MEMORANDUM

TO: BOARD OF TRUSTEES

FROM: STEVEN J. PINKERTON

General Manager

SUBJECT: General Manager’s Status Report
Prepared for the meeting of April 25, 2018

DATE: APRIL 17, 2018

Financial Transparency


We are now two-thirds of the way through the budget year. Revenues continue to come in better than expected while expenses are below budget. Thanks to our Miracle March, Diamond Peak is now well ahead of their revenue projections and should exceed budget projections.

Also, as noted the last three months, the Capital Improvement Project Expenditures for the Year Ending June 30, 2017 is posted in the Capital Improvement Projects section of the Financial Transparency page. This is the information that was presented at the October 25, 2017 Board of Trustees Meeting.

In addition, as noted at the October 25, 2017 meeting, the video recording and presentation materials for the IVGID Community Forum on Finances is located on the Resources page of our website.

Venue Status Reports

Just a reminder that Venue Status reports are available on a monthly basis for key venues and operations. Reports are prepared for Public Works, Parks & Recreation, Finance/Accounting, Risk Management, Human Resources and Ski and Golf when they are in season.

The reports are typically posted by the middle of each month and can be accessed on the District’s “Resources” web page.
Capital Projects Update

Public Works Storage Building

Work on the building is approaching substantial completion with occupancy expected this month. There is remaining earthwork on the project that will occur after the start of the TRPA grading season on May 1st including final grading around the building exterior, removal of the underground storage tank, and final paving.

Sewer Pump Station 8 Improvements

All major equipment has been installed and is currently undergoing functional testing. Work is currently focused on punch-list items as the project approaches completion.

Effluent Export Pipeline Repairs

All thirteen repair locations have been completed. Select concrete curb repair, permanent guard rail repair, and final pavement restoration will occur when Granite Construction resumes work on the SR-28 Pathway Project for 2018. Granite has not yet released the schedule for planned completion of the work.

Wastewater Treatment Plant Operations Space Reconfiguration

The contractor has mobilized and work on demolition and rough-in of framing, mechanical, electrical, and plumbing is complete. Work is currently focused on finishes and final equipment installation.

Incline Park Ballfields Renovations

Design work is nearly finished with Lloyd Consulting Group. The project will bid the week of April 23rd with a bid opening scheduled for May 24th. A construction contract is expected to be presented to the Board of Trustees for award at the June 13th meeting.

Robert & Robin Holman Family Bike Park

The first phase of this project is substantially complete and included a beginner pump track; beginner, intermediate, and advanced flow trails; installation of District-supplied ramps; temporary and permanent BMPs; and drainage improvements. Additional prefabricated ramps for completion of the advanced flow
trail will be installed in May under the existing Phase I contract with Sierra Trail Works. Work is currently focused on final budgeting and design adjustments to allow bidding for construction of the second phase (advanced pump track) in 2018.

Other Projects

A variety of smaller projects including flatscape improvements, pavement maintenance, and other facility improvements throughout the District are currently out to bid and scheduled for construction in May and June.

Discussion of Alternative Combinations to Finance $4 million for Community Services Capital Improvement Projects, 2018-2023

During the March 28, 2018 Board of Trustees’ agenda item for Asset Replacement Funding, an illustration was presented using a bond to finance the Ski Way project. Several Trustees asked if a different asset purchases could be financed, with a specific nod to using municipal leasing as an alternative to bonds. No other project in the five year window practically lends itself to a bond. Staff agreed to assemble the details of that alternative for leasing.

The primary motivation for presenting the bond for Ski Way is that approach is consistent with Board Policy on long lived assets with a cost over $2,500,000. The proposed bond was for $4,000,000. The cost of issuance was estimated at 5% providing $3,800,000 for direct project costs.

We could consider the bond option, but reject its use, to pursue leasing. There are five pieces of equipment under the ski resort that Staff has considered eligible for leasing. This totals $1,315,000 for a loader, two grooming vehicles, and two shuttle buses.

In order to reach a similar financing total, we also need to consider equipment included under the Diamond Peak Master Plan Phase 1a and 1b. Such equipment items might include the Canopy Tour at $924,000, the Alpine Coaster at $1,757,774, kitchen equipment for $250,000, and the Lakeview Lift download component at $350,000. All other items under the Diamond Peak Master Plan are phased beyond five years and cannot be assumed to provide an alternative resource to a project that is only four years away from being executed. There are also other costs, but they are not of a nature to be eligible for equipment leasing.
**Financial Impact**

The pure financial analysis of this question is what is the cost to repay under each form of financing and cash flow? This is true because the State of Nevada Guidance for leasing and medium term bonds are fairly identical. Bonding has a few more steps and might take a few months longer to execute, but it would be done only once, whereas each lease would be determined and closed for each equipment item.

Using an amortization assumption of 72 months at 4.5% interest, each dollar borrowed under a lease would cost $1.14293 to repay. Using an amortization assumption of 120 months at 2.8% interest, each dollar borrowed under a General Obligation Revenue municipal bond would cost $1.14823 to repay. Some have asked if going to a longer term repayment saves and it does not since the longer term of the bond, the higher that rate of interest and the slower the repayment of principal.

<table>
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<th>Cost to Repay $1</th>
<th>Annual Payment</th>
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<tr>
<td>Municipal Lease for 6 years</td>
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<tr>
<td>10 Year Medium Term Bond</td>
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<td>30 Year Municipal Bond</td>
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The cash flow under leasing is a higher annual amount but over a shorter time than the Medium Term Bond. Over a ten year window, the total is virtually the same. The exact timing of drawing on a lease would have to be managed to properly plan for how many leases would be open at the same time. The interest rates will change, however the factor itself would likely stay relative in our scenarios.

This leaves the question of execution in the market place. Going into the bond market to raise $4,000,000 to build a road improvement would be seen as reasonable and expected. The District holds an Aa1 Bond Rating and no doubt should have many interested parties in the bond market. We can explain that a series of leases are being assembled in order to provide a similar total of resources, however, the number of institutions that might consider the proposal will be far fewer, and thus the lack of competition could result in higher costs or inability to place items. There is a very robust commercial leasing market, but a somewhat limited municipal leasing market. The rates of return are different and it is considered somewhat of a specialty among banking institutions. The ability to market and place one bond issue is reasonably assured. The ability to place a series of leases may require both more administration and salesmanship to accomplish.
**Alternatives**

If we choose to explore leasing, it might be possible to inquire about establishing an advance commitment for multiple items at some formulated interest rate. This at least assures the resources could be obtained when individual items are being ordered. Our experience with golf cart leases found this to be possible as the institution used a master lease agreement and then did addendums for each individual block of carts. Both institutions we are acquainted with for leasing have lending limits that probably allow a borrowing limit at or above our $4,000,000 target. We could also split the portfolio into pieces to avoid any lending limit questions. However, to ask for such a commitment, the District should be equally committed to the series of purchases.

**Comments**

The Five Year Capital Improvement Project Summary is a fluid and flexible process that goes through a reset each year. However the advance planning a preparation for a project of the magnitude of the Ski Way and Diamond Peak Parking Lot Reconstruction requires multiple years. To be ready we must have the financing plan relatively assured. The District must file a five year plan with the State of Nevada with its Indebtedness Report by July 31, 2018. That plan only has to identify issued debts and state intentions for 2018-2019. Therefore the absolute commitment is not being made now. Signaling a long-term intent is prudent both for credibility with the State and County Debt Commission, but also by informing the community. The Board of Trustees needs to set a direction for the overall five year plan.