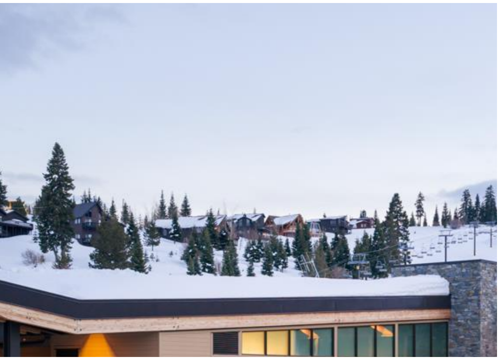
INITIAL DRAFT 2027 OPERATING FUND BUDGET

August 28, 2027









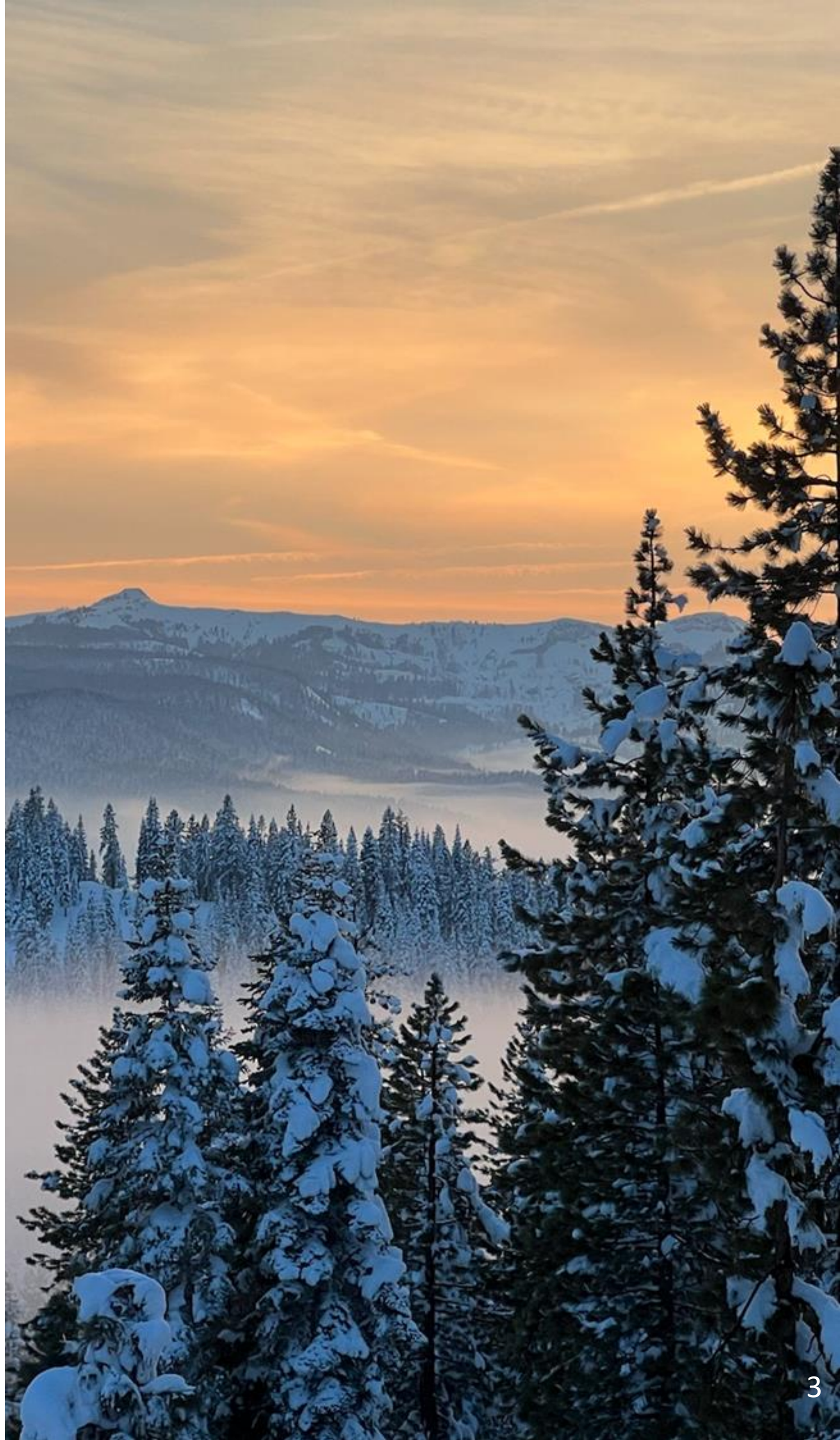

TODAY’S DISCUSSION

Today, staff is seeking Board guidance on:

1. Major assumptions underlying the initial Draft 2027 Operating Fund Budget
2. Appropriate response to external operating cost pressures
3. The proposed operational changes reflected in the initial Draft 2027 Operating Fund Budget
4. Amenity Access Draft Operating Plan, including fees and changes
5. Key Policy and Strategic Considerations
    a) Workers’ Compensation Insurance Group Captive strategy
    b) Public Amenity and Annual Assessment support
    c) Amenity Access Rule changes to Snowplay member pricing
6. Areas requiring refinement before the next iteration

PROGRESS TO DATE

- ✓ Strategic budget drivers accepted by Board (6/28)
- ✓ Management planning and review sessions (June, July, August)
- ✓ Finance Committee Budget Working Group – Initial Working Draft Operating Budget review at weekly sessions (July & Aug)
- ✓ Finance Committee –Consolidated Working Draft Operating Budget review (8/20)
- ✓ Board 2027 Operating Budget Draft Review (today)



OPERATING FUND POLICY: 2027 BUDGET FRAMEWORK

The Operating Fund Policy is a Board adopted financial policy that provides the foundation for the development of the initial Draft 2027 Operating Fund Budget.

