

## MEMORANDUM

**TO:** Steven J. Pinkerton  
General Manager

**FROM:** Gerald W. Eick, CPA CGMA  
Director of Finance, Accounting, Risk Management and Information  
Technology

**SUBJECT:** Status Report for September 2015 – Finance/Accounting, Risk  
Management and Information Technology

**DATE:** October 14, 2015

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### Finance and Accounting

Audit for the Year Ending June 30, 2015 Eide Bailly completed their fieldwork in September. The draft CAFR was sent to them on October 6. The auditor's report will be done in early November with acceptance of the entire audit in December.

Continued Development of a Financial Transparency Website The District updated the Summary of Capital Projects Budget Activity with a cover page and glossary that will be posted.

Support for implementation of point of sales systems Various members of the accounting staff are assisting with Vermont for Recreation, RTP for the ski resort and food & beverage and considerations for the selection of a system for golf. A solution for the actual administration of punch cards has been found utilizing RTP and will be integrated into all systems. The credit card processor applications have been filed for RTP. In general, we continue to refine methods for integration of the daily uploads to post transactions from each system.

Initiation of Operating Budget for the Year Ending June 30, 2016 Staff worked on reformatting the monthly presentation to address format consistency to budget. The July financial report was reissued under the new format. August has also used the new format. We have made entries to the prior fiscal year to make facility fee revenue and capital and debt expenditure placement consistent with the new year budget. We will use them in our first quarterly reports on capital expenditure and debt service following the close of September.

District staff prepared a number of study session materials for September and October that were not able to be fully discussed, when other business items were

added to the Board Study Sessions. Rather than wait any further, the General Manager has asked a discussion be added to this status report to review those items.

Punch Card Accounting Punch Cards are a payment type created under Ordinance 7, which applies to the Community Services Fund and the Beach Fund. Any venue that can accept this form of payment has a built in measurement of punch card usage, because the cards have a finite value. This value is also established under Ordinance 7 as one-fifth of the combined value of the fiscal year's facility fee as paid by the parcel in question. This accounting and measurement goes back many years. However, it became a greater issue beginning in 2009 when the Beach Fund was separated from the Community Services Fund. At present, we have 8,180 parcels with recreation privileges, but only 7,743 with beach privileges. The integrity of accounting for the beach operations includes how punch cards are applied. The allocation of their use is based on the Ordinance 7 provision that the cards are valued at one-fifth the combined fee. Those parcels that pay \$830 get punch cards worth \$166, while those without beach privileges pay \$730 and get a punch card worth \$146. The cards can be used to pay for the difference between a posted rate and the resident rate, but they also subject to the inherent privileges of the parcel. Therefore, the accounting is by transaction, not some overall allocation of average use. This specifically means those without beach access are not applying punch cards to beach guest fees. The majority of punch card use goes for guest fees at the beach. However, there is also considerable use for golf, ski and the recreation programs. The punch card process is reviewed each year by our auditors. It has undergone changes over the years as to how it is budgeted and recorded as used. Consistently in that period, the venue receiving the payment for service has gotten the revenue. There is no other way to effectively plan for a certain volume of users, while waiting until it happens to know how they will pay their user fee. Until the nature of the punch cards and what they represent is changed through Ordinance 7, staff feels this administration of the cards and the related accounting should be continued to reflect value applied and degree of usage. The amount has become so significant that it has been separately identified as a part of the facility fee analysis. This will be improved to show both funds' allocation. The title will be renamed in the budget to punch cards utilized. Currently 88% (\$730/\$830) comes from the Community Services Fund for cards valued at \$166, while 12% (\$100/\$830) comes from the Beach Fund.

Efficient Bonding The District is considering a group of projects that are not related except for issuance in similar time frame. Since authorization to bond

takes time and incurs costs, we want to consider if a combined purpose bond could be done to save both time and cost. In this case the motivators are making the most of issuance costs, which can range from \$25,000 to \$250,000 depending on private placement or public sale and the length of repayment. For these projects, they would make sense to use a 10 Year Medium Term Recreation Bond. The ability to authorize, then test the market , then authorize and eventually close on the bond allows enough time to keep the projects going and complete the financing. In this case the District wants to fit the bond into a timeframe after the 2008 Ski Bond matures, so that any chances of increasing the facility fee to support the project is minimized. Once a bond is issued, the District would have 3 years to contract for completion of the projects. Even though this might add a little through interest costs, it is much less than a second or third set of issuance costs. Nothing has been decided about doing such an issue, but the possibilities it provides must be considered, as we look at the need to get several projects completed in close proximity.

