



TITLE: Initial Draft 2027 Capital Fund Plans and Budgets and Follow-Up to the Operating Fund Budget Work Session

BOARD ACTION:

By Discussion: Review the updated Draft 2027 Capital Fund Plans and Budgets and updates to the Draft 2027 Operating Fund Budget resulting from prior Board direction; provide guidance regarding proposed capital plan changes, funding assumptions, Annual Assessment allocations, and other identified policy considerations; and identify any additional information or areas for refinement before preparation of the final Draft 2027 Annual Budget.

EXECUTIVE SUMMARY:

Continuation of the Budget Process

Following the August 28 Operating Fund work session, this report presents the initial Draft 2027 Capital Fund Plans and Budgets, incorporates prior Board guidance into the Operating Fund draft, and provides the preliminary consolidated financial outlook.

Capital Planning and Policy Implementation

The Draft 2027 Capital Fund Plans continue implementation of the Capital and Financial Policies adopted in June 2025. Staff updated project timing, costs, funding requirements, and long-term fund balances to balance asset stewardship, policy requirements, Annual Assessment funding, and the Association's long-term financial capacity.

Board Guidance

Board guidance at this work session will be used to refine the Operating and Capital Fund budgets, Annual Assessment allocations, and related policy considerations before presentation of the final Draft 2027 Annual Budget.

BACKGROUND

The Capital Fund Plans and Budgets (Exhibit A) presented with this staff report represent the next step in the implementation of the Capital and Financial Policies adopted in June 2025. The 2026 Annual Budget was the first year of implementation, and the 2027 process provides an opportunity to further integrate policy requirements into the Association's capital planning and annual budget process.

The four capital funds serve distinct purposes and are intended to provide separate funding structures for the Association's different categories of long-term capital needs. A high-level summary of the funds and their purposes is provided below.



Capital Fund	Primary Purpose	2027 Highlights
Long Life Fund (LLF)	Includes Major Components with a useful life over 30 years, including “life-of-the-building” components such as foundations, building frames, roof structures, utilities, drainage, bridges, and full facility replacement.	The 2027 focus is planning expenses for future projects (DHS Lift Building, Campus Master Plan, Tennis & Pickleball Center Building)
New Capital Projects Fund (NCPF)	Funds new Capital Projects, including real estate acquisitions, new facilities, and qualifying upgrades or additions.	The 2027 focus has planning expenses for multiple future projects and a few projects with “construction” phases, most heavily the Workforce Housing Strategy implementation.
New Equipment Fund (NEF)	Funds new Capital Improvements that are not Capital Projects, including furniture, fixtures, vehicles, machinery, equipment, and technology that do not qualify for RSF funding.	The 2027 plan’s three largest purchases are two vehicles and components for a digital radio transition.
Repair and Replacement Fund (RRF)	Includes Major Components with a useful life of 30 years or less, plus qualifying preventive and corrective repair and maintenance costs under CAI Reserve Study Standards.	Updated Reserve Study, 30-Year Cash Flow, recurring cost reclassification, and 2027 repair/replacement program.

The long-term capital plans provide the framework for identifying future capital requirements and the funding needed to address them. The annual budget then establishes the near-term projects, expenditures, and funding allocations that implement those plans.

2027 Strategic Budget Drivers

The 2027 Strategic Budget Drivers adopted by the Board provide additional direction for development of the Annual Budget. The application of those drivers to the Capital Funds should be identified for each applicable driver.

Strategic Budget Driver / Direction	Strategic Driver	2027 Draft
Long Life Fund (LLF)	A 4% (\$8) increase over the 2026 Assessment	Drafted per Driver
New Capital Projects Fund (NCPF)	A 4% (\$30) increase over the 2026 Assessment	Drafted per Driver



New Equipment Fund (NEF)	A \$20 increase over the 2026 Assessment	Drafted below Driver, flat to the 2026 Assessment, with adjusted NEF funding planning.
Replacement Reserve Fund (RRF)	A 10% (\$104) increase over the 2026 Assessment	Drafted below Driver; 1.5% (\$15) increase over the 2026 Assessment after moving \$88 into the OPER Fund at Auditor and Study Consultant guidance.

DISCUSSION / ANALYSIS

A. Initial Draft 2027 Capital Fund Budgets

Capital Planning Approach and Policy Implementation

The initial Draft 2027 Capital Fund Plans and Budgets were developed using the Association's long-term capital planning framework and the requirements of the adopted Capital and Financial Policies. Staff has updated the capital plans to reflect current project assumptions, timing, estimated costs, available funding, projected fund balances, and other known changes.

