

MINUTES

REGULAR MEETING OF MAY 10, 2017 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, May 10, 2017 at 6:00 p.m. at the Chateau located at 955 Fairway Boulevard, Incline Village, Nevada.

Chairwoman Wong presented the Sierra Nevada College Ski and Snowboard Teams with an Incline Village General Improvement District proclamation of recognition for their achievements.

A. PLEDGE OF ALLEGIANCE*

The pledge of allegiance was recited.

B. ROLL CALL OF THE IVGID BOARD OF TRUSTEES*

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

Also present were District Staff Members Director of Finance Gerry Eick, Communications Coordinator Misty Moga, Director of Human Resources Dee Carey, Director of Public Works Joe Pomroy, Parks and Recreation Director Indra Winquest, Director of Asset Management Brad Johnson, and Director of Community Services Sharon Heider.

Members of the public present were Denise Conn, Claudia Anderson, Carol Anderson, Jean Eick, David Hardie, Judith Miller, Margaret Martini, Gayle Holderer, Frank Wright, Gene Brockman, Shirley Altick, Pete Todoroff, David LaBarge, Kathleen Watty, Jon Bigelow, Aaron Katz, and others.

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

C. PRESENTATION BY IVGID'S DISTRICT GENERAL MANAGER FOLLOWED BY A SPECIAL PUBLIC COMMENTS SECTION ON THE REQUEST FOR A MODIFICATION TO THE 30-YEAR GROUND LEASE BETWEEN THE PARASOL TAHOE COMMUNITY FOUNDATION AND INCLINE VILLAGE GENERAL IMPROVEMENT DISTRICT

IVGID's District General Manager Steve Pinkerton will be giving a presentation followed by the Incline Village General Improvement District Trustees conducting a special public comments section to give the members of the community the opportunity to speak, for three minutes, specifically about their thoughts on the request for a modification to the 30-year ground lease between the Parasol Tahoe Community Foundation and Incline Village General Improvement District. If a member of the public cannot attend to make their public comments, they are welcome to send their comments, via e-mail, to info@ivgid.org, submit a written statement, or mail their comments by 12 noon on Wednesday, May 10, 2017. **No action will be taken at this time as this item is not marked for action rather this is the opportunity for any and all members of the public to make comments on this subject.** All members of the public should be aware that the Board of Trustees received, during its April 25, 2017 meeting, a draft feasibility report which is available on our website at ivgid.org. **All members of the public are asked to provide a copy of their comments to the District Clerk, in writing, at the time they make their comments.** There is a General Business item for action on this agenda to discuss, review and possibly approve what the next steps will be on this effort.

Chairwoman Wong announced that the Board of Trustees is having this as part of their agenda as they want to hear from the public. Parasol Tahoe Community Foundation (PTCF) approached IVGID, as a Board, and we agreed we wanted to receive public comment on this item. There will be no Board questions nor will we be interacting at this time. The Board will have an opportunity to ask questions of the General Manager at the time of the General Business item. Chairwoman Wong asked District General Counsel Jason Guinasso to read the public comment advisory statement; District General Counsel Guinasso did so.

District General Manager Pinkerton gave his presentation which consisted of going over the publicly available fact sheet which is attached hereto.

Gene Brockman read from a statement which is attached hereto.

Aaron Katz read from a statement which is attached hereto.

Margaret Martini said that she went to the Audit Committee meeting and wow, that was a pants down moment. The cost of \$4.2 million for a new building means that the new building would be to your specifications and would work for you. At \$5.5 million for the Parasol Building, she believes that Mr. Katz is spot on and that it could easily add another \$2 million to have a sort of obsolete building thus we don't

need what this building has. She would have to look at the appraisal but functionally it is an obsolete building. She doesn't know where the appraisal came from but some people she has talked to says it has zero value because of the land restrictions. This is a bogus appraisal and that there are several approaches needed to come up with a market value. The PTCF appraisal didn't include everything and the building doesn't have the costly items. The value is to PTCF and not to IVGID. You have lost sight of the recreation fee and are stealing from the owners as well as the less financially fortunate owners in this town. The proposal is far above what is needed and remember that you work for us and not any and all special interest groups.

Judith Miller said, as a preface, that she doesn't believe this Board has the authority to operate a non-profit center or give away items to others and that it is neither legal nor appropriate as we don't pay a Rec fee for social services. We have a number of facilities that have meeting rooms that we could use and make available on a cost recovery basis. A lack of planning on PTCF's part doesn't cause an emergency on our part. We still haven't heard any explanation of why PTCF is urgently in need of cash, the proposal calls for IVGID to take the building as is, PTCF had reserve funds for maintenance as they have no mortgage nor do they pay any taxes and why can't they raise private funds for the running of this building. The majority of their grants go outside the basin or are here to support investment firms. The PTCF proposal is totally unreasonable and a waste of staff time including legal. We shouldn't consider getting a building at a time dictated by Parasol's needs, not ours. This is not the win-win-win rather it is an improper bailout by IVGID for PTCF's poor planning.

Pete Todoroff said that he didn't quite understand everything about this but what he has heard, he would have to say vote no on this.

Karen Hovorka read from a statement which is attached hereto.

Mike Prescott said that IVGID can rent space in Incline Village and that this Board should be thinking more business-like in the running of this village. There are tremendous overruns and as a permanent resident of 1-1/2 years, he thinks this should be run like a business and rent space.

