



TITLE: Adoption of the 2026 Annual Budget

RECOMMENDATION:

By Motion:

The Board of Directors adopts Budget Resolution 2025-1, which:

- 1) Approves the proposed 2026 Amenity Access Operating Plan (Exhibit M)
- 2) Adopts the proposed Annual Budget for 2026 (Exhibit A – Ending L)
 - a) Establishes the 2026 Operating Fund Minimum Balance at \$1,900,000
- 3) Adopts the 2026 Annual Assessment as follows:
 - a) Operating Fund – \$1,618
 - b) Reserve Study Fund
 - i) Repair and Replacement Fund – \$1,034
 - ii) Long Life Fund - \$187
 - c) Development Fund
 - i) New Capital Projects Fund - \$752
 - ii) New Equipment Fund – \$30

Total 2026 Annual Assessment – \$3,621

- 4) Directs the General Manager to take all necessary and proper steps to implement this budget, including making expenditures that require prior approval of the Board of Directors as set forth in Tahoe Donner policy resolutions.

BACKGROUND:

Per Resolution 2025-7, Annual Budget Development Policy, the board will adopt an annual budget and provide the membership with an annual budget report no later than 45 days before the start of the fiscal year, along with Annual Assessment billing relating to the adopted budget.

Staff is pleased to present the 2026 Budget to the Board of Directors for consideration for adoption at the October 14, 2025 special board meeting. Alternatively, the Board may provide direction to staff for further refinement of the 2026 Annual Budget and defer its final decision to a continued board meeting on Friday, October 17.

Staff has been working on the budget since early May. A budget is developed for each department through coordinated efforts by the Director of Finance, the respective operating directors and managers, and the Finance Committee. August 29, 2025, Budget Session #1 focused on the Operating Fund. At that Session, an Operating Fund contribution from the assessment was presented as \$1,653 per property owner, an increase of \$215 or 15% from 2025. After further work, reassessing operational efficiencies, receiving the final property and casualty insurance costs, and reviewing revenues, the contribution from the assessment to the Operating Fund is \$1,618. This represents a \$24 decrease from Session #1 and a \$180 (13%) increase from 2025.

Significant effort has been made to review and update Capital Improvement Schedules following the adopted changes to the capital and financial policies at the June 27, 2025, regular board meeting. The initially proposed capital reserves contribution from the assessment, along with the proposed Capital Improvement Schedules and their associated estimated costs and fund balances, was presented at



Budget Session #2 on September 26, 2025. Based on Board input from that meeting, updated Capital Improvement Schedules are presented today. The only change in contribution from Session #2 is to the New Equipment Fund, which decreased by \$20, resulting in a \$10 increase from 2025.

ANALYSIS:

Presented to the Board for adoption is the 2026 Annual Budget, which includes the Operating Fund, the Capital Improvement Schedules, and other capital and financial expenditure reports as required by Tahoe Donner policy and state law. (See Exhibits A-L). Independent of the Annual Budget is the Amenity Access Rule 2026 Operating Plan, which the board approves in tandem with the Annual Budget (See Exhibit M). Additionally, per Resolution 2025-11, Operating Fund Policy, the Board will consider setting the Operating Fund Minimum Balance as part of the Annual Budget approval.

Operating Fund

Operating Fund Revenue

Operating revenues from all departments consolidate to over \$18.1M, representing a 7% increase from Budget 2025 and a 5% increase from Forecast 2025. Factors contributing to the revenues include the assumption that the Downhill Ski Lodge will reopen and be fully operational in December 2025 for the 25/26 winter season, along with increased revenues, most notably anticipated from winter F&B, lessons, and rentals.

Four Member ID Cards will be included with the 2026 Assessment payment. The Recreation Fee and Member Daily Access fees will sunset on December 31, 2025, and therefore, we are not forecasting any 2026 private amenity Member Access revenue. The following private amenity daily access rates are proposed for 2026: Personal Guest age 7+ and 3-6 years old (\$15 & \$5 respectively, no change from 2025), and STR age 3-6 years old will increase to \$10 (+ \$5 from 2025). STR age 7+ will increase to \$30 (+\$6 from 2025), while Member access will be free (-\$15). For other Amenity Access Rule Fees, see the 2026 Amenity Access Rule Operating Plan (Exhibit M).

