



To: TMVOA Members
CC: TMVOA Board of Directors
From: Erin Neer, COO & CFO
Date: 11/18/2009
Re: 2010 Proposed Budget for TMVOA Annual Member's Budget Meeting

2010 Budget Preparation Process

As you are aware, given the significant revenue budget departure that TMVOA is realizing in 2009, the TMVOA Board and Budget Committee have led an extensive budget preparation process for the 2010 budget year to ensure that TMVOA's resources are prioritized in the best manner possible.

This process entailed many Budget Committee meetings and several board meetings at which many alternatives were discussed for the discretionary expenditure items for the organization.

At the November 18, 2009 Member's Budget Meeting, the TMVOA membership is encouraged to provide input and ask questions regarding the proposed budget which was made available to the membership on October 16, 2009. Following this meeting, our budget process will continue with additional discussions at the December 3rd Special Board Meeting and the 2010 Budget will be officially adopted at a Special Board Meeting on December 8th or 9th (meeting date/time to be confirmed). We encourage our membership to continue to participate at these additional public meetings and to provide feedback or inquiries as necessary directly to our staff or Board members in the interim.

2009 Financial Performance

The current 2010 Budget draft indicates that our 2009 results will result in a budget departure of approximately \$1.4 million. However, since this draft was published for the membership's review, a significant commercial RETA transaction was realized, generating approximately \$520,000 in additional unanticipated RETA revenue. A complete update of our estimated financial performance for 2009 will be revised and presented at the December 3rd Special Board Meeting. As no other major changes are anticipated, it is currently estimated that the 2009 results will improve by approximately \$500,000 resulting in ending working capital of approximately \$9.9 million, and unreserved working capital of \$6 million. This unanticipated surplus activity will also flow through to the estimated reserves available throughout 2010.

Proposed 2010 Budget

The current draft of the Proposed 2010 Budget reflects an estimated deficit of \$1.374 million, which will reduce total working capital to an estimated \$8.03 million and unreserved working capital to approximately \$3.1 million. Estimated revenues of \$4 million are anticipated to be approximately \$430,000 less than 2009 revenues. This variance stems from both reduced investment earnings (\$170,000) and the removal of event revenues and sponsorships (\$241,000) which is a function of the reduced programming that has been included in the expenditures. Estimated operating expenditures are approximately \$4.4 million which include administrative costs, gondola funding, events programming, member communications and a contingency of 1% of expenditures. Non-Recurring or discretionary

expenditures proposed for 2010 amount to \$894,000 and include guest services, group sales, economic development grants, educational grants, extraordinary legal and gondola major repairs.

(Note: Although event programming has been included in operating expenditures historically, given the extensive discussions regarding discretionary vs. non-discretionary spending during this budget process, it would likely be more appropriate in the final draft of the budget to be included in the Non – Recurring or Discretionary section of the budget.)

2010 Programmatic Changes

The Board and Budget Committee have completed extensive prioritization discussions and exercises to determine the highest priority for TMVOA funds. The below programmatic changes reflect the results of this discussion thus far, as included in the current draft of the 2010 budget.

Program	2010 Proposed	2009 Projected	Expenditure Reduction / (Increase)	Program Comments
Events (Net)	\$233,500	\$655,137	\$421,637	Reduction of events to Gay Ski Week, Sunset Concert Series, TFA, 4 th of July, New Year's Fireworks and Snowfest sculptures.
Guest Services	\$188,800	\$351,800	\$163,000	Refinement of program to highest priority functions for guests.
Overflow Parking	\$0	\$46,000	\$46,000	Program funding not included in proposed budget.
Group Sales	\$250,000	\$0	(\$250,000)	Addition of funding to support coordinated group sales program for Telluride region.
Economic Dev't Grants	\$148,000	\$545,041	\$397,041	Reduction of aggregate grant funding amount pursuant to revenue shortfall.
Educational Grants	\$13,500	\$16,000	\$2,500	Included allowance for continuance of education grants in 2010.
Charitable Donations	\$0	\$82,775	\$82,775	Charitable donations not included in proposed budget for 2010. TMV will receive applications in lieu of TMVOA to be decided by joint prioritization committee.
Regional Marketing	\$0	\$275,000	\$275,000	Additional funding not included in proposed budget for 2010.
Ecosign Planning	\$0	\$55,000	\$55,000	Additional Ecosign costs not included in proposed budget for 2010.
Other Planning	\$0	\$21,470	\$21,470	Additional studies / planning not included in proposed budget for 2010.
Extraordinary Legal	\$24,000	\$50,000	\$26,000	Revised allowance for extraordinary costs.
Gondola Non-Recurring	\$269,500	(\$89,007)	(\$358,507)	Increase is based upon recommended repairs / upgrades pursuant to Town staff, Gondola Committee and Parametrix recommendations.
Total	\$1,127,300	\$2,009,216	\$881,916	

Update on RETA Revenues

The Proposed 2010 Budget includes total revenues of \$3.959 million which continue to be dominated by RETA activity, which contributes 57% of total revenues.

As previously mentioned, although we have received one large unanticipated commercial transaction that will allow RETA revenue to surpass the revised revenue estimates for 2009, the underlying foundation of activity remains on pace with our original expectations for the year. As such, the 2010 Budget reflects a RETA number that remains flat with this baseline activity.

The table below illustrates current year activity, as of November 12, 2009. As estimated in February of this year, we continue to track toward baseline activity of between \$2 and \$2.5 million. To date, we have collected \$2.7 million, which includes one transaction for over \$500,000. Based upon existing inquiry activity, we estimate that we could see another \$50,000 in RETA activity for November and an estimated \$150,000 in December, for an annual total of \$2.963 million which is 74% of the original budget level, a departure of approximately \$1 million. This activity remains significantly lower than historical performance levels. The 9 year annual average RETA revenue from 2000-2008 was \$7.01 million. In comparison, the activity level for 2009 will only be 42% of this level.

Please see Exhibit A for a chart of RETA activity since 2005, as of November 12, 2009.

Additional Revisions

The TMVOA Board will be discussing several outstanding items at the December 3rd Special Board Meeting, which will likely impact the 2010 Budget including staffing levels. We encourage the membership to participate at the December meeting as well.