Paul Bancroft said that he is the Executive Director of Tahoe Safe Alliance and as one of the eleven residents and one of the original tenants, he appreciates PTCF. They have received resident grants which have been successful for them and allow them to build capacity so they are grateful for the space and the ability to take advantage of the amenities that they have access to; they are thankful to PTCF

and the generous folks within this community. He has two concerns – some of the tenants might be displaced which will have a tremendous impact on their budget and, more importantly, cause a disruption in services to those they serve. It is his hope that there is consideration for the non-profits who have to move and experience dislocation.

Dave Norton passed when called upon.

David LaBarge read from a statement which is attached hereto.

Darryl Dworkin said that IVGID is not a landlord and to become a landlord is not an easy task. Tenants come and go and sometimes rent gets paid; one never knows what is going to happen. IVGID is not set up to be a landlord therefore he would ask that IVGID spend less and get a building designed for us which seems like a win to him.

Mike Riley passed when called upon.

Linda Smith read from a statement which is attached hereto.

Ryan Ritchie said that many of the speakers have brought forth some compelling points that he urges the Board to take into consideration. We need a new Administration building as it is in woeful condition. This building is being handed to you and you don't have to pay for the land costs. With time and an inflation adjustment, the new building is probably \$4.2 million with FFE's at about ten percent. However, the study does under estimate the amount of staff time involved in building a new building. You get to go into Class A space in seven months versus a building time of two to three years so look at the costs as being equal. As far as the extra space goes, take into consideration that if the IVGID staff doesn't grow can the space be utilized. This is a turnkey opportunity that could occur in seven months versus the time and resources which will occur over a longer period of time. His question would be is PTCF making a good decision as this is too much of a sweetheart deal; it does appear to be a positive move for IVGID.

Frank Wright said that he is changing his whole presentation after listening to the people who have spoken and that he is in awe and he hasn't been in awe for a long time. The information brought forth by a resident has sparked some very big interest and people have come forth and spoken or given you statements which is over the top and they are right. For you to even consider this deal, PTCF needs to give you a few things. The public giveaways have to stop. The Staff statements are a joke. Who did the real estate appraisal? Was it IVGID, a neutral party – no,

it was PTCF. The building is worth nothing/zero according to the nine appraisers he talked to today as it has no resale value. There is a lease on it so how much has PTCF made off the recreation fee to buy the land – they made \$16 million and how much have we made \$17. He has some posters that he was going to hold up and let people see. What is the building worth – zero. It is the parcel owners who have lost money on the purchase. PTCF has generated \$60 million. He is making his posters part of the public record and he is asking the Board to stop this as people are on to you and Staff, they are also on to you.

Aimee LaFayette read from a statement which is attached hereto.

Carole Anderson read from a statement which is attached hereto.

Robin Holman said that she owns a commercial building and that this makes good sense. The PTCF has a building that is 31,500 square feet and if IVGID utilizes 29,000 square feet this is less than \$175 per square foot. She just bought a commercial building that had to be brought up to code and they would have been better off tearing it down so consider the feasibility of this considering the condition of the other buildings in town. The spending of \$4.5 million might be going out of the community or at least most of it and then add on the time and supplies there is a great cost attached to building. By doing this sale with PTCF, it means \$5.5 million would stay within our community and they would continue to give grants to all the non-profits and this would also mean extra capital to further philanthropic efforts. The purchase is in the best interest of all parties involved and the land it is on was not purchased with Recreation Fees.

Steve Barney said that it sounds like a good deal for both PTCF and IVGID and that he regrets that PTCF has changed its focus of being dedicated to supporting the Lake Tahoe region. A couple of our best charitable organizations are not there anymore and he doesn't think that PTCF tried hard enough to keep them there and he is referring to Project MANA and Tahoe Family Solutions. From PTCF's website, he got that they are supporting the University of Michigan Law School, Butler School, Sclan University, three think tanks – Heritage Foundation, Hoover Institution, and NPRI as well at Colorado Rocky Mountain School. While these are good causes they are supporting he wishes they would focus more locally and focus more on the poor in our community.

Greg Flanders said that he is a 26-year full time resident who derives his income from commercial real estate. He owns about a 50,000 square foot building that has fifty tenants and that he is having a great deal of difficulty understanding the valuation. He knows of a 30,000 square foot building that sold for \$2.2 million.

Since IVGID already owns the land and this is the direction you want to go, you need to take a good, long and serious look at this as Washoe County needed space and they leased space for the jail/court which they determined was less expensive. You can rent office space for well under \$2 per square foot and there is excess office space in town so he would strongly urge taking a look at existing space rather than using capital money that could be used elsewhere.

D. PUBLIC COMMENTS*

Aaron Katz said he would like to talk a little more about PTCF because it is on the agenda as a business item and a lot of people don't know the history as a lot of people don't know the history of IVGID and don't know where we got our financing. He heard that IVGID didn't pay for that land. In 1977, IVGID paid money to Boise Cascade so we did pay for it. IVGID had excess funds in the Utility Fund so it was borrowed and then repaid via a Recreation bond. So, what do we use as money – the Recreation Fee. We bought the land and what is that land worth? Our crappy Administration Building is worth between \$2 million and \$3 million so what does that make that land value. We have given PTCF public assets for a dollar per year which is not the purpose of IVGID. He has heard \$5.5 million but he thinks it will be over \$8.3 million and where is the money going to come from. IVGID gets some property taxes which goes into the General Fund so it has to be subsidized by the Recreation Fee so we are talking about the Recreation Fee. This is ludicrous so stop this spending and get back to what we were made to do.