Non-member peak-period pricing and window pricing remain appropriate and are implemented in the proposed Budget 2026. With approval, they will be applied to winter daily access at Downhill Ski and Cross Country. Most ski resorts are already implementing these two approaches, aiming to encourage and drive more online advanced purchasing. Peak period pricing applies to non-members.

Staff continue to look at revenue-generating opportunities and the utilization of amenities. Such opportunities include the continuation of music/game events at several of the F&B outlets. Banquet/group opportunities exist at the newly renovated Pavilion, and staff are focused on showcasing that part of The Lodge and increasing revenue from that facility. Golf Operations are forecasted to continue benefiting from the new Reservation system (Fore-Up), which provides better live transparency of availability and has increased revenue in the inaugural 2025 season. Day Camps are reintroducing camp offerings that had been temporarily frozen due to the Downhill Ski Lodge project, as this facility serves as the primary location for the summer Day Camps.

Operating Fund Expense

The 2026 Budget reflects total expenditures of \$29,997,358, an increase over 2025 of \$2,477,727 or 9%. Payroll expense represents 66% of the Association's overall operating cost. It is a cost that



continues to place considerable pressure on the budget, which is essential for remaining competitive in the local market and attracting and retaining the best employees. The Resolution 2025-11, Operating Fund Policy, states that the Association shall develop budgets consistent with certain principles. Being competitive is one of those principles.

California's minimum wage will increase from \$16.50 in 2025 to \$16.90 in 2026; a 2.4% increase. To be competitive in the local region, companies pay entry-level positions more than the minimum wage: generally, \$20 per hour for winter recreation positions (Vail/Northstar and Alterra/Palisades Tahoe) and above \$17 per hour for summer recreation positions.

Property Casualty Liability insurance has increased. The combined premium covering all lines of coverage (commercial liability, property, auto, pollution, cyber, etc.) has increased by \$277,991 or 15.5% from 2025. This represents a \$43 increase per owner for 2026. A 14.9% increase in Workers Compensation coverage is also factored into the 2026 budget. This represents a \$13 increase per property owner, while brokerage fees remained flat compared to the prior year. Health insurance premiums increased 17% over the previous year due to rate increases and personnel benefit selection changes.

Utility costs continue to increase, and the total cost for 2026 is estimated at \$1M or \$165 per property.

The Board's adoption of Resolution 2025-11, Operating Fund Policy, is intended to ensure the Association maintains adequate working capital to meet short-term operating needs and mitigate exposure to financial risk arising from revenue shortfalls or cost increases. "The Board shall establish the annual Operating Fund Minimum Balance as part of the Annual Budget process, with a goal of no less than 15% of the Association's annual operating budget," which would be \$4,483,591 in 2026. However, staff is recommending an Operating Fund Minimum Balance of \$1,900,000 for 2026, which is an increase of over \$440,000 from 2025, as we transition into the updated policy. The Operating Fund budget is attached as Exhibit A.

Summary Operating Fund Profit and Loss Chart

	<u>2026 Budget</u>
Operating Revenue	18,190,673
COGS	(1,919,323)
Gross Margin	16,271,349
Payroll Direct-Salary	(6,788,535)
Payroll Direct-Hourly	(8,448,632)
Payroll Direct-Total	(15,237,167)
Payroll Burden	(4,436,291)
Payroll	(19,673,457)
Expenses	(8,404,578)
NORBCA	(11,806,686)
Capital Expense Allocation	1,338,105
NOR	(10,468,581)



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 (Resolution 2025-9, Reserve Study Policy). The RSF comprises two Sub-Funds, the Repair and Replacement Fund and the Long Life Fund.

Repair and Replacement Fund

Tahoe Donner is required to have a Reserve Study to address the budgeting and funding plans to address the Major Components of the Association, as required by the Davis-Stirling Act governing common interest developments in California and Resolution 2025-9, Reserve Study Fund Policy. The Association is required to perform a 3-Year Reserve Study, which is the physical and financial audit/analysis of the Association's replacement reserve plan. The study establishes a 30-year cash flow analysis that the Association can use for annual planning and funding purposes. Tahoe Donner completed the last 3-Year Reserve Study in 2022 and annually reviews and updates upcoming components and estimated costs. The next 3-Year Reserve Study will be completed in 2026.