MEMBER VALUE + SERVICES	FINANCIAL PERFORMANCE	RISK MANAGEMENT	WORKFORCE
Promote member benefits, value, enjoyment + experience	Develop realistic non-assessment revenue targets	Mitigate exposure to revenue shortfall + cost increases	Maintain competitive employee compensation
Maintain consistent, high-quality operations	Balance user-generated revenue + Annual Assessment funding	Maintain adequate working capital	Support effective retention + incentive programs
Price and operate facilities to encourage member use + value	Consider public use without impairing member use	Apply disciplined forecasting where revenues are uncertain	Respond to market conditions

HOW THE INITIAL DRAFT 2027 OPERATING FUND BUDGET ALIGNS WITH THE POLICY

Continuation of core services and programming | Service levels and staffing | Amenity Access Operating Plan | Reasonable revenue forecasting | Strategies and policy level elements considered | Established priorities in 2027 Strategic Budget Drivers

2027 STRATEGIC BUDGET DRIVERS

PRIORITY ONE TIER

DESCRIPTION	FOCUS AREA
Replacement Reserve Fund Assessment allocation: $1,138; 10% / $104 minimum increase	Capital + Financial Policies Implementation
Long Life Fund Assessment allocation: $195; 4% / $8 minimum increase	
New Capital Projects Fund Assessment allocation: $783; 4% / $31 minimum increase	
New Equipment Fund Assessment allocation: $50; $20 increase	
Utilize realistic revenue forecasting assumptions reflective of weather volatility, economic uncertainty, and historical performance trends	Financial Performance Stability + Risk Mitigation
Explore and maximize external funding sources (e.g. grants, funding partners) to offset and augment costs	
Employee Health Benefits: Employer & Employee % Contribution stays the same	Employer Reputation + Competitiveness
Improve workforce stability, continuity and leadership development	
Menu of Member Value Vouchers(s) with Annual Assessment	Member Value + Benefits
Programmatic and operational program refinement for improved financial performance and member experience	

PRIORITY TWO LIST

DESCRIPTION	FOCUS AREA
Performance recognition program budgeted % strengthened to recognize excellent employee performance	Employer Reputation + Competitiveness
Merit is budgeted effectively to limit risk exposure of negative variance during staff churn	
Member Food Discount at Public Venues	Member Value + Benefits

KEY TAKEAWAYS

Initial Draft 2027 Operating Fund Budget includes related Priority 1 Tier items

Still working on Priority 2, but it may be unrealistic if the target remains to keep the Annual Assessment below double digits

ANNUAL STRATEGIC OBJECTIVES

2026 Annual Strategic Objectives

FOCUS AREA: ENHANCING MEMBER EXPERIENCE + BENEFITS
1. Enhancing Member Enjoyment and Use of Amenities
2. Enhance Satisfaction Through Responsive Improvements

FOCUS AREA: LONG RANGE COMMUNITY PLANNING
3. Update Land Management Plan
4. Develop New Tahoe Donner Community Plan

2027 Annual Strategic Objectives

Forthcoming draft during budget development process
Develop New Tahoe Donner Community Plan
Enterprise Digital Transformation
Architectural Standards and Covenants Rules Update

INITIAL DRAFT 2027 OPERATING FUND BUDGET DEVELOPMENT

TAHOE DONNER

2027 ECONOMIC AND OPERATING ENVIRONMENT

We focused on budgeting for:

- **Reasonable revenue targets** across operations, with consideration of weather-driven variability and historical results;
  - **Winter:** Sensitive to snowfall and temperature
    - Early weather forecasts predict super El Niño, but there is uncertainty about how cold it might be
  - **Summer:** Influenced by temperature, precipitation, smoke/air quality, and season length
    - Summers have been much more consistent with weather and quality days

- **Opportunities to control costs**, rather than just absorb them;
  - Insurance (GL & WC), Benefits, Utilities and Taxes are the largest (and least controllable)
  - More efficient staffing to support peak periods but take advantage of slowdowns

- Identifying where **operating models should evolve**;
  - Further refinement of F&B brands
  - Continued and strengthening of member events – amenity specific (Golf & Tennis tournaments) as well as enjoyment focused

2027 ECONOMIC AND OPERATING ENVIRONMENT

CPI DOES NOT EQUAL TAHOE DONNER'S COST OF OPERATIONS

The 2027 drivers call for a minimum of a 3.5% planning assumption for inflation sensitive operating expenses, while separately considering CPI, utilities, vendor pricing, labor markets, insurance, etc.

Household CPI	Tahoe Donner Op Costs
Bay Area: 3.8% • Food • Housing • Apparel • Transportation • Consumer Services	Minimum Wage: +3% Utilities: +15% (Jan-Jun) Insurance: +16% Work Comp: +10% Benefits: +10% Vendor Contracts: +33%

TAKEAWAY: CPI is useful context, but it is not a proxy for Tahoe Donner's operating inflation

2027 BUDGET DEVELOPMENT APPROACH

Leveraged actual data and trends

- Historical actuals to develop a baseline
- Seasonal analysis to track variability

Leaned into the experts

- Joint preparation with the Managers and Directors
- Department level analysis with Finance Committee Budget Working Group

Reviewed, Revised and Revisited

- Secondary looks with the Budget Working Group after follow-up analysis and Staff updates
- High level review with the Finance Committee

INITIAL DRAFT
2027 OPERATING FUND BUDGET

TAHOE DONNER

2027 OPERATING FUND BUDGET DRAFT
KEY TAKEAWAYS

- **Revenue targets reflect realistic, department-specific expectations** based on historical performance, operating conditions, and current trends.
- **Public Amenities are substantially self-supporting**, with operating revenues covering the cost of providing these services.
- **No artificial assumptions.** Targets reflect reasonably achievable operating expectations, reducing the risk of year-end shortfalls and Operating Fund balance drawdowns.
- **The Operating Fund Assessment Allocation** primarily supports the cost of managing the Private Amenities and operating the Association.
- **Strategic staffing decisions are incorporated into the budget** to strengthen operations and provide long-term value to the Association.
- **Select positions are being converted from hourly to salaried** to improve operational continuity, accountability, and consistency.
- **Staffing levels and compensation are being normalized to market**, aligning the organization with its full operating structure and ongoing requirements.
- **Additional leadership capacity will support Capital Investment**, helping drive projects that deliver long-term operational benefits, efficiencies, and cost savings.