Capital Policy Compliance

The following table is intended to summarize the principal policy requirements applicable to the Capital Funds and how those requirements have been reflected in the initial Draft 2027 plans.

Policy Requirement	2027 Application	Status / Result
RRF: Annual contributions increase by at least San Francisco CPI + 5% annually until the fund exceeds 25% of Capital Improvement costs in the 30-Year Expenditure Plan. (Currently ~\$11.5M). Achieve all RRF funding minimums and goals by January 1, 2036.	Funding was planned at 10%, then guidance was given to remove ~\$569K of 2027 Components to OPER. The funding for those components was ~8.5% of the increase over 2026's Budget, leaving a 1.5% increase of 2026 for the 2027 Assessment. The Current funding model projects compliance to the policy in 2025.	All a smaller increase in funding for 2027, the future planning for RRF funding increases achieves the appropriate policy compliance.
LLF: Annual contributions will normally be 2% of the estimated replacement cost of projects in the Long Life Expenditure Plan, adjusted as needed to fully fund 10-year LLF cash flow requirements	2027 Assessment is 4% increase over 2026 (Total = ~\$1.3M).	Although we are below the 2% annual target for 2027, we are achieving the 10-year fully funded plan.

(~\$2.3M). Achieve all LLF funding minimums and goals by January 1, 2036.		
NCPF: Annual funding will normally be 10% of Capital Project costs in the Capital Project Plan, with projects beyond 10 years funded on a pro-rata basis. Adjust annual allocations as needed to fully fund 10-year NCPF cash flow requirements. Maintain a contingency balance equal to 2.5% of Total Property & Equipment per the prior year's independent audit (~\$3.4M). With full implementation by January 1, 2036.	The 2027 Assessment is a 4% over 2026 (Total = ~\$5M), and an Ending Balance ~\$3.2M.	The current funding model forecasts achieving the required Minimum Balance intermittently during the coming 10-year cycle, and meeting all projected funding requirements during the same 10-year window.
NEF: Set to fully fund 1-year NEF cash flow requirements. Maintain a contingency balance equal to 0.1% of Total Property & Equipment per the prior year's independent audit (~\$135K). With full implementation by January 1, 2036.	The 2027 Assessment is flat to 2026 (\$30) given pressures of the Operating Fund and all other Reserve Fund increases.	Assessment funding meets all immediate NEF planned purchases, but not the Minimum Balance requirements. Staff is recommending an update to the Minimum Balance requirements, which would be more appropriate to the Fund's intended purpose.

Capital Plan Changes

The initial Draft 2027 Capital Fund Plans include changes from the previously approved or presented capital plans. The discussion below is intended to focus on material changes rather than line-by-line adjustments and to provide the Board with a clear understanding of what is different from the prior 2026 capital planning cycle.

Long Life Fund (LLF)

The updated Long Life Plan reflects revised timing and replacement costs for major components and future facility replacement. Based on the updated plan and cash-flow analysis, the Draft 2027 Budget proposes a 4% increase in the LLF Annual Assessment allocation to approximately \$195 per property, consistent with the funding forecast established during the 2026 budget process.



New Capital Projects Fund (NCPF)

The New Capital Projects Plan (NCP) has been updated for the 2027 budget cycle to reflect revised project priorities, timing, cost estimates, current planning information, and feedback received through review with the Long Range Planning Committee and Finance Committee. Material changes include accelerating the Trout Creek Recreation Center cold plunge/additional spa project, offset within the 10-year plan by deferring the Campground Bathhouse and related projects; updating Workforce Housing costs consistent with the Board approved Workforce Housing Strategy; shifting planning funding and timing for the Tennis + Pickleball Center and Northwoods Campus projects; and revising the timing of future court replacement phases based on new information developed through permitting of Phase 1. Collectively, these adjustments reflect updated project information and committee input while balancing project priorities and funding requirements across the 10-year planning horizon.

The updated plan continues to meet projected 10-year cash-flow requirements while working toward the NCPF minimum-balance requirements established by policy. The Draft 2027 Budget proposes a 4% increase in the NCPF Annual Assessment allocation, to approximately \$783 per property, consistent with the funding forecast established during the 2026 budget process.

