

Memorandum

April 8, 2021

To: Indra Winquest, Paul Navazio and IVGID Board of Trustees

cc: IVGID Audit Committee

From: Clifford F. Dobler

cc: IVGID Board of Trustees

Re: Funding Public Parks through General Fund resources

Over the past year, Trustee Schmitz has discussed the possibility that operations of IVGID's Public Parks should be funded by resources of the General Fund. This proposal would be impossible to implement based on the historical operating expenses and capital costs of the Parks through the Community Service Funds and the lack of available revenues in the General Fund. The parks include Village Green, Preston Field, and the baseball fields adjacent to the Middle School.

The following is information required to make a worthy analysis

Annual Average Costs to operate and maintain the Park system (Exhibit A)

For the 5 year period from July 1, 2016 and June 30, 2020 the average annual costs of operating the Parks was \$802,786 with offsetting revenues averaging only \$46,469 producing an average annual net losses of \$756,317.

Park Capital Project costs for the five year period were \$3,686,458. After removing the rehab of a baseball field and a new bridge over Incline Creek, which were funded by grants, \$2,000,000 had been spent on other capital items or \$400,000 per year. The five year capital plan for 2021 to 2025 has \$1,586,640 for new purchases and projects or an average of \$317,200 per year. Based on these factors, capital costs should be considered to average around \$350,000 annually.

Combining the annual estimated costs for operations of \$750,000 and capital costs of \$350,000 the parks require about \$1,100,000 per year in subsidies.

General Fund Revenue and Expenses 5 years 2016 to 2020 (Exhibit B)

For the past five years from July 1, 2016 to June 30, 2020, tax revenues less operating expenses, capital outlays and reimbursements for "Central Service Costs" produced an average of only \$540,000 annually far short of the requirements to fund the parks systems. While tax revenues may increase over time because of increasing home values, IVGID's thirst to spend money will cause expenditures to increase in tandem with revenue increases. The approved fiscal 2021 budget (Exhibit B) indicated large increases in operating expenses (31% over previous 5 year average) and the excess revenues over expenditures dwindled to a minimal amount.

Other General Fund Items

- An extraordinary amount of investment earnings occurred in 2019 and 2020 producing annual cash yields over 9% per annum based on the average fund balances existing. These cash returns could not have occurred unless the earnings included gains from the liquidation of certain cash investments. This should be explained by management. In the long term, investment earnings should not be relied upon to fund Park ongoing operations. Assuming proper management of fund balances, the current amount of fund balance should be reduced substantially over the next few years.
- During the past five years only two transfers of \$650,000 were made to other funds. Also a series of transfers were received and disbursed to unwind a NRS violation and to properly redistribute the remaining cash from the self funded

Workman's compensation Fund which was part of Internal Services. The General Fund retained a net amount of \$145,000 from the closeout of the Workman's compensation fund.

- Deletion of a new Administration Building scheduled in 2024 - According to the five year capital plan (2021 to 2024), a new administration building was planned to be constructed in 2024 with a budget of \$3,350,000. An estimate conducted by Precision Budgets Inc. on 6/20/2017 based on conceptual drawings dated 9/20/2012 estimated the costs of a new building to be \$5,642,047 or \$501.52 per square foot. **This has been removed from the 5 year capital plan at the BofT meeting on 3/24/2021.**
- The proposed 5 year (2022 to 2026) Capital Projects plan (EXCLUDING THE ADMINISTRATION BUILDING) indicates spending an average of \$392,000 per year. which is substantially higher than historical expenditures.

Current General Fund excessive Fund Balance

At June 30, 2020, the General Fund had a fund balance of \$4,630,149 far in excess of the appropriate level of fund balance required by Board Policy 7.1. which states 5% of operating expenses or approximately \$135,000. (operating expenses are net of the Central Service Cost reimbursements).

After considering outstanding commitments of \$1,300,000 for the mandated tax payments to Washoe County and an undetermined capital portion of the \$891,438 planned for the Tyler software installation (apparently there will be some offsets by cancelling other contracts), the fund balance continues to be far in excess of Board Policy.

After adjusting for these two commitments, fund balance would remain at approximately \$2,500,000 or 1,900% higher than the appropriate level of fund balance.

Immediate attention should be given by this Board to establish a proper use of the Fund Balance.

- reduced the Ad valorem tax rate to lower revenues
- Transfer funds to the Community Service Funds and/or the Utility Fund (transfers cannot be done to Beaches because not all property owners who are assessed taxes have use of the Beaches)
- Annual transfers are limited to 10% of General Fund expenditures, (NRS ~~343.117~~ ^{354.6117}) resulting in limitations on transfers for, at least, the next 9 years.
- Begin funding Community Programming (Recreational Programming) currently accomplished in the Community Services Funds from resources in General Fund. There is no provision in NRS 318 to fund community programming, however, under NRS 377A, taxes can be used for miscellaneous special purposes which include "Recreational programs".

