

MINUTES

REGULAR MEETING OF AUGUST 28, 2019 Incline Village General Improvement District

The regular meeting of the Board of Trustees of the Incline Village General Improvement District was called to order by Chairwoman Kendra Wong on Wednesday, August 28, 2019 at 12 noon at the Chateau located at 955 Fairway Boulevard, Incline Village, Nevada.

A. ROLL CALL OF THE IVGID BOARD OF TRUSTEES*

On roll call, present were Trustees Tim Callicrate, Matthew Dent, Phil Horan, Peter Morris, and Kendra Wong.

Also present were District Staff Members Director of Public Works Joe Pomroy, Director of Golf/Community Services Darren Howard, Director of Human Resources Dee Carey, General Manager Diamond Peak Ski Resort Mike Bandelin, and Director of Finance Gerry Eick.

Members of the public present were Cliff Dobler, Andy Whyman, and others.

(15 individuals in attendance at the start of the meeting which includes Trustees, Staff, and members of the public.)

B. PUBLIC COMMENTS

Cliff Dobler read from a prepared statement which is attached hereto.

C. APPROVAL OF AGENDA (for possible action)

Chairwoman Wong asked for any changes to the agenda; no changes were made and the agenda was approved as submitted.

E. GENERAL BUSINESS (for possible action)

- E.1. Review, Discuss, and Possibly Authorize Multiple Contracts for the Water Pump Station 2-1 Improvements Project; 2018/2019 Capital Improvement Project: Fund: Public Works; Division: Water; Project # 2299DI1702; Vendors: San Joaquin Electric Inc., in the amount of \$291,000 and Jacobs Engineering in the amount of \$25,000 (Requesting Staff Member: Director of Public Works Joe Pomroy)**

Director of Public Works Joe Pomroy gave an overview of the submitted memorandum.

Trustee Morris said that he knows that we have been talking about this project for a while but that there is a big disparate from the estimate and there is no explanation about that huge difference so can Staff expand on that. Director of Public Works Pomroy said that the project was developed in late 2017/early 2018 under the direction of previous Staff who scoped out the project for a full electrical line up. Most of the difference is about scoping versus design and accounting for all the contingencies. There was a short design schedule and bidding versus time lag. There was sufficient budget to account for anything that we needed to do but we had a very narrow scope. Often, we create data sheets before design. There is about a \$350,000 difference and Staff will probably spend about \$400,000 when it is all complete. Trustee Morris said it is helpful to know those things ahead of time so we don't have to ask that question. So this is about budgeting being done some time ago and while it is positive news sometimes it is the converse and we get called out so the more we can do to keep track, the better. Was there not any way to be aware of being significantly under budget and having an opportunity to think about those funds. Director of Public Works Pomroy said Staff contemplated it as 2018/2019 and kicked off the design in July. This is a 2018/2019 data sheet and in dealing with current staffing, we had to delay the design as we just weren't flexible or nimble enough to do this last July or August so we didn't start this until January. Staff tries to be flexible and move projects along but this is where this one landed.

Trustee Horan said that he agrees with Trustee Morris and that it is nice to be under budget. What do we do with the money that is unspent – the memorandum says that it goes into reserves and that brings up the issues of the past with capital improvement projects and carry over and reallocation. This project presents another opportunity to take a look at that subject again because just to say it goes back to reserves is too general and we should be more specific. He understands that on budgeting, we need to be careful because we are run by our budget with the State and our expenses and that the State is not concerned with revenue and that we want to be careful with our expenses and going over. There are a lot of different opinions on capital improvement projects and this is a good opportunity to have our Interim District General Manager take a look at that and how they are managed and how we see those again. He has no recommendation but he would like to take the opportunity to take another crack at presenting the

capital improvement projects. He supports this project but is concerned about accounting for the funds not being spent on this project. Director of Public Works Pomroy said if you wind back to the rate study and working capital and target funds and if Staff is meeting both Board policies by looking at the net position etc. and it is then that the unspent funds go back into that and the rates get set. Any unspent money or when the District gets extra connection fees, all that goes into the Utility Fund and as the rate study gets done, it gets calculated into that policy and then the rates get set to meet expenses. It gets recalculated on an annual basis and that is why we have an annual rate study because the totals get adjusted. We have talked about this before and this is what would happen with the \$250,000 as there would be no more spending and then we would look at the carry forward and then recalculate everything for the rate study.