Pete Todoroff said, as of May 1, he is a 37 year resident. He recently spoke to Washoe County Commissioner Marsha Berkbigler and asked her about the Community Area Plan. She replied that it is way on the back burner, nothing is happening, and maybe it will happen next year so it is basically non-existent as Washoe County is too busy with other things. Wanted to make this Board aware of that.

Frank Wright said that he is so happy that we have so many members of the community here. This Board has lost the vision of why you were elected as you have done so many things outside the realm. District General Counsel is paid ten thousand dollars a month and no other GID pays that much. Then on top of that, you made him a lobbyist as well as the General Manager and they have been given salaries for this representation. This Board no longer represents the people rather it represents the General Manager. On the Supreme Court case, there is no bill and no one on this Board has asked for it. He estimates it will be a couple of hundred thousand and asked where the money is going to come from to pay it once submitted. It will come from our Recreation Fee which has nothing to do with

either recreation of us as a citizenry. It has to do with the wild ideas of this Board and Staff and thus the Recreation Fee does nothing for anyone other than it pays for the overstaffed Recreation Center, supervisors who aren't needed, and lawyers who are incompetent. The case that is before the Nevada Supreme Court, he tried to you that it would be devastating. If Mr. Katz wins and the Recreation Fee is found to be invalid, you are going to lose our assets so think about how much damage you are doing to this community by not addressing the issues which he thinks it is about time you do so.

Judith Miller said that this has really been a learning experience because before this proposal came forth she didn't know what a donor advised fund was. When you get into PTCF's focus, and she went to their website, they are really looking for donors and one of the premium products is a donor advised fund or DAF. There has been a major transformation of charitable donations and the growth of donations is a reduced contribution to charities. One charity is almost entirely DAF driven. What is the purpose of this transfer and are we really supporting community charities or going outside as she thinks that PTCF should be coming forward with things that are focused towards the community. Ray Madoff at Boston College, visit his website philanthropy.com as there are interesting articles that tell you more about what is happening to non-profits because of DAF's. She hopes that this Board will come to the conclusion that this might not be the best use of funds.

Margaret Martini read from a statement which is attached hereto.

Brad Perry said he has been involved with non-profits for four years now and he is also the Chairman of Red, White and Tahoe Blue (RWTB) and that he wants to address where RWTB is at; RWTB is shrinking in size and scope this year as they sat down with the residents and overwhelmingly they want it to be smaller as everyone come here anyway. RWTB is committed to not spending a single dollar in out of area advertising, they have cut their budget, and they will do well by the residents. RWTB has reconciled 2016 and are in good standing with the IRS as well as really taken steps to get back to a community centered event. Please feel free to contact him and be sure and check out their mailer as they would love to get input from this Board. He is the new guy on the block and this is your town. Lastly, he would like to apologize to Trustee Dent as the mailer includes his name as the Fireworks Chair and he is not. Thanks to everyone and if anyone has questions for him, he will hang around until the end of this meeting.

Jacquie Chandler thanked Ms. Martini for bringing up Jasper and it is very sad and the community is invited to a memorial to be held on Mother's Day; she is talking to the Washoe tribe about them dancing. There is a wildlife corridor along Third

Creek and she would like to work with the District to establish a memorial there honoring wildlife. It would be a marked off corridor that would be a safe place and a protected place with no traps. As to the Parasol building, she thinks it would be cool for IVGID to move in there. For RWTB, please no more plastic flags as it doesn't show America in the best light to use Chinese made flags and that she would rather see decorations with pine cones or something else that blends with the beauty. For the parade, she would like it to be non-motorized as there are other ways to celebrate embracing the uniqueness of this area so let's get away from the plastic.

Ava Hinojosa said that this is her first meeting and that she is a new resident of two years. She is appalled by the personal attacks levied to the Board and Staff and that she talks to many residents who are in support of IVGID and the direction you are going.

Pamela Miller said regarding the woman who talked about cost/benefit analysis that she has watched IVGID buy many facilities and that Incline Lake is a mud pond so she is wondering what that benefit is. IVGID bought the athletic fields and is doing the maintenance at the football and baseball fields which is a good deal for Washoe County School District. She has never seen anyone from the community utilize the track so again, wondering what that benefits is. Over the last couple of years, she has heard the rumors about a whole slew of things that have become obsolete such as the Mountain Golf Course lodge, Snowflake Lodge, revamping of Diamond and now we are hearing about the administrative offices being obsolete. As a taxpayer and a concerned citizen who is fiscally responsible she wants to know where is all the money coming from.

E. APPROVAL OF AGENDA (for possible action)

Chairwoman Wong asked for any changes to the agenda as submitted; no changes were offered therefore Chairwoman Wong said the agenda was approved as submitted.

Chairwoman Wong called for a break at 7:25 p.m.; the Board reconvened at 7:35 p.m.