The Reserve Study 30-Year Cash Flow Report (Exhibit F) has an annual inflation rate of 2.5% and a 2% interest rate on funds factored. Resolution 2025-9, Reserve Study Fund Policy states,

...the annual Replacement Reserve Fund assessment allocation shall be increased by a minimum of 4% each year until the Percent Funded level exceeds 25% and until the Replacement Reserve Fund balance is equal to or exceeds 10% of Net Property and Equipment. Once 25% funded or greater is achieved, the current year's funding level also needs to consider the reserve study's future years' percent funded and cash balances, in order to minimize the need for large adjustments in future years.

In July of 2023, the Community Association Institute released revised Reserve Study Standards, partly due to the Champlain Towers South collapse in Surfside, Florida. The primary intent of the standards update was to broaden the study language and incorporate aspects of maintenance and structural integrity.

Tahoe Donner began incorporating the necessary changes to the Tahoe Donner Reserve Study with the 2024 Budget and will continue this effort over several years. Such changes have greatly impacted the percent funded levels in the coming years. When referring to the Reserve Study 30-Year Cash Flow Report, it is noted that the percent funded level drops below the 25% policy level.

Therefore, the proposed 2026 budget includes a \$1,034 assessment allocation to the Repair and Replacement Fund (RRF) portion of the Annual Assessment, representing a \$94 or 10% increase over the prior year. It is anticipated that in the coming years, with further adoption of the revised standards and any updates to TDA capital policies, a minimum 10% contribution increase to the RRF will be required.

The 2026 Repair and Replacement Fund Budget (Exhibit H), Reserve Study 30-Year Expenditure (Exhibit I), Reserve Study 30-Year Cash Flow (Exhibit F), and Reserve Study AICPA by Location (Exhibit G) are attached.

Repair and Replacement Fund Summary

REPAIR + REPLACEMENT FUND (RRF)	Forecast 2025	Budget 2026
Beginning Balance	19,095,051	8,450,576
Operating Surplus Applied	-	-
Assessment Funds	6,084,620	6,693,082
Interest Income	755,390	347,768
Expenditures		
Consulting	(16,500)	(16,500)
(Investment) Income Tax	(15,108)	(7,590)
Overhead / Payroll Allocations	(430,180)	(418,869)
Capital Additions / Expenditures	(17,022,697)	(7,730,602)
Estimated Ending Balance	8,450,576	7,317,865

Long Life Fund

The Long Life Fund (LLF) includes existing Major Components that have a Useful Life in excess of 30 years, including “life-of-the-building” 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.

Included in the proposed 2026 Budget is the 20-Year Long Life Fund Expenditure Plan (LLP) (Exhibit J). Staff has identified and scheduled many projects, which over the next ten years, including inflation, is approximately \$36M in investment. Each project contained in the plan is subject to further review and approval by the Board of Directors.

Resolution 2025-9, Reserve Study Policy states, “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. LLP indicates that with the projected capital assessment allocation, funding is approximately 50% of the policy funding target.

The 2026 Budget includes the inaugural year of the LLF, and staff recommend \$187/property for the LLF assessment allocation.

Long Life Fund Summary

LONG LIFE FUND (LLF)	Forecast 2025	Budget 2026
Beginning Balance	-	-
Operating Surplus Applied	-	-
Assessment Funds	-	1,210,451
Interest Income	-	36,314
Expenditures		
(Investment) Income Tax	-	(726)
Capital Additions / Expenditure:	-	(369,000)
Estimated Ending Balance	-	877,038



Development Fund

The Development Fund (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 (Resolution 2025-10, Development Fund Policy). The DF comprises two Sub-Funds, the New Capital Project and the New Equipment Fund.

New Capital Project Fund

The other of the two new Capital Reserve Funds, The New Capital Project Fund (NCPF), is used to provide funding for new Capital Projects, including, without limitation, real estate acquisitions, including land purchases, new facility development, existing facility upgrades, and additions that do not qualify for RSF funding. The 2026 Budget includes the inaugural year of the NCPF, with start-up funding coming from the 2025 ending balance of the old Development Fund. Staff recommend \$752/property for the NCPF assessment allocation.

