TITLE: Adoption of the 2027 Annual Budget

RECOMMENDATION:
By Motion:
The Board of Directors adopts Corporate Resolution 2026-13, which:

1) Approves the proposed 2027 Amenity Access Operating Plan (Exhibit M)

2) Adopts the proposed Annual Budget for 2027 (Exhibit A – Ending L)
   a) Establishes the 2027 Operating Fund Minimum Balance at $2,700,000

3) Adopts the 2027 Annual Assessment as follows:
   a) Operating Fund – $2,024
   b) Reserve Study Fund
      i) Repair and Replacement Fund – $1,049
      ii) Long Life Fund - $195
   c) Development Fund
      i) New Capital Projects Fund - $782
      ii) New Equipment Fund – $30

   Total 2027 Annual Assessment – $4,080

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 adopts an annual budget and provides the membership with an annual budget report and Annual Assessment billing no later than 45 days before the start of the fiscal year.

Staff presents the 2027 Annual Budget for adoption at the October 16, 2026 Board meeting. The budget was developed through review by staff, the Finance Committee, and the Board, consistent with the Capital and Financial Policies and the 2027 Strategic Budget Drivers.

Staff began working on the budget in May, presented the initial Operating Fund Budget in August, and then reviewed the Capital Fund plans in September, followed by follow-up on the Operating Fund. Staff subsequently refined the budget for final consideration.

ANALYSIS:
Presented to the Board for adoption is the 2027 Annual Budget, which includes the Operating Fund, four Capital Funds, capital plans, and related financial plans. The final Annual Assessment is $4,080 per property, up $459 (12.7%) from 2026. The increase is entirely attributable to the Operating Fund; the combined Capital Fund assessment is $2,056 per property. 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.

Fund	2026	2027	Change
Operating Fund	$1,618	$2,024	+ $406 / 25.1%
Repair and Replacement Fund	$1,034	$1,049	$15 / 1.5%
Long Life Fund	$187	$195	$8 / 4.3%
New Capital Projects Fund	$752	$782	$30 / 4.0%
New Equipment Fund	$30	$30	$0 / 0.0%
Total Annual Assessment	**$3,621**	**$4,080**	**+ $459 / 12.7%**

Operating Fund

The 2027 Operating Fund budget reflects continued efforts to set realistic, sustainable operating expectations while recognizing significant cost pressures outside the Association's direct control. The Operating Fund Annual Assessment appropriation is $2,024 per property, an increase of $406 per property from 2026.

Operating Fund Revenue

The 2027 budget uses more reasonable revenue target expectations based on historical operating performance, current operating conditions, and achievable levels of member and non-member activity. Revenue assumptions have been adjusted where prior targets were overly optimistic, to establish a budget that can reasonably be achieved during the year rather than relying on aggressive revenue growth to offset expenses.

This approach results in an estimated $95 per property impact to the Operating Fund assessment. While more conservative revenue expectations increase the required assessment, they are intended to reduce the risk of revenue shortfalls during the year and provide a more sustainable financial plan.

Operating Fund Expense

Key Operating Fund Assessment Drivers

- California minimum wage pressure – approximately $70 per property: Continued increases in California's minimum wage materially increase labor costs and create additional wage pressure throughout the organization.
- Property & Casualty and General Liability Insurance – approximately $56 per property: Higher insurance premiums contribute to the increase in the Operating Fund assessment.
- Workers' Compensation – approximately $5 per property savings in 2027: The Association's move to a group captive represents an investment in ourselves over the long term, while providing approximately $5 per property of savings in the 2027 budget.
- Taxes – approximately $60 per property: Increased taxes and related obligations contribute to the 2027 operating cost increase.
- Utilities – approximately $35 per property: Utility rate increases continue to place upward pressure on operating expenses.
- RRF components shifted to Operating – approximately $88 per property: Certain recurring costs previously funded through the Repair and Replacement Fund are being shifted to the Operating Fund based on guidance from the Reserve Study experts and the Association's auditors. This is a change in the appropriate funding source rather than an increase in the underlying expenditure.