F. GENERAL BUSINESS (for possible action)

- F.1. Review, discuss, and possibly approve the next steps on the request for modification to the ground lease between the Parasol Tahoe Community Foundation and Incline Village General**

Improvement District (Requesting Trustee: Chairwoman Kendra Wong)

Chairwoman Wong asked General Manager Pinkerton if he had anything to add to which he responded no and he would be happy to answer any questions. Trustee Horan said that he would really like to thank all the members of the public who came in and expressed their opinion as it is important to hear. As a Trustee, he first learned about this proposal during the month of March and then on April 13, which is less than thirty days ago, we began the process of conducting our due diligence to determine if it is the right thing which is just one step in the process. Does this meet the challenges of administration and recreational programming is the question and it is not about getting into the non-profit business. The lease would need major modification about management and we haven't gotten any detail about support programs so there is a lot of work yet to be done. It is all worthwhile to pursue particularly regarding the matter about management of the non-profits. We are in the process of talking about the lease and its issues, legality, appraisal, and things that have to be validated before we make any type of decision. Trustee Morris said that when he first heard about this and as he continues to hear about it, at the highest level, it sounds very interesting with some caveats. On the interesting front, we may get to do something about the Southwood building that has stood quite long which is a testament to the many people who work there and we do need to do something about that building so building to building, with a construction cost at \$4.5 million, the questions become what do we do with the additional space, can we do this with the existing numbers and without borrowing money or incurring more money, and thus he is attracted to it on that basis. His area of concern probably echoes public comments and agrees with Trustee Horan that we don't want to be in the business of managing non-profits. One of the things that stuck out and one of the things that he would like to see changed to have PTCF continue manage those non-profits. Not sure about the terminology but as an owner, we are leasing space to PTCF and then they do what they want to do with the non-profits; that would solve a lot of problems for him. Having walked through the space, he was quite surprised with the space and we don't need a 30,000 square foot building to house our administrative team. However, for the price of replacement and with something that is so much bigger and substantial compared to the cost of acquisition and also to provide space to PTCF to continue their mission which releases funds that are doing good work in our community, we need to look at this as a total community needs and wants and then do so without harm to the community that we are holding in trust would be a good thing as

well. He is leaning towards this but he would like to see more analysis such as what space would it free up and then what would the usage of that space be, does this defer money on expanding the Recreation Center or other facilities, and a little more concrete numbers would help with the decision making. There is no way to support this lease as it sits today but he does want to continue the analysis and do so carefully and fully so let's keep moving it that way.

Chairwoman Wong said that she would like to respond to a couple of comments made by the public – be a landlord; we already are a landlord to PTCF and do so within Nevada Revised Statutes 318. She does agree that we don't want to get in to the business of managing non-profits and that we look to PTCF as a community partner and then to them to do their due diligence as they are really renting the space. The information that she is still looking for is are there spaces for lease that would fit our needs, do they have enough space and do they meet our needs, and have we gone through that process. General Manager Pinkerton commented that Staff has looked and we don't see anything right now in the 10,000 to 15,000 square foot range. This is about policy management for a governmental agency who is going to be here for the 30, 40 or 50 years and in that case, it is never good to lease. We are investing in our data systems because we want to give the community the security to know that we will be there. There are different needs for the building that can't be put into leased space. If we were to go into an outside building there would be extensive tenant improvement that would have to be amortized and it would cost about \$450 per square foot to purchase which is pretty expensive but Staff is and does monitor the market for sensibility. Trustee Morris said that it would seem to him to be a very inefficient and costly approach to split but what is your experience. General Manager Pinkerton said with duplicate spaces you lose efficiencies from a pure staffing point and then there is communications and confusion with the public. Staff looked at our own property because we wanted to have a campus with connectivity. We didn't emphasize this but it does take care of our recreational needs and have all of administration housed in one location which does make it easier for the public. Imagine showing up at one building and deal with all the items they need versus going to multiple locations. Trustee Callicrate said that he echoes thanking folks for coming here to talk about this initial offer of a lease modification. He was on the Board when the Board did the original lease and he never thought we would be discussing this again but here we are, twenty years later, and we need to get some more information. Ms. Smith brought up some very salient points in how does this meet the needs of the District and that we have to keep the

communication channels open as this is a very delicate situation in which we don't want to affront PTCF as they have done a lot for this community via hundreds of thousands of dollars and service to people. In taking a step back, the intent was most noble. We have to look at the dollars and cents and how we are the best stewards. The District has lots of things on the books, we have carryover projects, and we have fifty year old infrastructure. He doesn't want to give the impression that we are trying to give ourselves an administration palace or giving ourselves a larger building than we need. This is a great first step but he can't go forth with a \$5.5 million decision until we get questions answers. We don't want to go into the philanthropy business which is currently what PTCF is tasked with doing and we have to do this to the best of our ability. Trustee Dent thanked the community for voicing their thoughts and stated that he appreciates the community showing up either via e-mail or in person. He doesn't think that IVGID should be getting in the business of property management with non-profits. We are still working on the Community Services Master Plan and we have a few community events coming up to talk about that plan, he isn't sure that he is there on the usage, believes it is premature that we need more space, and hopes that we know this in a few months. He did request a few items some of which were put in the packet and others that were not; as to the PTCF documents, he reached out to PTCF and those items will not be made available to the public due to proprietary reasons. Trustee Dent then corrected himself and said that the General Manager said that he could have access to view the documents but that they were not going to be made available publicly to the community. There are unknown liabilities and there needs to be transparency throughout this whole process. Further, it seems that IVGID has been moving at PTCF's speed and that we are rushing to try and get them an answer. Currently, there is a lease agreement in place so there is no need to rush, \$5.5 million is way too expensive, and don't know if a \$1 million price tag would be worth it. From a transparency perspective, when this was agendized, the \$5.5 million price tag wasn't included and there was a post in the *Bonanza* and again no proposed \$5.5 million price tag was mentioned. For this packet, he is glad that he and his fellow colleagues didn't see that action. All of this throws mixed messages out to the community. There is also no mention of transfer of title and in his reading through the lease agreement, on agenda packet page 29, 1.a. it discusses an installment purchase agreement and entering into a new lease. It was mentioned, in the packet, that the terms were proposed by PTCF but he is assuming that IVGID put together this agreement so who wrote this agreement. General Manager Pinkerton responded that PTCF indicated and IVGID responded. Trustee Dent asked why are we going with a lease