2027 OPERATING FUND BUDGET DRAFT

Tahoe Donner Association
Operating Fund
2027 Budget

Consolidated Public Amenities

Consolidated from Drafts

	2021 Actual	2022 Actual	2023 Actual	2024 Actual	2025 Actual	2026 Budget	2026 Forecast	2027 Budget	2027 Bdg vs 2026 F/cast Amount	2027 Bdg vs 2026 F/cast Pctg	2027 Bdg vs 2026 Budget Amount	2027 Bdg vs 2026 Budget Pctg
Revenue	9,514,762	12,910,439	12,914,167	12,610,631	11,705,427	14,553,785	14,128,617	13,780,631	(347,986)	-2%	(773,155)	-5%
Cogs	(1,001,025)	(1,508,240)	(1,509,227)	(1,556,077)	(1,408,521)	**(1,739,875)**	**(1,673,441)**	(1,654,693)	18,748	(0)	85,182	-5%
Gross Margin	**8,513,738**	**11,402,200**	**11,404,940**	**11,054,554**	**10,296,906**	**12,813,910**	**12,455,176**	**12,125,938**	(329,238)	-3%	(687,972)	-5%
Payroll Direct-Salary	(1,468,814)	(1,708,604)	(1,870,927)	(1,945,905)	(2,126,825)	**(2,303,792)**	**(2,338,109)**	(2,610,252)	(272,143)	-12%	(306,460)	-13%
Payroll Direct-Hourly	(2,727,489)	(3,876,754)	(3,882,208)	(4,094,884)	(4,033,586)	**(4,211,130)**	**(4,230,048)**	(4,342,469)	(112,421)	-3%	(131,338)	-3%
Payroll Direct-Total	**(4,196,303)**	**(5,585,358)**	**(5,753,135)**	**(6,040,789)**	**(6,160,411)**	**(6,514,922)**	**(6,568,157)**	**(6,952,721)**	(384,564)	-6%	(437,798)	-7%
Payroll Burden	(1,069,765)	(1,479,738)	(1,557,836)	(1,663,055)	(1,751,304)	**(1,923,445)**	**(1,957,757)**	**(1,959,190)**	(1,433)	0%	(35,745)	-2%
Payroll	**(5,266,069)**	**(7,065,096)**	**(7,310,972)**	**(7,703,844)**	**(7,911,715)**	**(8,438,368)**	**(8,525,914)**	**(8,911,911)**	(385,997)	-5%	(473,543)	-6%
Expenses	(2,470,373)	(3,131,989)	(3,528,861)	(3,069,961)	(2,791,952)	**(3,307,722)**	**(3,255,883)**	(3,591,878)	(335,995)	-10%	(284,155)	-9%
NORBO	**777,296**	**1,205,114**	**565,108**	**280,749**	**(406,761)**	**1,067,820**	**673,380**	**(377,851)**	(1,051,231)	156%	(1,445,671)	135%
Capital Expense Allocation	-	-	-	64,097	96,743	114,000	**131,631**	**150,000**	18,369	(0)	36,000	-32%
NOR	**777,296**	**1,205,114**	**565,108**	**344,846**	**(310,018)**	**1,181,820**	**805,011**	**(227,851)**	(1,032,862)	128%	(1,409,671)	119%
COGS %	11%	12%	12%	12%	12%	**12%**	**12%**	**12%**				
Payroll Direct %	44%	43%	45%	48%	53%	**45%**	**46%**	**50%**				
Payroll Burden % Payroll	25%	26%	27%	28%	28%	**30%**	**30%**	**28%**				

Work in progress subject to further review by staff, data has not been reviewed by the Board

- **Revenue:** Summer Operations reflect continued growth; Lodge, XC and DHS budgets are adjusted to historical visitation averages and updated yields.
- **Salary:** Reflects hourly-to-salary conversions, merit increases, and normalization of roles to the full staffing structure and ongoing operational requirements.
- **Hourly:** Overall increase is largely limited to minimum wage impacts, with efficiency gains and select hourly-to-salary conversions offsetting staffing and wage normalization elsewhere.
- **Expenses:** Primarily driven by increases in Insurance and Utilities.
- **Capital Allocations:** Modest increase in RRF-funded projects for this budget cycle.

2027 OPERATING FUND BUDGET DRAFT

Tahoe Donner Association
Operating Fund
2027 Budget

NOTE: Rec Fees removed from prior years to allow for proper comparisons.

Private Amenities (Marina, Tennis, Aquatics, Trout Creek, Day Camps, Recreation)

Consolidated from Drafts

	2021 Actual	2022 Actual	2023 Actual	2024 Actual	2025 Actual	2026 Budget	2026 Forecast	2027 Budget	2027 Bdg vs 2026 F/cast Amount	2027 Bdg vs 2026 F/cast Pctg	2027 Bdg vs 2026 Budget Amount	2027 Bdg vs 2026 Budget Pctg
Revenue	1,465,946	1,801,504	1,914,911	2,095,366	2,182,359	2,141,329	2,145,312	2,185,741	40,429	2%	44,412	2%
Cogs	(101,870)	(128,546)	(117,900)	(160,055)	(165,450)	(177,299)	(183,295)	(184,434)	(1,139)	0	(7,136)	4%
Gross Margin	**1,364,076**	**1,672,958**	**1,797,012**	**1,935,311**	**2,016,909**	**1,964,030**	**1,962,016**	**2,001,306**	39,290	2%	37,276	2%
Payroll Direct-Salary	(370,732)	(381,239)	(403,611)	(443,603)	(500,495)	(474,172)	(464,730)	(529,372)	(64,641)	-14%	(55,200)	-12%
Payroll Direct-Hourly	(803,783)	(1,048,741)	(1,072,905)	(1,186,272)	(1,255,111)	(1,239,214)	(1,286,014)	(1,394,331)	(108,316)	-8%	(155,116)	-13%
Payroll Direct-Total	**(1,174,515)**	**(1,429,980)**	**(1,476,517)**	**(1,629,875)**	**(1,755,606)**	**(1,713,386)**	**(1,750,745)**	**(1,923,702)**	(172,957)	-10%	(210,316)	-12%
Payroll Burden	(212,297)	(266,561)	(294,300)	(379,293)	(329,908)	(379,372)	(374,155)	(425,020)	(50,865)	-14%	(45,648)	-12%
Payroll	**(1,386,812)**	**(1,696,541)**	**(1,770,817)**	**(2,009,168)**	**(2,085,514)**	**(2,092,758)**	**(2,124,900)**	**(2,348,723)**	(223,823)	-11%	(255,965)	-12%
Expenses	(754,016)	(917,544)	(1,088,184)	(1,102,683)	(1,113,946)	(1,262,404)	(1,232,402)	(1,290,505)	(58,103)	-5%	(28,101)	-2%
NORBO	**(776,752)**	**(941,126)**	**(1,061,989)**	**(1,176,539)**	**(1,182,550)**	**(1,391,131)**	**(1,395,286)**	**(1,637,921)**	(242,635)	-17%	(246,789)	-18%
Capital Expense Allocation	-	-	-	-	**-**	**-**	**-**	**-**	-	-	-	0%
NOR	**(776,752)**	**(941,126)**	**(1,061,989)**	**(1,176,539)**	**(1,182,550)**	**(1,391,131)**	**(1,395,286)**	**(1,637,921)**	(242,635)	-17%	(246,789)	-18%
COGS %	7%	7%	6%	8%	8%	**8%**	**9%**	**8%**				
Payroll Direct %	80%	79%	77%	78%	80%	**80%**	**82%**	**88%**				
Payroll Burden % Payroll	18%	19%	20%	23%	19%	**22%**	**21%**	**22%**				

Work in progress subject to further review by staff, data has not been reviewed by the Board

- **Revenue:** Aligned with 2025 actuals, with overall growth offsetting lower STR visitation.
- **Salary:** Hourly-to-salary conversions to strengthen staff retention and continuity.
- **Hourly:** Normalized to the full staffing structure and ongoing operational requirements.
- **Burden:** Increased participation in health benefits among eligible staff.
- **Expenses:** Currently reflect inflationary expectations; August actuals and full-season spending will inform final adjustments.

