

**TAHOE DONNER ASSOCIATION
BOARD OF DIRECTORS
ADMINISTRATIVE RESOLUTION 2025-9**

RESERVE STUDY FUND POLICY

WHEREAS, Administrative Resolution 2025-8, the General Policy on Capital Reserve and Capital Improvements, requires that the Board of Directors establish and maintain Capital Reserve Specific Policies for all Capital Reserves established and maintained by the Association,

WHEREAS, the following constitutes the Reserve Study Fund Policy of Tahoe Donner Association and supersedes all previously approved Replacement Reserve Fund policies, up to and including Administrative Resolution 2019-1;

NOW, THEREFORE, BE IT RESOLVED, that the Board of Directors of Tahoe Donner Association approves and adopts the following Reserve Study Fund Policy:

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I. PURPOSE

The Reserve Study Fund Policy constitutes the Capital Reserve Specific Policy for the following Capital Reserve and Sub-Funds:

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. Consistent with the Community Associations Institute's Reserve Study Standards:

- Maintenance and repair shall be understood to include preventative and corrective maintenance and repair.
- Replacement shall be understood to include Logical Upgrades.

The RSF may be used for both capitalized expenditures and non-capitalized expenses, provided these uses are consistent with the RSF's purposes.

The RSF includes two Sub-Funds:

- The Repair and Replacement Fund (RRF) includes existing Major Components that have a Useful Life of 30-years or less, as well as any costs that satisfy the Reserve Study Component Selection Guidelines published in the Community Associations Institute's

Reserve Study Standards (e.g. preventive or corrective repair and maintenance of Major Components).

- The Long Life Fund (LLF) includes existing Major Components that have a Useful Life in excess of 30 years, including “life-of-the-building”¹ components. “Life-of-the-building” components include, without limitation, foundations, building frames, roof structures, utilities, engineered drainage, and bridges, up to and including full facility replacement.

II. DEFINITIONS

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

III. RESERVE STUDY FUNDS MINIMUM BALANCES

A. RESERVE STUDY FUND

For contingency purposes,² a total minimum combined balance for the RSF and its Sub-Funds will be maintained that equates to 10% of the Association’s Total Property and Equipment, as documented in the prior year’s Independent Auditor’s Report.

Board approval shall be required to draw down below this minimum. Such approval may only be accomplished at a properly noticed meeting of the board, and with the following conditions met:

- The published agenda must explicitly state that the board will consider drawing down the Capital Reserve below its minimum balance.
- The board issues a written finding, recorded in a board approved administrative resolution, explaining why the action is warranted and how the action will affect Capital Reserve balances and cash flows, and defining a plan to reestablish the minimum balance within five (5) years.
- The decision to draw down the Capital Reserve below its minimum balance may only be made following reasonable time allowed for Member Comment.

B. REPAIR AND REPLACEMENT FUND

The annual RRF allocation will be recommended to the Board by the General Manager based on the results of the updated Reserve Study as part of the Annual Budget Development Process.

¹ For the purposes of this policy and the Reserve Study, the phrase “life-of-the building components” as used by the State of California Department of Real Estate and “long life components” as used by the Community Associations Institute shall be understood as synonyms.

² Restated Bylaws of Tahoe Donner Association, Article XII, Section 5(a)(ii).

The annual RRF allocation shall be increased annually by at least the most recently published 12-month San Francisco CPI plus 5% until the Percent Funded level exceeds 25% of the Capital Improvement costs designated in the 30-Year Expenditure Plan.

Once 25% funded or greater is achieved, the current year's funding level must consider the RRF's future years percent funded and cash balances to mitigate year-to-year variability in Capital Reserve allocations.

C. LONG LIFE FUND

The annual LLF allocation will be recommended to the Board by the General Manager based on the results of the updated Reserve Study as part of the Annual Budget Development Process.

The annual LLF allocation will normally be one-fiftieth (1/50), or two percent (2%), of the Total Estimated Replacement Cost of the Capital Projects designated in the Long Life Expenditure Plan. However, funding shall be adjusted as required to ensure that the LLF meets 100% of the LLF cash flow requirements within the 10-year funding horizon.

The current year's funding level must consider the LLF's future years balances and cash flow requirements to mitigate year-to-year variability in Capital Reserve allocation.

VI. REPORTING

The Annual Budget Report shall include a summary of the results of the Reserve Study, the funding level being allocated to the RSF and its Sub-Funds, the planned uses of those funds for the coming year, and other required disclosures.

VII. EXPENDITURES

There are no special expenditure requirements particular to the RSF beyond the regular expenditure requirements defined in Administrative Resolution 2025-8, the General Policy on Capital Funds and Capital Improvements.

VIII. POLICY CONSTRUCTION AND IMPLEMENTATION

A. Liberal Construction

This policy shall be liberally construed to facilitate its implementation and to effectuate its purposes.

B. Implementation

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

- Implement this policy beginning with the 2026 Annual Budget, and;
- Achieve all funding minimums and funding goals associated with this policy no later than January 1, 2036.

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.

IX. APPROVAL

Approval of the Reserve Study Fund Policy 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