Asset Replacement Funding Over the last 18 months, as the District has planned for the change from enterprise to governmental accounting for Community Services and the Beaches, many perspectives have been discussed about the measure of depreciation versus Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) as a measure of results. For governmental entities the more important measure for day to day operations is flow of resources and for that reason, we have adopted that accounting method. Over time focusing on what will be done and where it will come from is good financial planning and budgeting. Nevertheless, as one of those uses is asset replacement, the questions of equitable funding always comes up. The District has begun a discussion on using a combined system for asset replacement where year to year resources will be accumulated for operational assets; there is a plan for use of debt for major infrastructure and buildings, and then another step as needed for new initiatives. Staff is proposing a policy and process outline for each of these three components. The year to year portion could come from a formulated amount based on original costs and its useful life. A percentage would be applied to each group of lives and the operations would make an operating transfer to a replacement fund. All equipment and rolling stock, plus smaller infrastructure items would be replaced from the dedicated fund. Staff plans to present an example in January 2016 to allow the Board to consider if this has merit enough for further study. There would have to be some sort of transition period established that uses the new and old (pay as you go) methods until our projection showed the dedicated fund was properly in place to handle the scheduled replacements.

### **Risk Management and Safety Initiatives**

We are actively working to meet government deadline for ARC Flash labeling on electrical panels. This not only is a matter of labeling, but once the condition is noted, also has requisite proper protective equipment (PPE) be used to work in the panels. Staff has hired an outside expert for the inspection across the District and to receive recommendations for applying these standards. We have also begun looking at acquiring the PPE. The expert has also provided training for staff that uses these panels.

We have been working on a safety condition at the Incline Fields regarding a retaining wall. Our insurance POOL arranged for a review by Willis Risk Management. Our Engineering staff has developed a recommendation for mitigation. The work will be conducted this fall. We originally thought we'd need to consider asking for use of the Community Services contingency, however, we have identified several projects that will not take place this year and we can fit this spending into the current budget. We will be including this in the quarterly CIP reports to be issued later in October.

### **Information Technology**

Vermont Point of Sales System Database and interface configurations are being developed for the Vermont Point of Sales System. Averill Consulting is coordinating testing and integration.

RTP ONE Point of Sales System The staff implementation team has completed the major portions of the business process review. Many products and process were installed and continue to be tested. A solution was identified and processed for credit card processing and was implemented during the month. The EMV chip card portion will be completed in early 2016.

EMV Chip Processing The October 2015 Federal Trade Commission deadline is considered a recommendation not a requirement. The District has opened a separate CIP project for the EMV equipment for all venues. Ski has identified a vendor and expects to place an order for equipment in November. Golf has not selected a system yet. The system for recreation is pending based on our existing relationship with a referral from Vermont.

SysAid Support Ticketing System Implementation The system was fully implementing across the District in August. Training continues as does getting everyone comfortable reporting service requests in this new manner. Thank you

to Public Works for holding the first training session and using the new reporting methods right away.

Fiber Ethernet Connections for the District We completed several more locations room ready for AT&T. Their engineering and field staff have been ordering cable and inspecting locations. Two locations were installed in September. Work continues to progress towards a fall completion. The Ethernet is planned to be in place by October 31, 2015.

Live Streaming The equipment has been received and was setup by PolyCom technicians who had to customize the configuration of the production server. The new camera has been tested for its pan, zoom and tilt features. The capacity of the new system requires more internet connection that we can provide until the fiber Ethernet is fully installed. Therefore we have continued to use the old system.

Web Content Our Webmaster continues with the web site project staff on updates, security settings, and various requested enhancements to functionality and content.

Citizen Request Management as a part of Communications The District has selected Citizen Request Management, by Accela, which allows online access to staff by sending e-mails under assigned topics. The system is inviting to citizens, and provides ways to post and send information, as well as track the timeliness of response to requests. Implementation is scheduled in October and November to be led by our new full time Communications Coordinator.

IQM2 Board Packet Management Software The IT Steering Committee has agreed to oversee a process to re-engage in the development of the automated process for assembling and distribution Board of Trustees meeting packets and related information. The implementation will start by the end of 2015. The next steps are to assemble a project team and to review with Accela how the product implementation process is best completed given their acquisition of the software provider.

New Network Administrator As a result of a resignation, we posted the Network Administrator position. This resulted in the promotion of our IT Technician. We expect that vacancy to be filled by the end of October.

**Other**

Washoe County Incline Village Crystal Bay Citizen Advisory Board The County encouraged someone with knowledge of IVGID to apply to the CAB following its reorganization. Gerry Eick has applied, as an Incline Village resident, and was appointed September 10, 2015. The District General Manager approved this application. He has served three prior terms on the CAB. Gerry Eick was elected as Vice Chair of the IVCB CAB at their meeting September 28. The CAB focus will be on development and planning, with occasional community forums.