2027 OPERATING FUND BUDGET DRAFT

Tahoe Donner Association
Operating Fund
2027 Budget

Support

Consolidated (Support) from Drafts

	2021 Actual	2022 Actual	2023 Actual	2024 Actual	2025 Actual	2026 Budget	2026 Forecast	2027 Budget	2027 Bdg vs 2026 F/cast Amount	2027 Bdg vs 2026 F/cast Pctg	2027 Bdg vs 2026 Budget Amount	2027 Bdg vs 2026 Budget Pctg
Revenue	865,533	1,260,390	1,134,089	1,159,000	1,258,867	1,491,142	1,624,997	1,457,344	(167,653)	-10%	(33,798)	-2%
Cogs	-	(161)	(174)	-	-	(2,150)	(712)	(1,460)	(748)	1	690	-32%
Gross Margin	865,533	1,260,229	1,133,915	1,159,000	1,258,867	1,488,992	1,624,285	1,455,884	(168,401)	-10%	(33,108)	-2%
Payroll Direct-Salary	(2,691,701)	(2,920,731)	(3,129,002)	(3,293,636)	(4,166,627)	(4,010,572)	(4,135,469)	(4,826,774)	(691,305)	-17%	(816,203)	-20%
Payroll Direct-Hourly	(1,930,393)	(2,203,647)	(1,871,421)	(2,117,204)	(2,758,012)	(2,998,287)	(2,741,167)	(2,863,226)	(122,059)	-4%	135,061	5%
Payroll Direct-Total	(4,622,094)	(5,124,378)	(5,000,423)	(5,410,841)	(6,924,639)	(7,008,859)	(6,876,636)	(7,690,000)	(813,364)	-12%	(681,141)	-10%
Payroll Burden	(1,158,311)	(1,323,808)	(1,403,592)	(1,535,643)	(2,018,688)	(2,133,473)	(2,054,809)	(2,420,976)	(366,167)	-18%	(287,503)	-13%
Payroll	(5,780,405)	(6,448,187)	(6,404,015)	(6,946,484)	(8,943,327)	(9,142,332)	(8,931,445)	(10,110,976)	(1,179,531)	-13%	(968,644)	-11%
Expenses	(2,579,139)	(3,361,797)	(3,093,111)	(1,473,417)	(3,449,156)	(3,834,452)	(3,927,620)	(4,175,166)	(247,546)	-6%	(340,715)	-9%
NORBO	(7,494,011)	(8,549,754)	(8,363,211)	(7,260,901)	(11,133,616)	(11,487,791)	(11,234,780)	(12,830,258)	(1,595,477)	-14%	(1,342,467)	-12%
Capital Expense Allocation	529,181	335,320	30,300	835,049	1,233,523	1,224,105	1,014,685	1,692,703	678,018	(1)	468,599	-38%
NOR	(6,964,830)	(8,214,435)	(8,332,911)	(6,425,852)	(9,900,094)	(10,263,686)	(10,220,095)	(11,137,554)	(917,459)	-9%	(873,868)	-9%
COGS %	0%	0%	0%	0%	0%	0%	0%	0%				
Payroll Direct %	534%	407%	441%	467%	550%	470%	423%	528%				
Payroll Burden % Payroll	25%	26%	28%	28%	29%	30%	30%	31%				

Work in progress subject to further review by staff, data has not been reviewed by the Board

- **Revenue:** Increased Member Card revenue, offset by lower Advertising, Transaction Fees, Fines, and Grants.
- **Salary:** Two new positions; 5% increase to the budgeted Incentive Plan Program; three hourly-to-salary conversions to strengthen retention; and staffing normalization to align with ongoing operational requirements.
- **Burden:** Increased health benefit participation (5 new, 1 upgrade), with Workers' Compensation and Health rates reflecting market estimates.
- **Expenses:** Increases reflect market and inflationary expectations, particularly Taxes, Utilities, and Insurance.
- **Capital Allocation:** Increased RRF allocation aligned with Digital Transformation and Capital Projects priorities.

AMENITY ACCESS RULE CHANGE IMPLEMENTATION PLAN YEAR 3 + DRAFT 2027 OPERATING PLAN AND FEE CHANGES

AMENITY ACCESS RULE IMPLEMENTATION AND OPERATING PLAN

IMPLENTATION PLAN

Review year 3 plan items

OPERATING PLAN

The annual Amenity Access Operating Plan is to include

- Annual private amenity access restrictions plan by user category
- The fee schedule for amenity access and administrative fees associated with the rule
- The list of acceptable documents validating familial relationships

The initial Draft 2027 Amenity Access Operating Plan includes the following recommendations:

- Minor processing fee increases and a new fee for registering a Professional Childcare Provider
- An increase to the Additional Member Photo ID Card fee
- No increase to the Guest and STR daily access fees
- Continued holiday period blackouts for STR Tenant access to Private Amenities
- An expanded reservation period for the Beach Club Marina and Trout Creek Recreation Pool around the July 4th holiday
- No changes to the list of validation documents to establish a familial relationship

AMENITY ACCESS - OPERATING PLAN FEES DRAFT

PRIVATE AMENITIES – ADMINISTRATIVE/EXTRA CARD FEES

Fee Products	2026 Rate	2027 Rate	Variance
Member Photo ID Card Reassignment (Feb-Dec)	$25	$25	$0
Member Photo ID Card Exception Process	$40	$40	$0
Residential Tenant Owner Relinquish Process	$90	$100	$10
STR ID Card Administration - Annual	$90	$100	$10
Extra Cards (7+ years old)	$175	$185	$10
Extra Card (0-6 years old)	FREE	FREE	$0
Professional Childcare Provider Registration Fee	NA	$40	NA

Pricing logic

- Admin fees adjusted based on the actual staff time and to offset the increase in staffing expenses YoY
  - Residential Tenant Owner Relinquish and STR ID Card administration processes require more staff time than other amenity access administrative services
- Extra card fee increase to adjust for the added cost of operating the association amenities
  - Estimated cost offset of $12,000

AMENITY ACCESS - OPERATING PLAN

RESTRICTION RECOMMENDATION

2026

- STR Tenant access is blacked out during all holiday periods
- Access reservations for the Trout Creek Recreation Pool and Beach Club Marina from July 1-5

2027

- Continue with STR Tenant access blackouts for all holiday periods
- Extend the Trout Creek Recreation Pool and Beach Club Marina reservation period to July 1-11
  - July 4 falls on a Sunday – staff anticipates peak utilization to extend through the following week
  - Continue the requirement that only Members book reservations during this period