Included in the proposed 2026 Budget is the New Capital Project Fund Plan (Exhibit D). The plan identifies and schedules projects over the next ten years, with an investment of approximately \$37M, including inflation. Each project contained in the plan is subject to further review and approval by the Board of Directors.

New Capital Project Fund Summary

NEW CAPITAL PROJECT FUND (NCPF)	Forecast 2025	Budget 2026
Beginning Balance	-	831,580
Operating Surplus Applied	-	-
Assessment Funds	-	4,867,696
Interest Income	-	170,978
Expenditures		
(Investment) Income Tax	-	(3,420)
Overhead / Payroll Allocations	-	(392,731)
Capital Expenditures	-	(3,166,201)
Estimated Ending Balance	-	2,307,903

New Equipment Fund

The New Equipment Fund (NEF) was established to acquire new association assets identified to improve operational efficiencies, and new equipment to support or enhance services, programs, and activities of the membership. Budget Session #2 proposed a \$50 contribution per owner from the assessment; the NEF has not been funded consistently over the past several years. Per Resolution 2025-10, Development Fund Policy, “a minimum balance for the NEF will be maintained that equates to 0.1% of the Association’s Total Property and Equipment, as documented in the prior year’s Independent Auditor’s Report.” Upon further analysis, staff recommend \$30/property for the NEF assessment allocation, based on the projected fund balance at the end of 2025 and the anticipated investment in 2026.

The New Equipment Fund Plan is attached as Exhibit E.

New Equipment Fund Summary

NEW EQUIPMENT FUND (NEF)	Forecast 2025	Budget 2026
Beginning Balance	47,119	30,171
Operating Surplus Applied	-	-
Assessment Funds	129,460	194,190
Interest Income	5,297	3,818
Expenditures		
(Investment) Income Tax	(106)	(76)
Capital Additions / Expenditures	(151,599)	(95,720)
Estimated Ending Balance	30,171	132,383

OUTREACH:

As with the past few years, staff set a goal to inform the members of the 2026 budget process, key drivers and assumptions. Themes of the outreach include transparency, understandable and easy-to-find information, timely and consistent communication as well as easy ways to provide feedback.

Specific outreach initiatives included:

- **Open Budget Sessions:** 5/23, 6/27, 7/25, 8/29, 9/26, 10/14
- **Four Dedicated Member Emails:** Sent 2-3 days prior to each meeting with the objectives of each meeting, ways to participate and links to supporting documents
- **Weekly Tuesday Emails:** 7 consecutive weeks of info in a weekly email
- **2026 Budget Webpage:** Created a one-stop webpage for all budget information, meeting recordings and presentations
- **Feedback Form:** Created and integrated into the 2026 Budget webpage
- **TD News + Life GM Welcome Letter:** September issue
- **Budget Timeline Graphic:** Featured in September and October *TD News* with meeting dates

FISCAL IMPACT:

The proposed 2026 Annual Assessment is \$3,621, a \$321 (9.7%) increase over 2025.

ALTERNATIVE:

The 2025 Budget expires on December 31, 2025. Additionally, the Board is required to provide and notify the membership no later than 45 days of the new budget and Annual Assessment.

If the Board chooses not to adopt the budget at this time, the Board may provide direction to staff for further refinement of the 2026 Annual Budget and defer its final decision to a continued board meeting on Friday, October 17.

ATTACHMENTS:

- Exhibit A: 2026 Operating Fund Budget
- Exhibit B: 10-Year Significant Capital Projects Plan
- Exhibit C: 2026 Capital Projects
- Exhibit D: 2026 New Capital Projects Fund Plan
- Exhibit E: 2026 3-Year New Equipment Fund Plan
- Exhibit F: Reserve Study 30-Year Cash Flow
- Exhibit G: Reserve Study AICPA by Location Report
- Exhibit H: 2026 Repair and Replacement Fund Budget



Exhibit I: Reserve Study – 30-Year Expenditure Report
Exhibit J: 2026 Long Life Fund Expenditure Plan
Exhibit K: 2026 Strategic Interagency Partnership Plan
Exhibit L: 2026 20-Year Significant Capital Projects Plan
Exhibit M: 2026 Amenity Access Rule Operating Plan

Prepared By: Justin Malley, Director of Finance and Accounting

Reviewed By: Annie Rosenfeld, General Manager

Board Meeting Date: October 14, 2025