Implementation Plan annually through the Annual Budget Development Process.

## **XVII. 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.

#### **XVIII. 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:** June 27, 2025

DRAFT