modification and then two steps down a purchase agreement; why aren't we terminating the lease and then propose a new lease versus a purchase agreement. And, just so it is clear, PTCF wanted it to be structured this way. Chairwoman Wong said that she thinks we are getting into terminology that is way down the road from where we are now and when we get to an agreement, we will finalize what we call it. Part of the problem is we don't know what we are doing yet and that as we go through the process, it will become apparent. Trustee Dent asked if this was the forum to discuss the draft agreement because he would like to make some comments on it. District General Counsel Guinasso said for the purposes of this agenda item, questions and additional information is within the scope and if there are things you want to see that is also within the scope but to go further than that might be premature. He has heard multiple Board members say IVGID is not in the leasing business for non-profits so he would suggest negotiating a provision that makes PTCF responsible for subtenants that are non-profits. For outstanding liability, the lease agreement does address this and we have an indemnity clauses. We are trying to negotiate the terms within a public forum which is not an elegant process as we can't just sit across the table from each other and work all of this out so specific direction is necessary on what the Board would like and won't they don't like and then he will take that information and negotiate it with Mr. Ailing who is the attorney for PTCF. Chairwoman Wong said that she feels we are still a step away from that and rather we are at a point where we need a full financial analysis and a full usage analysis of the building to even start the negotiations. We know the terms they have proposed but right now we have nothing to counter with. District General Counsel Guinasso said that he agrees and then recapped the list of items he has already heard. As to the additional documents, the Donald W. Reynolds documents are specific to PTCF and they are confidential between the two entities thus IVGID has no right to those documents and he doesn't know the willingness to share. He would assume that their Chief Executive Officer might be able to answer those questions offline but he would note that whatever the obligations are between PTCF and the Donald W. Reynolds Foundation won't become IVGID's other than those outlined in the agreement. IVGID has no appetite for the management of non-profits thus having PTCF manage the sub-leases might satisfy their obligations to the Donald W. Reynolds Foundation. Trustee Dent said that IVGID needs a real estate attorney who is completely separate and that he would like to spend that little bit of money for a non-biased opinion and the reason he is asking for this is because a lease amendment takes three votes and a purchase agreement takes four votes. District General Counsel Guinasso said that potentially, that is correct. As to seeking outside counsel,

he addressed potential conflict within the memorandum and this work is being done within the retainer. This work is not outside his competency as the firm negotiates and drafts leases however if the Board wants an outside counsel review he would estimate it would cost between \$300 and \$400 per hour and possibly take thirty five to fifty hours so you are looking at, roughly, between \$10,000 and \$15,000 extra. He is struggling with the concern about bias as his firm doesn't have anything to gain or lose and if the Board wants to move in this direction, it will have to be an agenda item at a future meeting. Trustee Morris said he doesn't see any need for any outside counsel and that he read the disclosures that were included and he is fine with them. He would like to add a couple of things to the list – on the valuation, he would like to be assured that we have a bona fide, legitimate valuation to look at, a formal legal opinion that we can do that just to confirm that we can, also an opinion about the lease modification agreement or purchase agreement and can we do either or both, would like some assurance about the useful life of the building, clarification of the cost of maintenance over a reasonable period of time and understand if it is significantly less than maintaining the current Southwood building, and a narrative about how we would utilize the space and the extension of that usage to all our facilities i.e. the Recreation Center, Aspen Grove, base lodge at Diamond Peak. District General Counsel Guinasso summarized the requests. General Manager Pinkerton stated that PTCF's audit includes a lot of other things such as programming costs, postage, copier lease, etc. and that he is very comfortable in knowing what we are dealing with at the Southwood building. District General Counsel Guinasso said so a cost analysis for maintenance on an annualized basis. Trustee Morris said yes but not overly complicated and know that this will be used by the general public so a summary would be best. District General Counsel Guinasso said, regarding lease modification versus purchase agreement, the District has a piece of property with nothing upon it. They had a tenant that wanted to utilize that land by building a building and run a non-profit center. Trustee Callicrate was part of the Board during this process and it was determined that this could be done. The building is a leasehold improvement so typically what is included in leases is a provision that there is a change that the individual(s) leave or something happens and there is no utilization and that there is some consideration for the improvement of the property thus the property now has greater value. In most courts, under eminent domain, where there is a change in circumstances, the land holder is usually required to pay the value of the lease holder improvements and that legally the right thing to do is to look at this lease modification with consideration to the leasehold improvement and we are receiving value for. The Board has

