



STAFF REPORT: Capital and Financial Policies Update Initiative

RECOMMENDED ACTION:

By Motion:

The Board of Directors adopts Resolution 2025-4, Capital and Financial Policies Update.

BACKGROUND:

Tahoe Donner's Strategic Plan includes Initiative 3, Goal 3.3: Adhere to good governance and management principles and practice. As part of achieving two of the seven objectives under Goal 3.3, the 2024 and 2025 Annual Strategic Objectives were approved, which relate to reviewing and updating Association policies using a multi-year approach.

The Association has administrative policy resolutions spanning from the late 1980s through the present year. The last time management and the board conducted a comprehensive policy resolution review and update was between 2009 and 2017.

While other singular policies on the multi-year policy review and update schedule are reviewed separately, a larger project was developed to review and update the capital fund policies as part of the 2024 Annual Objectives and continue in 2025.

The project objectives were to:

- Clarify and communicate the Association's legal obligation for planning, saving, and the expenditure of capital improvement reserve funds
- Align and integrate the 2023 Community Association Institute (CAI) Reserve Study Standards with policies
- Create an effective facility replacement policy and funding plan within existing reserve funds or an alternative
- Develop a sustainable and more normalized capital funding plan
- Define a transition plan to grow into savings that creates a more normalized Annual Assessment
- Define all terminology and update policies to reflect adopted procedures and processes

A working group, led by staff comprising two board members and members of the Finance Committee, began examining the capital funds policies in 2024, focusing specifically on the Development, Replacement Reserve, and New Equipment Fund policies. Upon digging into the project, the working group agreed that wrapping additional financial policies into this project was necessary to align and ensure consistency across policies.



This comprehensive update to capital and financial policies has spanned a year and half, with several pauses because of staff considerations and other priority initiatives, the Downhill Ski Lodge Replacement, Amenity Access Rule Change, and the 2025 Budget. Drafting of the revised and new policies began in earnest in December 2024 and has followed a timeline and collaborative effort to get to board consideration of adoption.

This staff report is prepared for the board as the project enters its final stage; the delivery of final versions of the policies for the board to consider accepting and adopting by resolution. Administrative Resolution 2025-4 rescinds certain named existing capital and financial policies and replaces them with revised and new policies.

DISCUSSION:

The proposed capital and financial policies updates represent an evolution and an improvement over TDA's existing capital and financial policies, while also achieving the project goals and objectives. An inventory of the proposed updated and new policies are as follows:

- Exhibit B: Administrative Resolution 2025-5, Financial Lexicon Policy. Drawing from Resolution 2014-1 Exhibit B (Definition of Terms and Procedures), this new policy creates a standalone lexicon policy. This new policy accurately defines lexicon used in the capital and financial policies providing reliability and stability to how the organization talks about these matters.
- Exhibit C: Administrative Resolution 2025-6, Capital Asset Policy. This is an update to existing policy that enhances and clarifies current policy and practices.
- Exhibit D: Administrative Resolution 2025-7, Annual Budget Development Process Policy. This is an update to existing policy that enhances and clarifies current policy and practices.
- Exhibit E: Administrative Resolution 2025-8, General Policy on Capital Reserves and Capital Improvements. Much of this new policy comes from existing capital and financial policies integrating them into one general policy where the planning, budgeting and funding of capital reserves and improvements are tied together.
- Exhibit F: Administrative Resolution 2025-9, Reserve Study Fund Policy. This is an update to existing policy that enhances and clarifies current policy and practices. Much of the policy language from the existing policy is moved into Resolution 2025-8.
- Exhibit G: Administrative Resolution 2025-10, Development Fund Policy. This is an update to existing policy that enhances and clarifies current policy and practices. Much of the policy language from the existing policy is moved into Resolution 2025-8.
- Exhibit H: Administrative Resolution 2025-11, Operating Fund Policy. This is an update to existing policy that enhances and clarifies current policy and practices.
- Exhibit I: Administrative Resolution 2025-12, Authorization Levels Policy. This is an update to existing policy that modernizes, enhances and clarifies current policy and practices.
- Exhibit J: Administrative Resolution 2025-13, Investment Policy. This is a technical update to existing policy that enhances and clarifies current policy and practices.



Either in the new Financial Lexicon Policy or through the other proposed policy updates, all terminology is defined to reflect adopted procedures and processes. If through experience the board and/or management find that additional terms need to be defined for clarity, the Financial Lexicon Policy is designed to be updated as necessary.

The policy recitals are written to clarify and communicate the Association's legal obligations pertaining to capital reserve management and capital improvement spending and implementation, and responsibility for these legal obligations are integrated into the policy structures. The proposed Reserve Study Fund and the applicable definitions in the Financial Lexicon Policy fully integrate the updated CAI Reserve Study Standards.

The policies address facility replacement by integrating long-life Major Components into the TDA Reserve Study, by planning for their repair and replacement through the Long Life Expenditure Plan (a 50-year plan that includes life-of-building Major Components), and by providing funding for facility replacement needs through a dedicated Long Life Fund, which is a new sub-fund under the Reserve Study Fund umbrella.