Chairwoman Wong said that there needs to be a discussion about capital improvement projects and capital improvement project reporting and that the Board should discuss that at a future meeting. Trustee Horan said that he agrees and that he would like Staff to come back and give us something to review. Chairwoman Wong said she would like to do both as she and Trustee Dent met and came up with a proposal of where to go so she would like to pick that up and use it as a starting point.

Trustee Dent said that this is a good discussion today. When it comes to policy, he would like to dive into that a little bit deeper than reporting. The District doesn't have a reserve policy so let's discuss a policy and be proactive and start to plan for our infrastructure. It is nice to see a savings from what we have budgeting but just a few months ago we were seeing between forty and fifty percent over budget and now we are one hundred percent under budget. We need to figure out a way to get a little bit better as he agrees with Trustee Morris. This memorandum seems so sloppy and it is missing information such as the Engineer's estimate; do you have it. Director of Public Works Pomroy said yes, it is in the invitation to bid. Trustee Dent asked why wasn't it included. Director of Public Works Pomroy said it was missed. Trustee Dent said so for Fiscal Year 2018/2019, you put in \$700,000 in the budget but you had an \$800,000 budget and just days ago he learned that you spent around \$9,000 so where is the remaining \$90,000 and what was it spent on. Director of Public Works Pomroy said that the first \$100,000 was spent on the design phase and \$700,000 is for the construction phase. Trustee Dent said so you spent \$90,000 on design. Director of Public Works Pomroy said yes and that was approved as it was below the Board threshold. Trustee Dent said that Mr. Dobler just handed him the contract and it was

for \$30,000 so he would like to put something on the agenda to discuss where the funds are being spent and to have some oversight.

Chairwoman Wong said so there is a design phase and a construction phase and so is that two separate projects or one project that really does have a total value of \$450,000. Director of Public Works Pomroy said that this memorandum is on the construction phase and the expenses going against it. The previous \$100,000 was for the design phase and that was finished out at the end of June and that those funds are aggregated into one project number thus the design and construction are one project and there was \$800,000 budgeted for this one project. Staff can prepare their memorandums with amounts spent on pre-design, design, construction, etc. as there are multiple ways to bring it back to the Board of Trustees. It can be done contract specific or project specific as Staff is happy to do either one. This one before the Board is construction phase and we could do one with it stating here is the project and total life of the project and everything spent because there are some things that don't come before the Board for their approval because they are within Staff's authority level. Chairwoman Wong said that helps with giving some context and that she thinks that would be helpful to have that overall description of the project as it would give us the ability to see the project from start to finish and what we need to do and then what we are approving right now. It will also give us better visibility. At the bottom of the data sheet, there is a vertical pump replacement which is part of this project so how does that fit in with what we are approving right now. Director of Public Works Pomroy said that the data sheets are written to specific facilities and right now we are in 2019/2020 and then we will be in 2020/2021 and so two years from now we will replace the pumps and the data sheet is the record of a project at a specific location. There might be three or four projects in one data sheets and he gave an example of a ski lift, then a watermain, and then one for the wastewater treatment plan. Chairwoman Wong said that it helps to have the explanation and she thinks that is where we are all struggling as we have different projects under a main project and that it is broken down into subprojects. We are having that issue with the effluent export pipeline as she can't discern the different ones as there are discrete portions that start and end and start and end and maybe this is part of the larger discussion but she thinks that all of the Board members are struggling with this in terms of these projects.

Trustee Callicrate said that he agrees and that this is a great opportunity to get this on a future agenda as it is one of the issues that we have all been talking about, scopes, etc. and it is confusing to the Board and the

community in general. It would alleviate a lot of the push back or can do so depending on what the projects and subprojects are called. Great idea for a future agenda item on how we want these to look like and the effluent export pipeline is a classic example.