AMENITY ACCESS - OPERATING PLAN FEES DRAFT

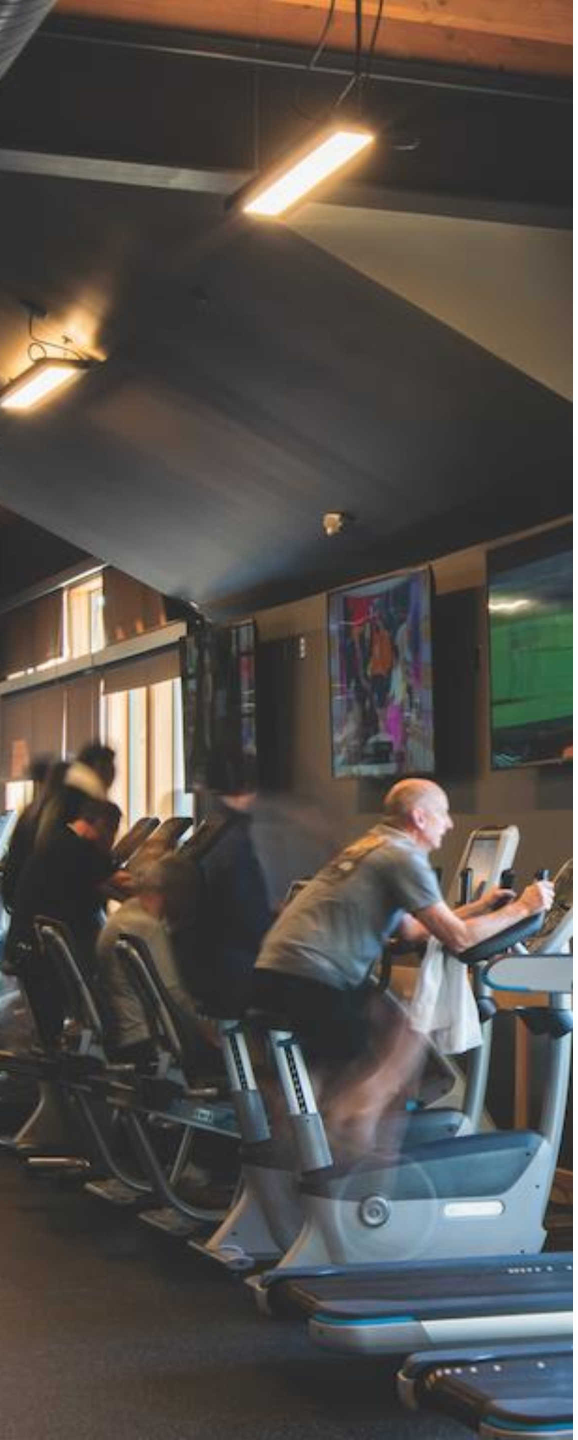
DISCUSSION - PRIVATE AMENITY DAILY ACCESS FEES

2027 Operating budget Draft ***does not include*** any changes to the Daily Access fees. A modest increase would help offset increasing costs.

The chart shows cost offset potential given a small increase to the adult Guest and STR Daily Access fees.

Fee Products	2025 Rate	2026 Rate	2027 Rate Opportunity	Estimated Additional Cost Offset
Personal Guest Daily Access – per person 7+	$15	$15	$17	$45,000
Personal Guest Daily Access – per person 3 - 6	$5	$5	$5	$0
STR Tenant – per person 7+	$24	$30	$32	$12,000
STR Tenant – per person 3 - 6	$10	$10	$10	$0
Infants 0 - 2 (All User Categories)	FREE	FREE	FREE	$0

Additional Information: Guest fee has remained the same since 2023, unaccompanied guest access fee was reduced from $20 per person to $15 per person in 2025



BOARD FEEDBACK – AMENITY ACCESS RULE IMPLEMENTATION PLAN YEAR 3

Below are the items the board may provide feedback or guidance on:

1. The 2027 Amenity Access Operating Plan
    a) Administrative fees
    b) Access restrictions
    c) Daily Access fees
2. Identify areas of refinement and/or alternatives
3. Identify any additional information or analysis requests

KEY POLICY + STRATEGIC CONSIDERATIONS

KEY POLICY + STRATEGIC CONSIDERATIONS

WORKERS' COMPENSATION INSURANCE GROUP CAPTIVE: A STRATEGIC APPROACH TO CONTROLLING COSTS
(See separate Staff Report for detailed information)

ISSUE:

- Traditional workers' compensation insurance does not allow Tahoe Donner to reap the benefits of our excellent safety performance
- Premiums are substantially influenced by external insurance market pressures

POTENTIAL ADVANTAGES	TRADEOFFS
Greater control over long-term cost	Upfront collateral (aka “deposit”) requirement. *Collateral is a strategic deployment of capital rather than another insurance expense*
Rewards favorable loss performance	Greater risk retention
Reduced dependence on traditional insurance market cycles	Multi-year commitment, but there is an off-ramp available if needed
Potential return of underwriting/investment performance	Performance can vary
Aligns financial incentives with Tahoe Donner’s safety culture and performance	Requires appropriate reserves/liquidity

Discussion: *Should Tahoe Donner strategically deploy funding and assume greater participation in its own risk in an effort to gain greater long-term control over a material operating cost?*

KEY POLICY + STRATEGIC CONSIDERATIONS

PUBLIC AMENITY COST RECOVERY AND ANNUAL ASSESSMENT SUPPORT

The Consolidated Public Amenities pay for themselves, with some amenities generating a significant positive NOR, including Downhill Ski and Cross Country, which helps offset costs in others while substantially providing member, recreational, community, and strategic value.

Discussion: As staff refines the 2027 Budget, does the Board support evaluating opportunities to improve public amenity cost recovery through **service level adjustments**, particularly where public utilization is substantial or Annual Assessment support is significant?

KEY POLICY + STRATEGIC CONSIDERATIONS

SNOWPLAY: MEMBER VALUE + COST RECOVERY
Snowplay is a Public amenity not governed by the member-access structure applicable to the Private Amenities - Trout Creek Recreation Center, Northwoods Pool, Beach Club Marina, and Tennis.

HISTORICAL
2025 and prior: Member Recreation Fee and Daily Access fee structure
2026: Recreation Fee eliminated; early season decision to provide Member Daily Access at a reduced rate with a complimentary evening session on Fridays and some Saturdays.

DRAFT 2027 BUDGET
The Draft 2027 Budget currently assumes continuation of the modified 2025/26 operating plan. Continue the current operating plan with a reduced Member Daily Access fee for sessions 1-4 and provide a complimentary evening session on Fridays and Saturdays for Member ID Cardholders.

Discussion: Does the Board support continuing the modified 2025/26 operating plan for 2027?