New Equipment Fund (NEF)

The New Equipment Plan (NEP) has been updated for the 2027 budget cycle to reflect current equipment, vehicle, technology, and other capital improvement needs. Under the current Capital and Financial Policies, the NEF is funded to meet 100% of projected cash-flow requirements within a one-year funding horizon and must maintain a contingency balance equal to 0.1% of Total Property and Equipment.

Application of the current percentage based methodology increases the required minimum balance from approximately \$97,000 in 2026 to \$135,000 in 2027, primarily due to growth in the Association's reported Total Property and Equipment. As part of the 2027 Annual Budget process, staff is seeking Board feedback on a potential amendment to the NEF policy establishing a flat \$40,000 minimum balance, with further review and development in consultation with the Finance Committee. Because identified NEF expenditures are already funded within a one-year horizon, staff believes a fixed-dollar minimum may better align the contingency with its intended purpose of addressing unforeseen equipment needs, rather than increasing automatically with the Association's overall asset base.

Based on the updated NEP and current funding assumptions, the Draft 2027 Budget proposes an NEF Annual Assessment allocation of approximately \$30 per property, assuming Board approval of Staff's recommendation to establish a \$40,000 fixed minimum balance. The allocation will be refined based on Board feedback regarding the proposed minimum-balance methodology.



Staff is seeking Board feedback on:

Does the Board support further development of a proposed NEF policy amendment replacing the current 0.1% of Total Property and Equipment minimum balance with a flat \$40,000 minimum balance?

Repair and Replacement Fund (RRF)

Three-Year Reserve Study

As part of the 2027 budget development process, Tahoe Donner completed its three-year Reserve Study update with Hughes Reserves. The update included a three-day physical inspection of Association property and a detailed review of the existing reserve component database with staff. The review found the existing component inventory to be generally accurate while updating replacement costs, useful lives, and anticipated replacement years based on current information.

The updated study also incorporates reserve components associated with recently completed capital projects, including the Downhill Ski Lodge, Marina Bar, Glacier Way Trailhead, ACAC Staff Parking Area, and Euer Valley Phase 1 improvements. Replacement timing was coordinated with the updated 10-Year Significant Capital Projects Plan so that reserve component schedules appropriately reflect larger planned capital projects and avoid separately funding components expected to be addressed through those future projects.

A significant change resulting from the review is the removal of 34 components from the Reserve Study at the recommendation of the reserve study consultant and Association auditors. These components primarily consist of Software-as-a-Service (SaaS), annual software licenses, and similar recurring technology costs, and equipment and land leases/permits, that had previously been included in the Reserve Study and funded through the Repair and Replacement Fund (RRF). Beginning with the 2027 Budget, these recurring costs will instead be recognized as operating expenses within the respective departmental Operating Fund budgets.

Because the affected components represent approximately \$569,000 annual recurring expenditure, the associated Annual Assessment funding will shift on a substantially one-for-one basis between funds. Approximately \$88 per property previously allocated to the RRF will instead be allocated to the Operating Fund to support these expenses. Accordingly, this reclassification does not increase the total Annual Assessment by approximately \$88 per property; rather, it changes the allocation of that portion of the Annual Assessment between the RRF and Operating Fund to align the expenditures with their appropriate funding source.

Separately, the updated Reserve Study continues to incorporate qualifying corrective and preventive maintenance components, recently completed capital assets, and updated replacement costs reflecting significant cost escalation. The Reserve Study, together with the updated 30-Year Cash Flow (Exhibit