Public Parks are allowed under NRS 318 - General Improvement Districts

The Nevada Revised Statute 318.116 provides a basic power to the Board of a General Improvement District to furnish recreational facilities described in NRS 318.143 which includes public parks. Park improvements and operations can and are currently being funded by the Facilities Fees (standby services charges) which are allowed and currently being assessed upon property owners under NRS 318.197 which allows flexibility in amounts which can be assessed.

Alternative Use of General Fund annual revenue surpluses and excess fund balances.

Under NRS 318, IVGID does not have the power to use of the Facility Fees assessed under NRS 318.197 for Community Programming. Resources for Recreational Programming, which includes Community Programming is specifically identified in NRS Title 32 Chapter 377A through the use of TAXES. Since IVGID may have inadvertently funded such programs through Facility Fees which violates Dillon's rule, an immediate change should be made to fund the Community programs from tax resources in the General Fund.

Conclusion

Operations and Capital Costs for Parks should remain in the Community Services Fund as authorized by NRS 318.116. Based on the projections for the General Fund there would not be an identifiable source of revenues which could support the current and planned expenditures for the parks.

Exhibit A - Historical Revenues, Expenses and Capital Costs for Parks

Exhibit B - Historical Revenues, Expenses and other Financing Sources of the General Fund.

Incline Village General Improvement District
 Community Services Venues Operating Revenues and Expenses 2016 to 2020

EXHIBIT A

Operations only

	Championship Golf Course	Mountain Golf Course	Facilities	Diamond Peak	Rec Center Community Programming	Parks	Tennis	Recreation Administration	Other Revenues	Total
2016										
Revenues (NO Rec Fee)	3,488,229	645,128	275,156	10,202,972	1,264,177	59,521	166,533	(521,179)	601,927	16,182,464
Expenses	(3,526,103)	(937,694)	(432,187)	(6,441,024)	(2,228,737)	(715,538)	(256,359)	(315,943)		(14,853,585)
Capital Projects	(37,874)	(292,566)	(157,031)	3,761,948	(964,560)	(656,017)	(89,826)	(837,122)	601,927	1,328,879
2017										
Revenues (NO Rec Fee)	3,542,663	627,986	387,701	11,326,968	1,274,149	45,430	166,577	(573,542)	336,636	17,134,568
Expenses	(3,944,772)	(1,002,359)	(498,577)	(6,810,598)	(2,225,893)	(821,034)	(262,369)	(354,367)		(15,919,969)
Capital Projects	(402,109)	(374,373)	(110,876)	4,516,370	(951,744)	(775,604)	(95,792)	(927,909)	336,636	1,214,599
2018										
Revenues (NO Rec Fee)	3,765,419	630,214	355,696	9,155,646	1,289,953	48,910	145,197	(758,481)	375,561	15,008,115
Expenses	(4,055,702)	(972,171)	(448,797)	(7,024,327)	(2,232,105)	(818,298)	(228,530)	(357,498)		(16,137,428)
Capital Projects	(290,283)	(341,957)	(93,101)	2,131,319	(942,152)	(769,388)	(83,333)	(1,115,979)	375,561	(1,129,313)
2019										
Revenues (NO Rec Fee)	3,902,689	740,968	392,246	11,778,871	1,364,044	46,580	153,435	(730,819)	429,729	18,077,743
Expenses	(4,285,423)	(960,442)	(482,527)	(7,830,948)	(2,296,972)	(815,439)	(253,544)	(363,285)		(17,288,580)
Capital Projects	(382,734)	(219,474)	(90,281)	3,947,923	(932,928)	(768,859)	(100,109)	(1,094,104)	429,729	789,163
2020										
Revenues (NO Rec Fee)	4,070,762	690,798	361,890	9,781,499	1,004,900	32,505	133,786	(590,712)	370,987	15,856,415
Expenses	(4,255,618)	(960,547)	(469,752)	(7,011,524)	(2,189,572)	(843,619)	(242,873)	(572,599)		(16,546,104)
Capital Projects	(184,856)	(269,749)	(107,862)	2,769,975	(1,184,672)	(811,114)	(109,087)	(1,163,311)	370,987	(689,689)
Total										
Revenues	18,769,762	3,335,094	1,772,689	52,245,956	6,197,223	232,946	765,528	(3,174,733)	2,114,840	82,259,305
Expenses	(20,067,618)	(4,833,213)	(2,331,840)	(35,118,421)	(11,173,279)	(4,013,928)	(1,243,675)	(1,963,692)	-	(80,745,666)
Capital Projects	(1,297,856)	(1,498,119)	(559,151)	17,127,535	(4,976,056)	(3,780,982)	(478,147)	(5,138,425)	2,114,840	1,513,639

Average Per year
 Operating Costs recovered -93.53% -69.00% -76.02% -148.77% -55.46% -5.80% -61.55% 161.67%

Recreation fee - Board Approved for operations only - Never required.