INITIAL DRAFT 2027
CONSOLIDATED OPERATING FUND BUDGET

TAHOE DONNER

OPERATING FUND SUMMARY DRAFT

Tahoe Donner Association
Operating Fund
2027 Budget

NOTE: Rec Fees removed from prior years to allow for proper comparisons. (Treats Rec Fees similarly to the current application as Assessment Revenue)

Consolidated from Drafts

	2021 Actual	2022 Actual	2023 Actual	2024 Actual	2025 Actual	2026 Budget	2026 Forecast	2027 Budget	2027 Bdg vs 2026 F/cast Amount	2027 Bdg vs 2026 F/cast Pctg	2027 Bdg vs 2026 Budget Amount	2027 Bdg vs 2026 Budget Pctg
Revenue	11,846,241	15,972,333	15,963,168	15,864,015	17,465,015	18,186,256	17,898,925	17,434,140	(464,785)	-3%	(752,116)	-4%
Cogs	(1,102,894)	(1,636,946)	(1,627,301)	(1,716,132)	(1,577,844)	(1,919,323)	(1,857,448)	(1,840,787)	16,661	-1%	78,536	-4%
Gross Margin	10,743,346	14,335,387	14,335,867	14,147,883	15,887,170	16,266,933	16,041,477	15,593,354	(448,124)	-3%	(673,579)	-4%
Payroll Direct-Salary	(4,531,278)	(5,010,574)	(5,403,540)	(5,683,144)	(6,292,417)	(6,788,535)	(6,938,309)	(7,959,508)	(1,021,199)	-15%	(1,170,973)	-17%
Payroll Direct-Hourly	(5,461,665)	(7,129,142)	(6,826,515)	(7,398,361)	(8,498,405)	(8,448,632)	(8,257,229)	(8,600,025)	(342,796)	-4%	(151,393)	-2%
Payroll Direct-Total	(9,992,942)	(12,139,716)	(12,230,055)	(13,081,504)	(14,790,822)	(15,237,167)	(15,195,538)	(16,559,533)	(1,363,995)	-9%	(1,322,366)	-9%
Payroll Burden	(2,440,373)	(3,070,108)	(3,263,280)	(3,567,816)	(4,127,607)	(4,436,291)	(4,386,721)	(4,805,846)	(419,125)	-10%	(369,555)	-8%
Payroll	(12,433,315)	(15,209,824)	(15,493,335)	(16,649,321)	(18,918,429)	(19,673,457)	(19,582,259)	(21,365,379)	(1,783,120)	-9%	(1,691,922)	-9%
Expenses	(5,803,527)	(7,411,329)	(7,702,624)	(5,646,060)	(7,682,855)	(8,404,578)	(8,415,905)	(9,057,549)	(641,644)	-8%	(652,971)	-8%
NORBO	(7,493,496)	(8,285,767)	(8,860,092)	(8,147,497)	(10,714,113)	(11,811,102)	(11,956,686)	(14,829,574)	(2,872,888)	-24%	(3,018,472)	-26%
Capital Expense Allocation	529,181	335,320	30,300	899,146	1,418,015	1,338,105	1,138,816	1,842,703	703,887	-62%	504,599	-38%
NOR	(6,964,315)	(7,950,447)	(8,829,792)	(7,248,351)	(9,296,098)	(10,472,998)	(10,817,870)	(12,986,871)	(2,169,001)	-20%	(2,513,873)	-24%
COGS %	9%	10%	10%	11%	9%	11%	10%	11%				
Payroll Direct %	84%	76%	77%	82%	85%	84%	85%	95%				
Payroll Burden % Payroll	24%	25%	27%	27%	28%	29%	29%	29%				
Labor as % of Total Expenses	64%	63%	62%	69%	67%	66%	66%	66%				
COGs as % of Total Expenses	6%	7%	7%	7%	6%	6%	6%	6%				
Other Exp as % of Total Expenses	30%	31%	31%	24%	27%	28%	28%	28%				

Work in progress subject to further review by staff, data has not been reviewed by the Board

OPERATING FUND SUMMARY

What are the existing upside and downside exposures this budget still possesses with the reasonably achievable operational expectations set forth in the initial Draft 2027 Budget?

UPSIDE

* BIG WINTER (Temp and moisture): $350-900k

* Good (but not BIG) Winter (& not late): $400-600k

* Moderate Winter, and good Summer: $200-350k

DOWNSIDE
(Risk Exposure)

* Warm winter temperatures further limits Winter Ops (even snow making): $200-450k

* Fire season significantly impacts AQI: $200-350k

* Dry and then Late Winter (impacts both Winter and Summer): $300-600k

DRAFT OPERATING FUND ASSESSMENT CONTRIBUTION

USING STAFF'S CURRENT BUDGET ASSUMPTIONS, THE CURRENT DRAFT IMPACT ON THE OPERATING FUND PORTION OF THE ANNUAL ASSESSMENT IS A NET INCREASE OF $388, FROM $1,618 TO $2,006 PER PROPERTY.

WHY THE DRAFT OPERATING FUND ASSESSMENT CONTRIBUTION INCREASED

- **Lower revenue reflecting reasonable operational expectations**
  - - $773k (-$119/property): Lower Public Amenities revenue; Winter Operations revenue decreased $707k ($109/property) with more reasonable operational performance expectations
  - + $44k (+$6.80/property): Increase in Private Amenities revenue from Tennis + Pickleball, Day Camps, Marina Beach Club, and Recreation
  - – $34k (–$5.25/property): Decrease in Support Dept revenue from temporary removal of revenue streams
- **Higher costs to remain competitive as an employer**
  - +$1.7 M (+$261/property): Supports competitive compensation and Tahoe Donner's ability to attract and retain talent; Reflects external cost pressures, including Workers' Compensation and rising California healthcare costs; Includes strategic staffing investments expected to provide long-term operational benefits
- **Increasing external costs**
  - + $347k (+$54/property): Higher liability and property insurance
  - + $170K (+$26/property): Increased health insurance costs
  - + $112K (+$17/property): Utility increases (minimum)
  - Ongoing Inflation: Rising costs across all operations

Numbers may change as staff work through the budget process or based on board direction

TAHOE DONNER

BOARD GUIDANCE REVIEW

~~Review the board guidance on:~~

A. Overall Operating Plan and Budget Assumptions - Does the Board support the overall approach to conservative revenue forecasting, generally maintaining existing service levels, the proposed staffing/position changes, and the underlying expense assumptions?

B. Pricing, Member Value and Cost Recovery - Does the Board support the initial budget approach of generally maintaining member rates and fees near current levels, recognizing that doing so may increase Annual Assessment support, or should staff evaluate reasonable fee increases to offset a greater portion of rising operating costs in the next ~~budget~~ draft?