- More reasonable revenue target expectations – approximately $95 per property: Revenue projections have been adjusted to levels considered more achievable and sustainable, rather than relying on aggressive revenue assumptions to reduce the assessment requirement.
- Employee Benefits – approximately $30 per property: Rising costs of employee health insurance contribute to the increase in the Operating Fund assessment.

These pressures are partially offset by continued efforts to manage controllable expenses, evaluate staffing and service levels, and identify achievable operating efficiencies. The resulting budget is intended to provide sustainable funding while maintaining appropriate member services and avoiding reliance on unrealistic revenue or expense assumptions.

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. Staff recommends establishing the 2027 Operating Fund Minimum Balance at $2,700,000.

Summary Operating Fund Profit and Loss Chart

	2027 Budget
Revenue	**17,576,379**
Cogs	**(1,849,197)**
Gross Margin	**15,727,182**
Payroll Direct-Salary	**(7,729,831)**
Payroll Direct-Hourly	**(8,462,247)**
Payroll Direct-Total	**(16,192,079)**
Payroll Burden	**(4,446,288)**
Payroll	**(20,638,366)**
Expenses	**(9,844,167)**
NORBCA	**(14,755,351)**
Capital Expense Allocation	**1,656,591**
NOR	**(13,098,760)**

** NORBCA = Net Operating Result Before Capital Allocation*

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 (RRF)
Tahoe Donner is required under the Davis-Stirling Act and Resolution 2025-9, Reserve Study Fund Policy, to maintain a Reserve Study addressing major component replacement and funding needs.

The Association completes a physical and financial 3-Year Reserve Study, establishes a 30-year cash flow plan for budgeting and funding, and annually updates upcoming component needs and estimated costs. The Association completed a full study this year.

The RRF funds qualifying repair, replacement, preventive maintenance, and corrective maintenance needs identified through the Association's Reserve Study. The Reserve Study was updated to reflect current component conditions, costs, useful lives, and the Association's capital plans. Thirty-four recurring cost components were removed from the Reserve Study and will be funded through the Operating Fund beginning in 2027. The 2027 RRF Annual Assessment appropriation is $1,049 per property.

Repair and Replacement Fund Summary

REPAIR + REPLACEMENT FUND (RRF)	Forecast 2026	Budget 2027
Beginning Balance	**13,395,026**	**8,023,917**
Operating Surplus Applied	-	-
Assessment Funds	6,693,082	6,790,132
Interest Income (net)	602,643	343,612
Expenditures / Capital Additions	(12,666,835)	(7,254,673)
Estimated Ending Balance	**8,023,917**	**7,902,988**

Long Life Fund (LLF)

The LLF provides funding for major components and facility replacement needs with useful lives generally exceeding 30 years. The 2027 plan reflects updated project timing, replacement costs, and long-term cash-flow requirements. The 2027 LLF Annual Assessment appropriation is $195 per property.

Long Life Fund Summary

LONG LIFE FUND (LLF)	Forecast 2026	Budget 2027
Beginning Balance	**-**	**1,143,038**
Operating Surplus Applied	-	-
Assessment Funds	1,210,451	1,262,235
Interest Income	36,314	72,158
Expenditures / Capital Additions	(103,726)	(285,443)
Estimated Ending Balance	**1,143,038**	**2,191,988**

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 (NCPF)

The NCPF provides funding for new capital projects, including new facilities, acquisitions, and qualifying additions or improvements. The 2027 plan reflects updated project priorities, timing, costs, and long-term funding requirements, including continued planning and implementation related to Workforce Housing and other major capital initiatives. The 2027 NCPF Annual Assessment appropriation is $782 per property.

