

Notes on Quarterly Reserve Fund Investment Reviews

- PURPOSE:
 - To review and monitor the Association's investment strategy, investment instruments, investment performances, and services provided by banks, brokerage firms and financial institutions.
 - To monitor implementation of Investment Policy.
 - To review and update Investment Policy.
 - To educate members about investment of reserve funds.

- AUTHORITY
 - Requirement for review of Reserve Fund Investment Financial Performance
 - Resolution 2015-5, Investment Policy, General Administration Responsibilities
 - This is TDA's operating policy
 - Three organizational element tasks:
 - Finance Committee & DFA
 - Quarterly Review
 - Strategy (in Policy)
 - Investments
 - Cash Flow
 - Performance (Results in Policy)
 - Treasurer
 - Monthly review and initial (preliminary approval) of investment account reconciliations
 - Quarterly Investment Report to the Board (Owners/Members)
 - DFA
 - Prepare annual forecasts for cash flow requirements for all funds during annual budget process to include cash flow forecast for the Reserve and Development Funds covering period of not less than 5 years.

- Does "Cash and Investments Summary Report" contained in Unaudited Monthly Financial Archive (<http://www.tahoedonner.com/members/association-management/financials/reports/>) on TDA Website provide sufficient information to track strategy, investments, cash flow and results?
- What is our Strategy?
 - This is contained within the Investment Policy
 - IAW Davis-Stirling Act
 - IAW general guidelines for HOAs
 - Safety of Principle
 - Accessibility
- Where are our Investments?
 - Unaudited Monthly Financial Archive (<http://www.tahoedonner.com/members/association-management/financials/reports/>) on TDA Website includes "Cash and Investment Summary Report."
 - How to read, interpret, and use the Summary Report?
 - Shows Investments in Consolidated TDA Total, Operating Fund, Replacement Reserve Fund, Development Fund, and New Equipment Fund.

- Operating Fund is a "Contingency Reserve" to insure cash flow when unexpected events interrupt flow of revenue (i.e. lack of or too much snow). This should be invested in short term instruments for quick access is needed.
 - RRF and DF are reserves which could have some longer maturities since funds are planned over time.
 - NEF is also of a short-term nature and small amount; funds needed in less than 12 months.
 - Shows aggregate categories of instruments
 - Certificates of Deposit
 - US Treasuries/Government Obligations
 - Bonds, Corporate Municipals
 - Other/Trusts
 - Shows Brokerages/Banks
 - Tri Counties Bank
 - Bank of the West
 - Mutual of Omaha
 - Plumas Bank
 - Stifel
 - Wells Fargo Securities
 - AssetMark
 - Show Balance Mix of investment IAW Policy
 - Why FED BLS section?
 - Why US Unemployment 2008 to 2018 section?
 - Why FED Prime Rate section?
- Portfolio List
 - What do we own?
 - Who do we use to manage our investments?
 - Discretionary or Non-Discretionary?
- What is our Cash Flow?
 - Shows "CASH FLOW RECON"
 - Is this adequate information?
- What is our Performance?
 - What is our return?
 - How much are they costing (fees, buys, sells, etc.)?
 - Actual and percentage
- **Discussions/Questions?**
 - Should we be investing our reserves?
 - YES
 - Factors
 - Fiduciary Duty
 - Higher fiduciary standard than other business entities
 - Investment Policy
 - YES
 - Board (Committee) Member Knowledge
 - Volunteer members long term participation is variable.
 - Staff is long term.

- Directors and Committee Members come and go and so does their expertise.
 - Appropriateness to institutionalize volunteers vs. staff?
- What is an Investment Committee?
 - The term investment committee is used broadly to include any committee (such as finance or audit committee) with responsibility for the management of the financial assets of a not-for-profit organization.
 - Seems to be a prevalent concept in large corporations. We must remain conservative in nature.
 - What TDA has:
 - TDA is a self-directed organization.
 - Board is responsible for protecting financial resources of financial assets.
 - Staff manages financial resources, and investment of reserves rests with the DFA. The Finance Committee provides advice and assistance to the Board in the oversight of financial resources. The Treasurer is the Board Liaison to the FC.
 - Board provides direction to the DFA, Treasurer and FC through the Investment Policy. The FC has been acting as the Audit Committee, Investment Committee, Budget Committee since inception. Investment Policy contains required tasks of both the Treasurer and FC in the realm of investments.
 - DFA uses outside brokers, financial institutions, and advisors for investing financial resources. TDA does not have an in-house staff to management investments. Cost of doing task in the manner does not seem cost effective given the type of investments utilized to maximize revenue. Do we really want to higher staff to do this for our type of investments; only results would be increased wages and salaries which eat away any returns.
 - We need to be more diligent in this area.
 - Do we really have an investment portfolio?
 - NO
 - We have RESERVES, not a personal account
 - We are a smaller non-profit versus a larger corporation without an in-house staff that would increase expenses that eats away at returns.
 - Do we really need to create a large in-house investment staff of volunteers?
 - One size may not fit all
 - Corporate sized investment committee not appropriate for HOAs