asked for additional research to be done and thus he wants to confirm what we have been told. The improvement to the District's property has added value, PTCF has the right to ask for consideration and it is their fiduciary duty to ask for valuable consideration. The question becomes is that value that PTCF has placed on it something that the District wants to spend money on for its own purposes. The provided legal authority is Nevada Revised Statutes 318.100 which allows the District to pay for leasehold improvements and is also the reference that allows the District to lease it. District General Counsel Guinasso said that he hopes that helped. Trustee Morris said yes, it helped him a lot. Chairwoman Wong said that she would like verification of the appraisal as an independent appraisal will be a big driver for negotiation and that a present value on the discounted rent provided to PTCF and future rent discounts would be useful. General Manager Pinkerton said that Staff will provide you with some options as well as doing a review appraisal. District General Counsel Guinasso asked General Manager Pinkerton to explain what a review appraisal is. General Manager Pinkerton said that a review appraisal is taking the original appraisal and then having a review appraiser check their work instead of starting from scratch and the stating whether it is correct or not correct. District General Counsel Guinasso asked if that would satisfy the needs of the Board for additional information or would they prefer an appraisal from scratch. Trustee Horan said that he hasn't taken a look at it. District General Counsel Guinasso said that Staff can come back with the costs, one for a review appraisal and one from scratch, accompanied by timelines for both. Trustee Morris said that the last time the Board got decent estimates, for a new facility, it was around \$4 million and that was a couple of years ago so is that still a good number or does a desk review need to be done. General Manager Pinkerton said that Staff has done that and we came up with a cost of \$350 per square foot but we have seen some replacement buildings be as high as \$400 per square foot which is also a conservative number. Trustee Horan said in reviewing the document in the packet that he wants to ensure that PTCF is assuming the space and management of the non-profits and that the agreement must cover that so that the District has no legal responsibility or relationship with those who operate within that space. The usage of the meeting space should fall under some policy that IVGID currently has such as Resolution 1701 and if that can't be met, then we have an issue. General Manager Pinkerton said Staff will ensure that is consistent with the lease language. District General Counsel Guinasso said so you want to make sure that we consider or propose language for sub-tenants that are non-profits and some provision that deals with the meeting space. Trustee Horan said meeting space, storage space, etc. and that it be under

a policy that would be adopted by IVGID. District General Counsel Guinasso asked if there was any other direction or concern. Trustee Horan said that there was a referral to utilities but that he wants to be sure it includes internet access and access by the non-profits and PTCF. General Manager Pinkerton said that will be clarified as we will provide access but service is not our responsibility rather that is between them and Charter. Trustee Dent said that on the financial analysis, he would like a stress test analyzing where will be and how it will be funded. Chairwoman Wong said that there is a pro forma within our five year plan and we won't be eliminating any projects.

F.2. Review, discuss and possibly approve granting two (2) separate Drainage Easements on District Property to Washoe County; APN 127-040-07 (764 Incline Way) and 127-030-31 (780 Incline Way) (Requesting Staff Member: Director of Asset Management Brad Johnson)

Director of Asset Management Brad Johnson gave an overview of the submitted materials and noted that there was a typographical error in the recommendation and that 964 and 980 Incline Way are the correct addresses.

Trustee Callicrate made a motion to:

1. Approve granting a temporary construction encroachment and a permanent, non-exclusive, drainage easement to Washoe County for the construction of storm drainage improvements on APN: 127-040-07 – 764 Incline Way (the Recreation Center parcel) as part of the Washoe County East Incline Village Phase I Water Quality Improvement Project.
2. Approve granting a temporary construction encroachment and a permanent, non-exclusive, drainage easement to Washoe County for the construction of storm drainage improvements on APN: 127-030-31 – 780 Incline Way (the Tennis Center Parcel) as part of the Washoe County East Incline Village Phase I Water Quality Improvement Project.
3. Authorize Staff to execute all necessary legal documents upon review by Staff and General Counsel.

Trustee Morris seconded the motion. Chairwoman Wong called for comments, hearing none, called the question – the motion was unanimously passed.

F.3. Review, discuss and possibly approve the reissuance of pages 31, 92, 93 and the addition of page 94 of the Comprehensive Annual Financial Report – Fiscal Year Ending June 30, 2016 (Requesting Staff Member: General Manager Steve Pinkerton)

Trustee Horan stated that an Audit Committee meeting was held today and that committee discussed this matter; he then asked Director of Finance Eick to walk the Board through this matter; Director of Finance Eick went over the submitted materials. Chairwoman Wong said that given that the net position didn't change that this is not about an issue in our underlying accounting but rather an issue about tying out our CAFR. Director of Finance Eick said that is correct and that it is simply a disclosure item and an overwrite of the correct number so a typographical error and not a miscalculation. Trustee Dent asked about an independent outside review, from Eide Bailly, by another auditing firm. Director of Finance Eick said that Staff tries not to have any one person perform all the functions in the process and that in our case the responsibility rests with the Director of Finance. The new design will designate our Controller, who has no role in the preparation of our CAFR, and we will be using the GFOA certificate of conformance checklist, as we don't go outside but that the auditor does have their own review which Staff is not a part of. Trustee Dent said in looking at the policies and practices, does the District have an actual policy about cash receipts, credit card payments, and is this a written out policy. Director of Finance Eick said yes and these are the procedures manuals which do not come before the Board as they are operational items. Chairwoman Wong thanked the Director of Finance and stated that she knows that making mistakes aren't fun but that we are all human and that she appreciates taking the needful and mindful steps as well as taking the corrective actions moving forward as it is important that when we make mistakes, we fix them, and move forward. Trustee Horan said that this was brought to us by one member of the public and that we reacted very quickly and discovered it was a mistake. We then immediately notified the appropriate authorities and while that has taken a little while, he appreciates this being brought to our attention. We do look at the information coming in from our public and when they are right, we acknowledge it. Trustee Dent said there is mention of footnote 21 and an updated letter in the summary of the memorandum but neither of those were

included. Director of Finance Eick said that the table is in the Staff memorandum.