About \$2.5 million of negative revenues in Recreation Administration were transfers to the Beaches

	Operating Portion	Total Facility Fee
2016	2,181,200	5,984,146
2017	2,050,000	5,999,152
2018	1,763,000	5,769,982
2019	1,763,000	5,784,000
2020	2,050,750	5,774,067
Total	9,807,950	29,311,347

Capital Projects Costs

								Total	Funded by Grants	Net by IVGID	
2015/2016 CAFR	415,867	235,010	138,071	707,467	101,437	685,776	46,482	14,089	2,344,199	586,361	1,757,838
2016/2017 CAFR	928,012	120,868	161,162	1,375,029	574,838	312,527	49,022	111,792	3,633,250	113,615	3,519,635
2017/2018 CAFR	664,121	402,955	198,604	1,814,021	71,100	601,303	5,000	148,812	3,905,916	156,775	3,749,141
2018/2019 CAFR	497,377	338,149	21,406	4,539,027	259,918	142,040	104,180	141,403	6,043,500	31,958	6,011,542
2019/2020 CAFR	439,872	1,592,962	71,584	792,711	244,815	1,944,817	233,778	(261,503)	5,059,031	1,637,399	3,421,632
Subtotal	2,945,249	2,689,944	590,827	9,228,255	1,252,108	3,686,458	438,462	154,593	20,985,896	2,526,108	18,459,788

Total operations & capital

(4,243,105)	(4,188,063)	(1,149,978)	7,899,280	(6,228,164)	(7,467,440)	(916,609)	(5,293,018)
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Avg LOSS per year

(848,621)	(837,613)	(229,996)	1,579,856	(1,245,633)	(1,493,488)	(183,322)	(1,058,604)
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Incline Village General Improvement District
 General Fund - Summary of General Revenues and expenditures
 Fiscal years ending June 30, 2016 to 2020 Actual
 Fiscal year 2020/2021 Budget

EXHIBIT B

	5 year period 2016-2020					Total	Average	2021 Budget	
	2016	2017	2018	2019	2020				
Revenues									
Ad valorem taxes	\$ 1,497,006	1,462,280	1,524,623	1,615,540	1,706,170	\$ 7,805,619		1,782,000	
Other Taxes	1,487,986	1,498,567	1,649,921	1,708,093	1,736,657	8,081,224		1,656,000	
Miscellaneous	50,292	4,638	2,033	2,002	952	59,917		2,400	
	<u>3,035,284</u>	<u>2,965,485</u>	<u>3,176,577</u>	<u>3,325,635</u>	<u>3,443,779</u>	<u>15,946,760</u>	<u>3,189,352</u>	<u>3,440,400</u>	
Expenditures									
All Operating Expenses	3,510,247	3,603,667	3,586,203	3,933,149	3,799,835	18,433,101	3,686,620	4,520,099	23% over average
Capital Projects	79,331	148,435	113,813	121,257	279,424	742,260	148,452	650,150	430% over average
Less Central Service Costs charged out	<u>(1,123,000)</u>	<u>(1,177,200)</u>	<u>(1,094,000)</u>	<u>(1,169,400)</u>	<u>(1,367,400)</u>	<u>(5,931,000)</u>	<u>(1,186,200)</u>	<u>(1,741,440)</u>	47% over average
	<u>2,466,578</u>	<u>2,574,902</u>	<u>2,606,016</u>	<u>2,885,006</u>	<u>2,711,859</u>	<u>13,244,361</u>	<u>2,648,872</u>	<u>3,428,809</u>	32% increase over average
Net Operations	568,706	390,583	570,561	440,629	731,920	2,702,399	\$ 540,480	11,591	
Other Financing Sources (Uses)									
Investment Earnings		51,680	89,960	327,815	432,643	902,098		131,400	
Sale of Capital Assets			16			16			
Workman's Comp Close Out									
Transfers in from Internal Services			800,000	474,356		1,274,356			
Transfers out to other Funds				(800,000)	(300,000)	(1,100,000)			
Other Transfers - No reason provided	<u>(250,000)</u>	<u>(400,000)</u>				<u>(650,000)</u>			
	<u>(250,000)</u>	<u>(348,320)</u>	<u>889,976</u>	<u>2,171</u>	<u>132,643</u>	<u>426,470</u>		<u>131,400</u>	
Increase in Fund Balance	318,706	42,263	1,460,537	442,800	864,563	3,128,869		142,991	
Beginning Fund Balance	<u>1,501,280</u>	<u>1,819,986</u>	<u>1,862,249</u>	<u>3,322,786</u>	<u>3,765,586</u>	<u>1,501,280</u>		<u>4,630,149</u>	
Ending Fund Balance	<u>\$ 1,819,986</u>	<u>1,862,249</u>	<u>3,322,786</u>	<u>3,765,586</u>	<u>4,630,149</u>	<u>\$ 4,630,149</u>		<u>\$ 4,773,140</u>	
Investment Earnings on average fund balance				9.20%	10.30%			2.84%	
Appropriate Level of Fund Balance - Board Policy 7.1 - 4% of Expenditures					\$ 108,474			\$ 137,152	
Over appropriate level of fund Balance								3480.2%	
Property Tax Settlement with Property Owners					?				
Reserves for Tyler					?				