New Capital Project Fund Summary

NEW CAPITAL PROJECT FUND (NCPF)	Forecast 2026	Budget 2027
Beginning Balance	**(1,142,384)**	**2,304,717**
Operating Surplus Applied	-	-
Assessment Funds	4,867,696	5,061,886
Interest Income	146,031	220,998
Expenditures / Capital Additions	(1,566,626)	(5,318,985)
Estimated Ending Balance	**2,304,717**	**2,268,616**

New Equipment Fund (NEF)

The NEF provides funding for capital improvements that do not qualify for the Reserve Study or New Capital Projects Fund, including vehicles, equipment, furniture, fixtures, and technology. The 2027 plan reflects the Association's anticipated equipment and technology needs. The 2027 NEF Annual Assessment appropriation is $30 per property. The New Equipment Fund Plan is attached as Exhibit E.

New Equipment Fund Summary

NEW EQUIPMENT FUND (NEF)	Forecast 2026	Budget 2027
Beginning Balance	**29,742**	**131,437**
Operating Surplus Applied	-	-
Assessment Funds	194,190	194,190
Interest Income	6,718	6,856
Expenditures / Capital Additions	(99,213)	(267,237)
Estimated Ending Balance	**131,437**	**65,246**

OUTREACH:

As in the past few years, staff set a goal to inform members about the 2027 budget process, key drivers, and assumptions. Outreach themes include clear, easy-to-find information; timely, consistent communication; and easy ways to provide feedback.

Specific outreach initiatives included:

- Open Budget Sessions: 5/22, 6/26, 7/31, 8/28, 9/25, 10/9, 10/16

- Three Dedicated Member Emails: Sent 2-3 days prior to each meeting with the agenda for each meeting, ways to participate, and links to supporting documents
- Weekly Tuesday Emails: 7 consecutive weeks of info in a weekly email
- 2027 Budget Webpage: Created a one-stop webpage for all budget information, meeting recordings, and presentations
- Feedback Form: Created and integrated into the 2027 Budget webpage
- TD News + Life GM Welcome Letter: October issue
- Budget Timeline Graphic: Featured in September and October *TD News* with meeting dates

FISCAL IMPACT:
The 2027 Annual Assessment is $4,080 per property, a $459 (12.7%) increase over 2026. The Operating Fund assessment appropriation is $2,024 per property, up $406 (25.1%) from 2026; and the combined Capital Fund assessment appropriation is $2,056 per property, up $53 (2.6%) from 2026.

ALTERNATIVE:
The 2026 Budget expires on December 31, 2026. The Board is required to provide and notify the membership no later than 45 days prior to the new budget and Annual Assessment.

Given the lead time required to prepare, finalize, and distribute the member budget report and Annual Assessment information, the Board must adopt the 2027 Annual Budget at the October 16, 2026 Board meeting to meet the required implementation and member notification timeline. No additional delay is available in the current budget process without affecting the Association's ability to meet these requirements.

If the Board does not adopt the budget at this meeting, staff will not have sufficient time to complete the remaining budget adoption and member notification process within the established timeline.

ATTACHMENTS:
Exhibit A: 2027 Operating Fund Budget
Exhibit B: 10-Year Significant Capital Projects Plan
Exhibit C: 2027 Capital Projects
Exhibit D: 2027 New Capital Projects Fund Plan
Exhibit E: 2027 3-Year New Equipment Fund Plan
Exhibit F: Reserve Study 30-Year Cash Flow
Exhibit G: Reserve Study AICPA by Location Report
Exhibit H: 2027 Repair and Replacement Fund Budget
Exhibit I: Reserve Study – 30-Year Expenditure Report
Exhibit J: 2027 Long Life Fund Expenditure Plan
Exhibit K: 2027 Strategic Interagency Partnership Plan
Exhibit L: 2027 20-Year Significant Capital Projects Plan
Exhibit M: 2027 Amenity Access Rule Operating Plan

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