Trustee Horan said he thought he heard you say that the design portion was approved under Staff authority; Director of Public Works Pomroy said yes, it was \$30,000. Trustee Horan said why is not under the entire approval process when approving the whole concept and the design phase being a part of that project. Director of Public Works Pomroy said that design is part of the project and that it is an earlier phase. Each project is in the capital improvement plan process that goes before Board and the whole project is approved once the Board approves and the project is then kicked off and then as parts happen it meets either the Staff or Board level of approval. This design contract was under \$50,000 which is within Staff authority. If the project is approved by the Board during the budgeting process, then Staff does the project. Trustee Horan said that he was insinuating that anything devious was going on rather he was just struggling with the grouping. Director of Public Works Pomroy said that Staff could create three or four data sheets and do so by year and that we have gone back and forth with that option and we have grouped the projects with a total timeline. It is just about how the Board would like to see it as Staff has done it both ways before and he is happy to engage in that discussion.

Trustee Dent asked about the lead time to switch gears and why was it kicked out; this is not going to take place for five or six months – is that correct? Director of Public Works Pomroy said yes and they will be on site first of February. Trustee Dent asked how long did the design take. Director of Public Works Pomroy answered from January through June and then it was advertised on July 5.

Trustee Morris said that the discussion about the overall project and the piece that is before us for any given decision hopefully we will have that as a separate Board item as we don't have all the details. We, the Board, approved a \$100,000 project first then a \$700,000 one – is that correct? Director of Public Works Pomroy said that there was an original project for \$100,000 in 2016/2017 or 2017/2018; he doesn't have that data sheet before him. Trustee Morris said that this is not about the numbers rather it is more about concept. The Board did approve \$100,000 as a budget but Staff only spent \$50,000 and he recognizes that he is grabbing numbers out of the air but that there is not any report on what happened to that remaining

money. This Board wants to make sure that we have an awareness of the entire project which would be good for clarity and completeness. Director of Public Works Pomroy said that he will give the Board a road test for the upcoming sewer pump station. It is a project that has occurred over multiple years with various projects and he will be able to give you that memorandum for the October 30 meeting and then the Board can tell Staff what you like. Hopefully, Staff will present a more thorough memorandum and then the Board can make the changes they desire so Staff will put this into action right away and we will give you a live example right away.

Trustee Morris made a motion to:

1. Award a construction contract to San Joaquin Electric Inc. in the amount of \$291,000 for the Water Pump Station 2-1 Improvements Project.
2. Authorize Chair and Secretary to execute the contract with San Joaquin Electric Inc., based on a review by General Counsel and Staff.
3. Authorize Staff to approve change orders to the construction contract for additional work not anticipated at this time of up to 10% of the project bid – \$29,000.
4. Authorize Staff to enter into an Additional Task Order with Jacobs Engineering totaling \$25,000 for services during construction of the project.

Trustee Horan seconded the motion. Chairwoman Wong asked for further comment.

Trustee Dent said that this is the sloppiest and most incomplete memo he has seen as there is no engineer's estimate, no critical timeline, budget is wrong, etc. so he will not be supporting this motion.

Hearing no further comments, Chairwoman Wong called the question. Trustee Callicrate, Horan, Morris and Wong voted in favor of the motion and Trustee Dent voted opposed. The motion passed.

Trustee Callicrate left the meeting at 12:37 p.m. due to an emergency.

E.2. Golf Cart Analysis – Lithium Battery Benefits versus Gas/Acid Batteries; (Requesting Staff Member: Director of Golf Darren Howard)

Director of Golf Darren Howard gave an overview of the submitted materials which included distributing two corrected pages to the PowerPoint presentation.

Chairwoman Wong said that this was a preview of a contract that we could be approving at our next Board meeting. Director of Golf Howard said that is correct and that the request for bids went out yesterday. This is just an education on why we should go with lithium batteries.

Trustee Morris asked if we were requesting bids for both battery and gas carts. Director of Golf Howard said yes. Trustee Morris asked if the results were due at the next meeting and do we have this in budget for replacement this year. Director of Golf Howard said yes. Trustee Morris said he is a definite supporter about the environment and if there were a small delta, it would be good thing.

Chairwoman Wong said just out of curiosity, could you provide the lowest bid for the gas and battery operated carts in the packet. Director of Golf Howard said yes and that he didn't include acid because of strain, etc.