C. Public Amenity Cost Recovery - Does the Board support continued evaluation of public amenities using a consistent framework considering member value and participation, public utilization, market pricing, cost recovery, service levels, strategic/community value and Annual Assessment support?

BOARD GUIDANCE REVIEW

~~Review the board guidance on:~~

D. Snowplay Member Access – Does the Board support continuing the modified 2025/26 operating plan for 2027?

E. Workers' Compensation Group Captive - Should staff continue advancing the captive and incorporate anticipated collateral requirements into an Operating Fund scenario for further consideration and staff recommendation presented as part of the workers' compensation renewal in September?

F. Draft Amenity Access Operating Plan - Does the Board support the proposed fee adjustments and other significant recommendations for incorporation into the next draft?

G. Additional Information - What additional financial, departmental, service level or other information does the Board want incorporated into the next ~~budget~~ draft?

NEXT STEPS AND BOARD FEEDBACK

NEXT STEPS TO FINALIZE THE DRAFT 2027 OPERATING FUND BUDGET

TODAY
- Receive board guidance on the draft Operating Fund Budget

SEPTEMBER
- Continue working with department managers and the senior leadership team to find revenue opportunities and cost savings
- Continue collaborating with the Finance Committee on budget refinement
  - Department P&L Summary format: Discussion and recommendation for changes to format relating to operating and assessment revenue

END OF SEPTEMBER
- Receive Property and Casualty insurance renewal packet and board decision on 2026/27 renewal

NEXT BUDGET DISCUSSION 9/25/2026

CAPITAL FUND 2027 DRAFT BUDGETS

- New Capital Projects Fund
- New Equipment Fund
- Repair and Replacement Fund
- Long Life Fund
- Draft 2026 Annual Assessment

THANK YOU

APPENDIX

PUBLIC AMENITY UTILIZATION

HISTORICAL AND FORECASTED UTILIZATION

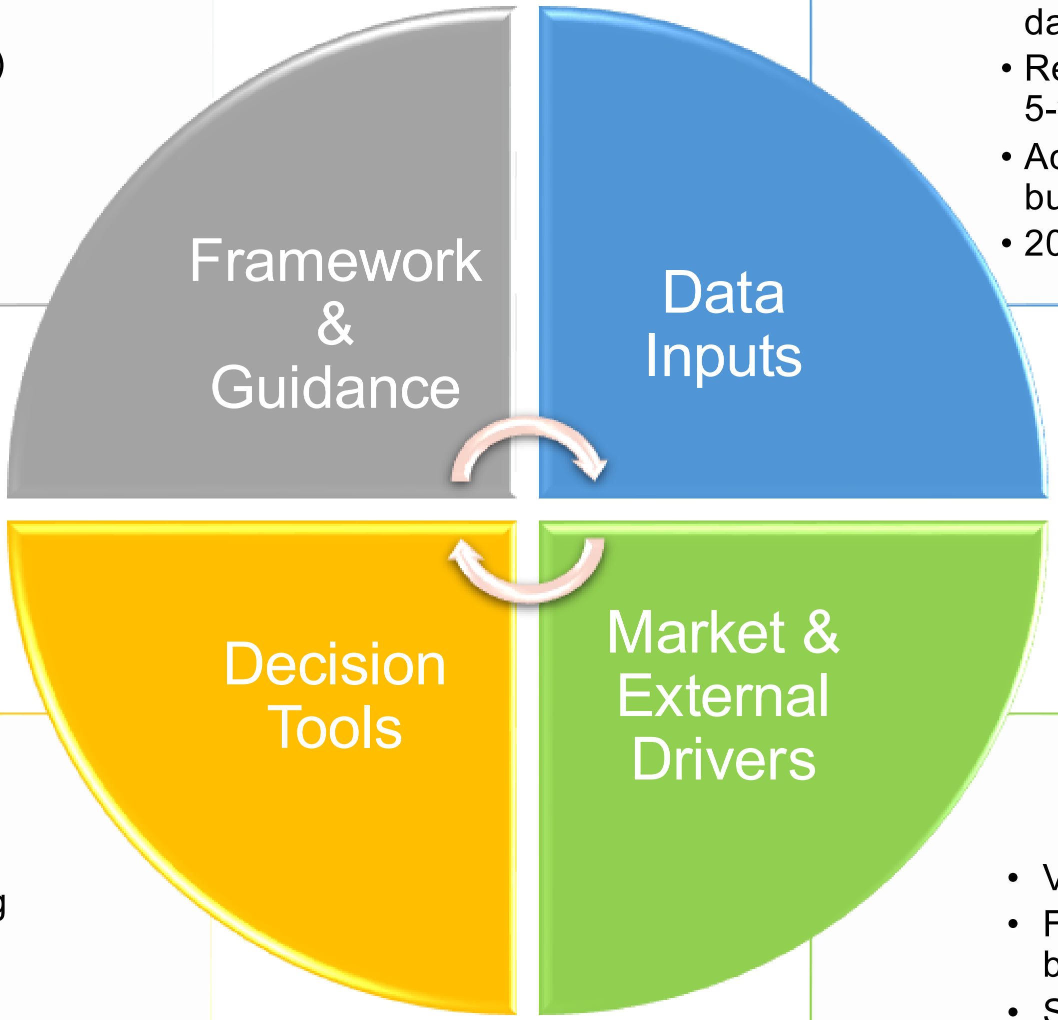
Pending updates to utilization – to be included on Monday

PRIVATE AMENITY UTILIZATION

Pending updates to utilization – to be included on Monday

OPERATING FUND BUDGET DEVELOPMENT METHODOLOGY

- Hybrid budget development (top-down + bottom-up)
- Rules, policies, strategic guidance



- Historical & 2026 data review
- Revenue + cost: 3- & 5-year averages
- Actuals & variance to budgets
- 2026 forecasted data

- Scenario planning
- Sensitivity Analysis

- Visitation
- Fees & benchmarking
- Survey results

BOARD OF DIRECTORS OBLIGATIONS

The duties of the Board include, among other things:

- Duty to act as fiduciaries for the Association: duty of care, duty to act within the scope of the Board's authority, and duty of loyalty
- Duty to maintain, repair, and replace the Common Area and Common Facilities major components
- Duty to provide funding for the Association's Common Expenses
- Duty to conduct periodic reserve studies and establish reserve funding plan(s)
- Duty to identify the major components the Association is obligated to repair, replace, restore, or maintain as part of the reserve study

*References: First Restated Bylaws and Declaration of Covenants and Restrictions of Tahoe Donner Association ("Bylaws" and "C&Rs"), California Civil Code

BOARD OF DIRECTORS OBLIGATIONS cont.