Trustee Horan made a motion that, with concurrence by the District's Audit Committee, the Board of Trustees accepts the reissued June 30, 2016 unmodified audit report, including a new Matter of Emphasis paragraph for a change in the classification of Fund Balance in the fund level financial Statement of Net Position for the Internal Services Fund, and direct Staff to file the reissued Comprehensive Annual Financial Report (CAFR) with the State of Nevada and make it generally available for public use. Trustee Morris seconded the motion. Chairwoman Wong called for comments, hearing none, called the question – the motion was unanimously passed.

G. DISTRICT STAFF UPDATE

- G.1. General Manager Steve Pinkerton
- ❖ Financial Transparency
 - ❖ Community Area Plan
 - ❖ Solid Waste

General Manager Pinkerton gave a verbal overview of each item listed above.

H. APPROVAL OF MINUTES (for possible action)

H.1. Regular Meeting of March 23, 2017

H.2. Regular Meeting of April 13, 2017

District Clerk Susan Herron said that she would like to make a correction to the minutes of March 23, 2017; Trustee Dent, on May 9, 2017, submitted his list that was referenced in those minutes and she now has that list and will make it an attachment to the official minutes of record.

Chairwoman Wong asked for any further corrections to the minutes of the regular meeting of March 23, 2017; hearing none, she deemed those minutes approved as amended.

Chairwoman Wong asked for any corrections to the minutes of the regular meeting of April 13, 2017; hearing none, she deemed those minutes approved as submitted.

I. REPORTS TO THE IVGID BOARD OF TRUSTEES*

I.1. District General Counsel Jason Guinasso

District General Counsel Guinasso said on the Katz litigation that there have been no new updates since the last meeting and that he may have a little more to report at the next meeting. He would like to note, for the record, that a member of the public stated that there is an aspect of the public advisory statement in which it gives authority to the Chair and/or General Counsel to cut off public comment. This issue was dealt squarely by the State of Nevada Attorney General in response to an Open Meeting Law complaint filed by Mr. Katz during the vacancy on the Board and District General Counsel Guinasso then read from that opinion which stated that the Chair and General Counsel at the September 16 Board meeting were not in violation of the Open Meeting Law and that to clarify, that is the reason we put that in there just to make it clear that when a particular line is crossed either the Chair or District General Counsel can stop that commentary.

Trustee Dent said that he brought this up at the last meeting, and is bringing it up again, and that is that he would like to have a financial update on the Katz litigation including what has been spent over the last several months. District General Counsel Guinasso said that he is pressing our legal counsel for this same information and noted that he does anticipate having an updated billing soon as he doesn't know what has been incurred but that he will continue to reach out to counsel to get that billing.

Trustee Morris said, for clarification, there was inference that there is some new case in front of the Supreme Court. District General Counsel said he knows of no new litigation before them; there is one on the appeal with Mr. Katz and one is to determine if the District Court made some error and then a second appeal is pending on the award of the attorney costs and fees of approximately \$250,000 and that the decision won't be rendered until the substantive appeal is done and that the court has stayed the order for fees so we can collect those but that the courts won't rule on the latter without ruling on the former.

J. BOARD OF TRUSTEES UPDATE (NO DISCUSSION OR ACTION) ON ANY MATTER REGARDING THE DISTRICT AND/OR COMMUNITIES OF CRYSTAL BAY AND INCLINE VILLAGE, NEVADA*

Trustee Horan said, as part of our Audit Committee meeting, we raised the issue of revisiting sometime in June, but didn't set a date, to review Policy 15.1.0 which governs the Audit Committee as the last draft was done in 2009 there it might need some updating and thus he would like to make it available to those not on the committee and ask them to suggest their changes.

Chairwoman Wong said, regarding the Board's work plan, that it was supposed to be on the agenda but that we were late in getting items to the District Clerk so it will be on the next agenda. She continued that she attended the Local Government Day two weeks ago and had the opportunity to sit with one of our elected officials and attended the Governmental Affairs Committee meeting. Also, earlier this week, she was a part of the Nevada League of Cities Chairs Meeting and the marijuana legislation was the topic and that local governments are concerned about business licensing fees related to marijuana but that it didn't apply to IVGID so she had no contribution.

Trustee Morris said he would like to acknowledge the Red, White and Tahoe Blue team because, as a resident, he really appreciates how it is being for the community. Regarding the unfortunate death of Jasper, he has been the subject of some pretty nasty social media commentary regarding the cause of this bear's death. He didn't make any calls to 911 regarding the bears and he is very offended by the hearsay and this bear's death. He was nowhere near that location and he cannot overstate how offended he was by the language used in e-mails and on social media. He is personally available to discuss this and that he is a big supporter of bears and that we need to adapt our actions to be able to support them.

K. CORRESPONDENCE RECEIVED BY THE DISTRICT*

District Clerk Herron stated that there were eighteen pieces of correspondence received, all were distributed, and they will be included, in hard copy, in the next Board packet.