Trustee Morris said a little while back there was a discussion about keeping gas powered carts at the Mountain Golf Course because of power issues so he is assuming that the battery power has improved. Director of Golf Howard said absolutely and that is because lithium has more power. Staff has tested it at the Mountain Golf Course and we would not go with acid battery.

F. PUBLIC COMMENTS* - Conducted in accordance with Nevada Revised Statutes Chapter 241.020 and limited to a maximum of three (3) minutes in duration; see Public Comment Advisory Statement above.

Cliff Dobler said let's put our thinking caps on here as we did a Community Services Master Plan and did we put together a complete plan. Did we address all the maintenance, etc.? Do we have a master plan that was done seven years ago that needs to be updated? What about all the lots we have? What about the lots that were transferred? What about the lot that was rezoned in 2006 and done so to house IVGID employees? We got that piece of land rezoned thirteen years ago and what are we going to do with it. Here is an idea – give it to a developer who

can go apply for some Federal tax credit which Washoe County will have to give to us because they are required to do so. We shouldn't have done nothing as we have a half-baked plan here. And what about the pond up the highway – do you have a plan for that piece of property. There was big savings at the Mountain Golf Course Clubhouse, saved \$337,000, so you need to reduce that budget so that the General Manager won't spend it on other things.

G. ADJOURNMENT

The meeting was adjourned at 12:46 p.m.

Respectfully submitted,

Susan A. Herron
District Clerk

Attachments*:

*In accordance with NRS 241.035.1(d), the following attachments are included but have neither been fact checked or verified by the District and are solely the thoughts, opinions, statements, etc. of the author as identified below.

Submitted by Cliff Dobler – 1 page – Written Public Comments by Cliff Dobler –
Board of Trustee Meeting 8-27-2019

At the beginning of the IVGID website titled "About IVGID" it is stated that the elected Board of Trustees, which acting on behalf of the electorate, sets policy and determines strategies for accomplishing its charter. One important policy should be to establish cash reserves which would be available in case of emergencies, a downturn in business, poor weather or bad management of resources.

Water and sewer is delivered by a \$600,000,000 infrastructure and should have a policy for CASH reserves. Instead there is no policy. This Board relies on Policy and Practice 7.1.0 and 7.2.0 titled "Appropriate Level of Fund Balance" which relates to Special Revenue Funds only. The Utility Fund is included in the Policy and Practice, however, the Utility Fund is neither a Special Revenue Fund nor has a fund balance. The Policy and Practice only addresses operations and does not even consider capital projects or debt service. So there is NO reserve policy for the Utility Fund.

There is also Policy and Practice 19.1 and 19.2 which addresses an Appropriate Level of Working Capital. These relate to the Utility Fund but does not address reserves. Instead it establishes a certain amount of Working Capital at a point in time which can be dramatically changed in the next minute by investing in long term assets. These are nothing more than Balance Sheet "window dressing". The practice also requires that money being collected for multiyear capital projects should be considered but has been ignored several times by Mr. Eick.

Based on a \$600,000,000 Utility infrastructure, and assuming the infrastructure would last for 100 years, then at least \$6,000,000 should be reserved annually for capital spending. Instead, in order to keep utility rates low only about \$3,800,000 was budgeted annually over the past five years and the drain began. At June 30, 2018, the Utility Fund had only \$1,028,000 in unrestricted net position after setting aside cash for committed projects including the effluent pipeline. \$1 million for a \$600,000,000 infrastructure. Estimated 2019 and the 2020 budget drains off more money.

How much should be the annual budget for utility capital projects and reserves? Who knows? Trustee Dent suggested a Reserve Study which was immediately shunned by three board members. Pinkerton indicated that most Utility Companies perform reserve studies. Why not IVGID? Maybe to hide embarrassment because utility rates would have to rise. Pinkerton stated utility rates would have to rise by 40% if proper accounting for the Effluent Pipeline was kept. Instead the Pipeline money has been redirected to other projects.

What about the Community Services Fund? Policy and Practice 7.1 and 7.2 indicates the Appropriate Level of Fund Balance should be about \$4,481,000 So having a fund balance \$13,183,000 at the end of fiscal year 2019 might be considered quite INAPPROPRIATE. Should this Board have had an agenda item on such a large discrepancy? I sit before a no action Board.