- Establish the Annual Assessment (AA) and Budget
- AA and Budget must be communicated to members not less than 45 days and no more than 60 days prior to the start of the new year;
- Ensure all Assessment funds are used exclusively for

  "(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." TDA C&Rs Article IV, Section 6.
- Maintain any other accounts it shall deem necessary to carry out its purpose, including reserve accounts for replacement improvements.

*References: First Restated Bylaws and Declaration of Covenants and Restrictions of Tahoe Donner Association ("Bylaws" and "C&Rs"), California Civil Code

TAHOE DONNER

BOARD OF DIRECTORS OBLIGATIONS cont.

2025 - 11 OPERATING FUND POLICY EXCERPT

Through the Annual Budget Development Process, the Association shall develop an Operating Fund budget consistent with the following principles:

- Improve and promote the benefits, value, enjoyment, and experience derived from Tahoe Donner membership:
  - Provide for the consistent, high-quality operation of the Common Facilities and services, programs, and activities.
  - Ensure that the Common Facilities and services, programs, and activities are operated, managed, regulated, and priced to encourage Member use, enjoyment, benefits and value.
  - When developing annual Operating Fund budget revenue targets from sources other than the annual regular assessment, where the Board has "authorized to permit members of the public to use recreational Common Facilities," include an amount of public patronage that will not overburden those facilities or otherwise materially impair or deter Member use and enjoyment.

TAHOE DONNER

BOARD OBLIGATIONS cont.

2025 - 11 OPERATING FUND POLICY EXCERPT continued

- Mitigate exposure to risk related to weather, economic conditions, and other external forces and conditions that are beyond the Association’s control.
  - When developing the annual Operating Fund budget and determining the annual regular assessment contribution to the Operating Fund, the Association shall be risk averse in its projections of revenue from sources other than the annual regular assessment.
- Provide for the Association’s general, administrative, service, and facility operational needs.
- Provide for competitive employee compensation in line with market conditions, including competitive and effective employee incentive and retention programs.
- Provide for any difference between the Association’s operational Common Expenses and projected revenue from sources other than the annual regular assessment.

TAHOE DONNER

BUDGET PLANNING + DEVELOPMENT FRAMEWORK

Strategic Plan (Board Guidance)

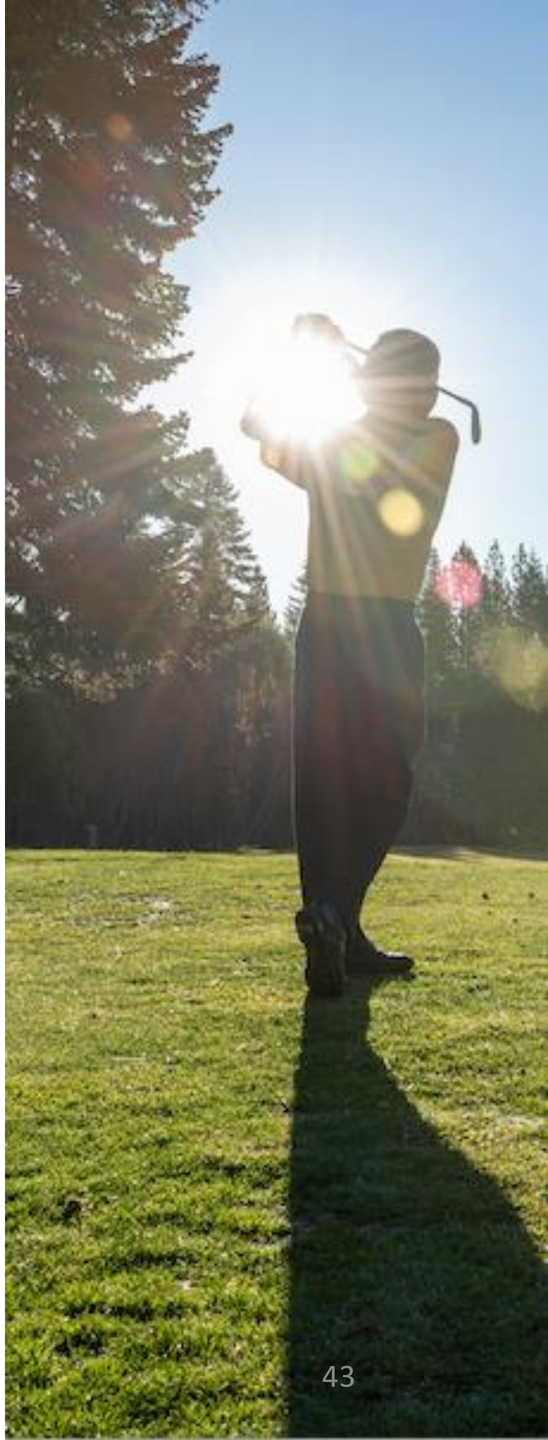
Mission	Vision	Values	Annual Strategic Objectives

Operating Budget / Capital Budget (Management)

Annual Operations	Capital Budgets
Service Levels – Expenses – Rates – Revenue - Expectations	Repair and Replacement Fund, Long Life Fund, New Capital Projects Fund, New Equipment Fund

Member Feedback; Finance, Long-Range Planning and Trails and Open Space Committee Review – Board of Directors Review

2027 Annual Assessment (Owners)



WHAT IS IN THE OPERATING FUND BUDGET

AMENITIES

- Beach Club Marina
- Bikeworks
- Campground
- Cross Country Ski
- Day Camps
- Downhill Ski Resort
- Golf Course
- Equestrian
- Tennis
- Trails
- Trout Creek Recreation Center
- Recreation
- Snowplay
- Alder Creek Cafe
- The Lodge Restaurant & Pub (incl. summer F&B: golf + TC pool/Marco Polo food service)
- Pizza on the Hill

HOA SERVICES

- Accounting
- Administration
- Community Standards
- Communication
- Facility Administration
- Forestry
- General
- HR & Workforce Housing
- Maintenance
- Member Services
- MIS (IT)
- Risk

WHAT MAKES UP THE OPERATING FUND?

Revenues	Cost of Goods Sold (COGS)	Salaries	Hourly Wages	Burden	Expenses	Net Operating Results (NOR)
+	-	-	-	-	-	=
Examples Ski season passes Daily access fees Day Camps fees Food + Bev sales Bike + boat rentals Sponsorship + Ad sales revenue	**Examples** Food and beverage costs Retail costs	Direct payroll for full-time year-round and some seasonal staff, managers and directors	Direct payroll for seasonal and year-round staff who are paid at an hourly rate	**Examples** Workers Comp & Health insurance Payroll taxes Retirement match	**Examples** Costs of operating the association, including legal, office supplies, property insurance, paper costs, mailing costs, etc.	Revenue - COGS, salaries, wages, burden and other expenses = Net Operating Results