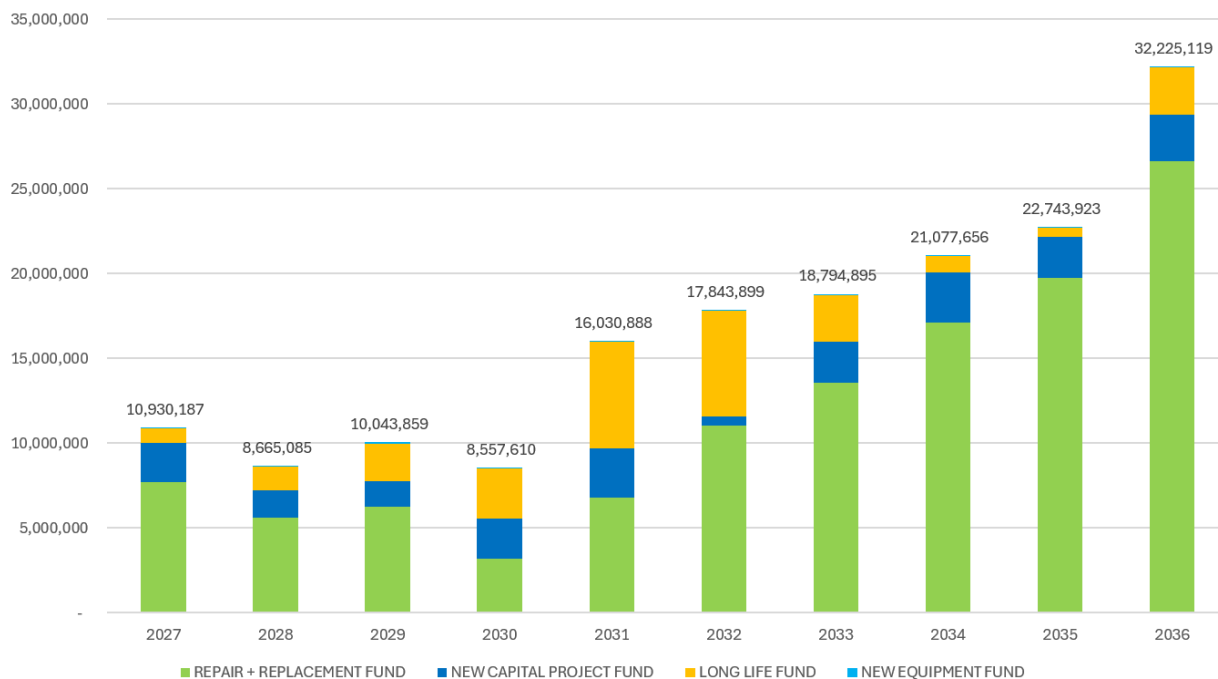
B) and funding plan, informs the proposed 2027 RRF funding level. Because the RRF is projected to remain below the policy's 25% funding threshold in upcoming years, the Draft 2027 Budget proposes the applicable 10% increase in the RRF Annual Assessment allocation, before consideration of the approximately \$88 per-property reclassification described above.

Together, the Reserve Study identifies the Association's anticipated major component repair and replacement obligations, the capital plans coordinate those obligations with larger planned projects, and the 30-Year Cash Flow evaluates whether projected funding is sufficient to meet those obligations over time.

Long-Term Outlook

The proposed 2027 capital program should be evaluated based on both the immediate funding requirement and its effect on the Association's longer-term financial position. The key questions are whether the proposed plans are fundable, where the principal funding pressure points occur, and which assumptions materially influence the long-term results.

Projected 10-year Capital Reserve Funds Combined Ending Balances



Initial Draft 2027 Capital Funds Assessment Allocation

The following table summarizes the proposed allocation of Annual Assessment funding among the four Capital Funds based on the initial Draft 2027 capital plans.

Capital Fund	2026 Budget	2027 Draft	\$ Change	% Change
LLF	\$187	\$195	\$8	4%



NCPF	\$752	\$783	\$30	4%
NEF	\$30	\$30	\$0	0%
RRF	\$1,034	\$1,049	\$15	1%
Total Capital Funds	\$2,003	\$2,056	\$53	3%

B. Follow-Up from the Operating Fund Budget Work Session

The August 28, 2026 Board work session provided guidance regarding the initial Draft 2027 Operating Fund Budget. The table below summarizes the principal Board guidance and the way staff has incorporated that direction into the developing budget.

Board Guidance / Topic	Staff Response / Budget Update	Additional Board Direction Needed
Requested additional analysis of Equestrian, F&B and Golf	Equestrian: Staff recommendation - \$26,000 positive NOR change; new advanced camp offering with strongly expressed customer interest. Modified operations analysis not recommended F&B: No Change to Lodge Consolidated's smaller operations (BevCart, MPG and Pavilion) all operating at profit; ACC – shoulder season operations support member feedback and help decrease the overhead burden, while reasonable increases from Edibol are recognized for \$10,000 NOR increase; Winter F&B will benefit from a reasonable visitor increase expectation – \$51,000 NOR increase. Golf: \$105,000 NOR increase; Reasonable fee increases in line with the market for the public, a decrease to the member discount, and season pass product changes	Any additional feedback, or guidance, on the Equestrian recommendation? Continue modified operation discussion after budget process? Any additional feedback, or guidance, on the F&B operating model plan? Any additional feedback, or guidance, on the Golf pricing model or season pass recommendations?
Review the Public Amenities for revenue opportunities and potential consolidated Breakeven position	\$330,000 NOR increase In addition to the above, DHS – \$221,000 NOR increase; +3% prices	Approval on price changes.