The Development Fund Policy and the applicable definitions in the Financial Lexicon Policy more clearly define the fund and sub-funds for Capital Improvements that result in the creation or acquisition of new Major Components that do not qualify for the Reserve Study Fund. This change improves clarity both in policy and in practice for both umbrella and their respective sub-funds.

As financial models show, the policies are designed to transition TDA into a sustainable long-term capital funding savings plan that ultimately results in a more normalized Annual Assessment.

The Operating Fund Policy is updated to simplify and clarify the fund principles and adopt a more conservative approach to revenue expectations. The policy also redefines the OFCR as a minimum balance.

The Authorization Levels Policy is updated to bring authorization levels up to appropriate standards for 2025.

The Investment Policy received technical updates and refinements that preserve and clarify its traditional conservative investment approach.

Though all of the policy drafts represent improvements over the existing policies, the working group believes that the policies can only be perfected through practical experience and refinement. As such, for at least two years following adoption of these policies, the board is intended and expected to review and potentially refine all of the policies following the conclusion of the Annual Budget Development Process.

The Board of Directors is being asked to consider the major updates and two new policies that achieve the following project outcomes:

1. 2024 and 2025 Annual Strategic Objective implemented: Board acceptance and adoption of the policies completes the deliverables in the initiative.
2. The Capital Funds and Financial Policies and associated Funding Plans and/or Projections are updated: Through the drafting process, models were created to test the proposed funding and sufficiency measures, funding plans and projections were updated.



3. An implementation plan is provided if there are changes to the funding plan and assessment projections: Each fund policy includes a slow roll implementation approach which must be reviewed and approved as part of the Annual Budget Development Process. This allows for regular updating and check in on policy implementation supporting good governance practices.
4. Organizational alignment on long-range financial planning and policy implementation: By expanding the project to include additional policies into the project, we fast tracked the pace of organizational alignment, and provided the opportunity to have consistency across policies.
5. Policy adoption in time for the 2025 budget process (August – October 2024). *The policy adoption timeline was amended in 2024 due to capacity constraints. Targeting the first half of 2025.* Pending board approval at the June 27 board meeting, this objective will be met.
6. Include other Capital and Financial Policy updates identified in the Multi-Year Policy Review and Update Schedule as part of the initiative: As discussed above multiple additional financial policies were included in the project making a better end product through consistency and clarity across the policies.

Summary

The compendium of capital and financial policies presented to the Board of Directors conclude a collaborative project between staff, Finance Committee members, and the board to update and create certain new policies that enhance and clarify upon the prior policies. The Board may consider accepting and adopting the proposed policies by resolution following discussion and member comment.

RECOMMENDATION:

The recommended board action is as follows:

By Motion:

The Board of Directors adopts Resolution 2025-4, Capital and Financial Policies Update.

Alternative(s) the Board may consider:

1. The Board of Directors may postpone action and provide feedback to the working group for modifications to one or more of the policies and return them for the board to consider acceptance and adoption at a future board meeting.
2. The Board may provide the working group with other feedback or direction.

OUTREACH:

Member and committee engagement began in December 2023 and continues present day through Finance Committee meetings, the Long-Range and Trails and Open Space Committees meeting briefings, board meetings and workshops, and communications in emails and Tahoe Donner News.



FINANCIAL IMPACT:

Implementation of policies and funding parameters is written on a 10-year horizon with review and adoption through the Annual Budget Development Process. Annual Assessment implications related to the implementation of the policies will not have any consequence on the Association's capital budgets until 2026 and will be determined as the 2026 annual budget is developed later this summer and early fall.

During the 2025 Budget process and more recently at the May 25, 2025, and at the June 27, 2025 Regular Board Meetings, the Board has and will be discussing the 2026 Strategic Budget Drivers which include assumptions to increase the annual assessment allocation to the capital funds for the purposes of drafting the 2026 Budget and initiate discussion relating to the implementation plan.

ATTACHMENTS:

Exhibit A: Administrative Resolution 2025-4

Exhibit B: Administrative Resolution 2025-5, Financial Lexicon Policy

Exhibit C: Administrative Resolution 2025-6, Capital Asset Policy

Exhibit D: Administrative Resolution 2025-7, Annual Budget Development Process Policy

Exhibit E: Administrative Resolution 2025-8, General Policy on Capital Reserves and Capital Improvements

Exhibit F: Administrative Resolution 2025-9, Reserve Study Fund Policy

Exhibit G: Administrative Resolution 2025-10, Development Fund Policy

Exhibit H: Administrative Resolution 2025-11, Operating Fund Policy

Exhibit I: Administrative Resolution 2025-12, Authorization Levels Policy

Exhibit J: Administrative Resolution 2025-13, Investment Policy

Staff Report Prepared By: Annie Rosenfeld, General Manager

Board of Directors Meeting: June 27, 2025