L. 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.

Margaret Martini said that she would strongly advise this Board to seek outside counsel as this District has spent hundreds of thousands of dollars on consulting over the past few years and that \$10,000 to \$15,000 would be well spent for a second opinion and that it would be a prudent decision when looking at this kind of expenditure. At the prices thrown out, you could put a wing on at the Recreation Center. Every one of our recreational venues loses money so whose idea is it to add more. The Admin Building doesn't need to a Taj Mahal and PTCF knew what they were doing so don't take on their responsibility. Do an apples to apples comparison with an escalation of prices between PTCF and Southwood locations. The appraisal also has to consider the lease terms of \$1 per year for the next eighty years and if it doesn't consider those lease terms then it is probably a bogus appraisal. Space analysis is very good so utilize it and do some shapeshifting.

Mike Abel said that he listened with interest when Staff discussed the restating of the financials because if he had an accountant who made a 1% error he would start looking for a new one. On the Parasol lease, the biggest problem is that it doesn't pass the smell test and actually stinks to high heaven. It is a lousy proposal so just take it over and, notwithstanding our Counsel's comments, the leaseholder is abandoning their lease and have kicked out all but two of their tenants out so he is not sure about the accuracy. Harvey's Casino was once owned by Park Land Company and when that lease was up and they were out of there, they got no compensation. Park Land Company took it over. There should be no compensation if abandoned. He did appreciate Trustee Horan's comments about it being wrong to get into this business. He also applauds Trustee Dent and Ms. Martini about getting outside counsel; get a second or even third opinion on this matter.

Steve Dolan said that he was sorry he was not here for the opening comments and that he didn't hear the whole meeting but that this seems to be the tail wagging the dog with PTCF and while you heard him say positive comments, they are coming to change our overall function and become non-profit managers and benefit them along with other entities which is not the District's job. This is all to their benefit so he would urge the Board to think about its responsibility and note that the immense list is their responsibility and that the District doesn't have to hire all these people to do the evaluations. Trustee Morris added Section M which is do nothing and it seems that we don't have to anything here because it is them that wants an out. Agrees with the improvements on the property and this being a normal kind of thing that one owes them and that he just dealt with that and no, you don't have to do it unless it is agreed to in advance. PTCF didn't ask for it because they didn't want it so this is just much ado about something that we don't have to anything about. Ms. Martini said Taj Mahal and I say manage like Wal-Mart because you don't need to

manage like the Taj Mahal because if they don't like their jobs, and they do a great job, but they don't have to be in a Taj Mahal to do their jobs.

Brad Perry said that he stayed the whole time so as to wrap his head around the PTCF item and hear everyone's comments. This town needs a non-profit center thus his concern is for the community at large. He has used that community space to do work with three non-profits and he has written grants and raised \$50,000 for this community so if this goes through he wants to make sure that this resource is still available and asked if IVGID is going to pick up the subscription on the grant writing resource and it is his guess that the answer is no. With the number of non-profits in the area and knowing that we have a dedicated need, we need to have a center for this. If not PTCF then where is another place? He respects that IVGID has building needs but he is concerned about the non-profit needs.

M. REVIEW WITH BOARD OF TRUSTEES, BY THE DISTRICT GENERAL MANAGER, THE LONG RANGE CALENDAR *(for possible action)*

General Manager Pinkerton went over the long range calendar and asked about moving the June 14 Board meeting to either June 11 or June 12; June 12 was agreed to. Trustee Dent said that he has a conflict for the June 24 event – feedback on the Community Services Master Plan.

N. CLOSED SESSION - The Board may consider a motion to enter into closed session to have a discussion regarding the Union Negotiations with the Operating Engineers of Northern Nevada pursuant to NRS 288.220.

Trustee Horan made a motion to enter into closed session, Trustee Morris seconded the motion. Chairwoman Wong called the question and the motion was unanimously passed; the Board entered closed session at 9:17 p.m. At 10 p.m., the Board exited closed session by motion made by Trustee Dent, seconded by Trustee Callicrate and passed unanimously.

O. ADJOURNMENT *(for possible action)*

The meeting was adjourned at 10:01 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 Gene Brockman (1 page): Comments to IVGID Board about Parasol Lease

Submitted by Karen Hovorka (1 page): Karen Hovorka, PO Box 5417, Incline Village. 5/10/17

Submitted by David LaBarge (1 page): "No Further Action" to IVGID paying PTCF \$5,500,00+ for the "BENEFICIAL USE" of the Donald W. Reynolds Community Non-Profit Center (a.k.a. The Parasol Building)

Submitted by Linda L. Smith (2 pages): Comments on Request for Modification of 30-yr Ground Lease between Parasol Foundation and IVGID, May 10, 2017

Submitted by Ryan Ritchie (1 page): Parasol – IVGID purchase notes

Submitted by Aimee LaFayette (1 page)

Submitted by Carole Anderson (1 page)

Submitted by Judy Miller (6 pages): IVGID/Parasol "LEASE AMENDMENT"

Submitted by Margaret Martini (2 pages): 5-10-2017, To: Board of Directors

Submitted by Aaron Katz (26 pages): Written statement to be included in the written minutes of this May 10, 2017 Regular IVGID Board Meeting – Agenda Items C & F(1) – Approval of next steps in response to Parasol Foundation's request to modify the Donald Reynolds Non-Profit Center's ground lease/its land use restrictions

Submitted by Frank Wright (4 pages)