	XC - \$30,000 NOR increase; \$17,000 with price increase and \$13,000 savings in labor & expenses	
Provide recommendation for Private Amenities and Member Services Fees based on inflation	Estimate \$28,000 increase in revenue contributions	Any guidance, or further recommendation, on the topic
Prepare comparative analysis of Workers Comp Group Captive vs. Standard Market Offering	Standard market quotes ranged from \$607K to \$743K, representing increases over prior-year offers despite a 25% improvement in the Association's ExMod. The Group Captive quote is \$586K, with an additional \$141K collateral investment required. Staff, with Finance Committee support, recommends selecting the Group Captive.	Board guidance on Final Budget inclusion.

Unless additional direction is identified above, these items document staff's incorporation of prior Board guidance and are not intended for further substantive discussion at this work session.

Operating Fund by Department Classification:

	2026 Assessment (Contribution)	2027 Assessment (Contribution)	\$ increase from prior year	% increase from prior year
Private Amenities	\$215	\$244	\$29	13%
Public Amenities	(\$183)	(\$17)	(\$166)	-91%
Support Department	\$1,586	\$1,877	\$291	18%
Total Annual Assessment	\$1,618	\$2,104	\$486	30%

C. Preliminary Draft 2027 Consolidated Annual Budget

The preliminary consolidated Draft 2027 Annual Budget combines the developing Operating Fund and Capital Fund budgets and provides an initial view of the total Annual Assessment requirement and allocation.

Consolidated Measure	2026 Budget	2027 Draft	2026 vs. 2027
Operating Fund Assessment	\$1,618	\$2,104	\$ 486 / 30%
Capital Fund Assessment	\$2,003	\$2,056	\$53 / 3%
Assessment per Property	\$3,621	\$4,160	\$ 539 / 15%
Total Annual Assessment	\$23,438,733	\$26,927,680	\$ 3,488,947 / 15%



D. Summary of Board Guidance

The Board's guidance at this work session will be used to refine the Draft 2027 Annual Budget prior to final preparation and presentation for Board consideration. The following summarizes the principal areas requiring direction:

- RRF: Proposed capital planning, funding level, and reclassification of recurring costs to the Operating Fund.
- NEF: Proposed policy amendment.
- Capital Funds: Proposed 2027 capital plans, project priorities and timing, and Annual Assessment allocations.
- Operating Fund: Overall direction on the Draft 2027 Operating Fund Budget.

NEXT STEPS

Following the work session, staff will incorporate Board direction into the next Draft 2027 Annual Budget and continue refining the Operating Fund and Capital Fund plans with management and the Finance Committee. Staff will update capital project assumptions, long-term funding projections, and Annual Assessment allocations as additional information becomes available. The final Draft 2027 Annual Budget will be prepared for Board consideration at the October 9, 2026 meeting.

OUTREACH

Consistent with prior years, TDA staff has implemented the following communication plan:

- Created a web page dedicated to the budget process that outlines background and includes all meeting details and documents as they become available, as well as a feedback form and details on how to participate
- TD News: Budget timeline and webpage promotion in October issue
- Dedicated email to the members about the budget workshop 3 days prior to each meeting, as well as included in the weekly email (Tuesdays)

FISCAL IMPACT

There is no direct fiscal impact associated with the Board's discussion at this work session. Board direction may affect capital project timing and scope, Capital Fund balances, funding sources, Annual Assessment allocations, Operating Fund assumptions, and the total Annual Assessment incorporated into subsequent drafts of the 2027 Annual Budget. Exhibit D summarizes the initial financial impacts, which will be refined throughout the budget process.



ATTACHMENTS

Exhibit A: Initial Draft 2027 Capital Fund Plans and Budgets

Exhibit B: Reserve Study 30-Year Cash Flow

Exhibit C: 2026 Capital Project Status

Exhibit D: Preliminary Draft 2027 Consolidated Annual Budget

Exhibit E: 2027 Strategic Budget Drivers

Exhibit F: Capital and Financial Policies

Exhibit G: Significant Capital Projects for 2027

Prepared By: Justin Malley, Director of Finance and Accounting and Jon Mitchell, Director of Capital Projects and Annie Rosenfeld, General Manager

Board of Directors Meeting: September 25, 2026