

## MINUTES

### **REGULAR MEETING OF JANUARY 28, 2021 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 Chairman Tim Callicrate on Thursday, January 28, 2021 at 6:00 p.m. This meeting was conducted virtually via Zoom.

#### **A. PLEDGE OF ALLEGIANCE\***

The pledge of allegiance was recited.

#### **B. ROLL CALL OF TRUSTEES\***

On roll call, present were Trustees Tim Callicrate, Sara Schmitz, Matthew Dent, Kendra Wong (absent), and Michaela Tonking.

Also present were District Staff Members Director of Finance Paul Navazio, General Manager Diamond Peak Ski Resort Mike Bandelin, and Engineering Manager Nathan Chorey.

No members of the public were present in accordance with State of Nevada, Executive Directive 006, 016, 018, 021, 026 and 029.

#### **C. INITIAL PUBLIC COMMENTS\***

Dick Warren said 5 years ago Linda Newman & Cliff Dobler (now referred to as L&C) got very involved in the CAFRs that IVGID submits to outside auditors, primarily Eide Bailly (referred to as EB). After about 5 years of harping away at the likes of various Boards, EB, and other governmental departments, L&C started to get traction. A year ago the Board finally consisted of 3 good Trustees – Callicrate, Dent & Schmitz. They formed an Audit Committee and put smart and knowledgeable folks on that Committee as At-Large Members - Derrek Aaron (CPA/IT/Project Management), Cliff Dobler (CPA/Real Estate Expertise), and Ray Tulloch (Construction/Utility Management Audits). The Audit Committee brought in Moss Adams to review all the findings, mistakes, and inconsistencies in the CAFRs that L&C had uncovered over the past 5 years. L&C came up with 24 points that had been raised in the 2019 CAFR. Moss Adams concluded that all 24 points had merit but a restatement of 2019 was not required. And then EB, in their final audit report on IVGID, made reference to these findings, although for some unknown reasons EB never had any problems with their previous years' audits. If it had not been for the diligence of L&C, would anything have been different today? No Trustee forced any issues; in fact, Trustee Wong tried to circumvent these probes over the years. No one on Staff pushed L&C to pursue these items; for the most

part IVGID Management over the years abhorred their endeavors (think Pinkerton). And it certainly was not EB that did anything with the information L&C came up with. No, it was just these 2 Incline Village residents that decided to take on IVGID's financials. You might want to compare CPA Wong's contributions over 6 years to L&C's efforts over 5 years; who added more to the plate? Trustees Callicrate & Dent tried to push constructive reform over the past few years but they were in the minority, I wonder where Wong was? But finally a year ago things started to realign with the Board getting 3 decent Trustees, Moss Adams came along compliments of the Audit Committee, and we now know, and confirmed by Moss Adams, that IVGID's financials are a complete mess. And now the clean-up will begin, but remember, had it not been for L&C, we never would have known how bad IVGID's financials were. Perhaps we could have Trustee Wong present them with an "Incline Village Good Citizenship Award"??? Sometimes those "malcontent residents" are the ones really contributing positively to the Community. Thank you Linda & Cliff! That's it for me.

Linda Newman said as she stated at last night's Audit Committee Meeting, it is critically important to get this CAFR right and not wait to address violations of Generally Accepted Accounting Principles and Best Practices in the future. There are a number of errors in the audited and unaudited sections that should be corrected –along with misstatements in the Management Representation letter. Many of these errors and omissions have been raised at the Committee meeting. You can begin now by correcting the unaudited sections first and adopting Moss Adams recommendations for the audited statements. As you are aware, Board Policy has been violated by Management. Management has chosen to circumvent their responsibility to comply with Policy 15.1 and in doing so, is trying to force the Audit Committee to default on their compliance and this Board to disregard their fiduciary and statutory duties. The Audit Committee and the Board should not be forced to accept an inadequate and incorrect 2020 CAFR. An extension is required for more than time to allow the Audit Committee to submit their report to the Board. With the Auditor's citation of material weaknesses in internal controls and capitalization and Moss Adams two independent reports citing the high risk for fraud in the District's contract management and controls and their recommendations to change four accounting practices and policies –you must fulfill your responsibility to take all appropriate corrective action now so that all users of our financial statements have more complete and accurate information on the District's operations and financial condition. Eide Bailly and Moss Adams have identified the need for the Committee and the Board to exercise MORE OVERSIGHT – not less. As fiduciaries you are reporting the government's use of our public money. We deserve factual accountability and financial transparency. The 2020 CAFR fails both. Please also support the CMAR contract with Granite to replace or rehabilitate six miles of failing pipeline and line the decommissioned

effluent storage pond. After more than a decade of the District's delays in taking action, they have collected millions of dollars from ratepayers and repurposed millions for other projects and while spending millions of dollars to decide what to do, and how to do it, hundreds of thousands have been wasted on making emergency repairs— it is time to engage a qualified and responsible independent contractor. And, don't support spending \$15,000 to \$20,000 on another lobbyist – this money can be better spent serving the needs of our community.

Aaron Katz said he has some written statements to submit. When Staff brought up the whole idea of CMAR, we investigated and discovered the only real benefit versus a construction manager as an agent was the “R” for risk. But here there is no risk. All the CMAR proposes doing is putting on a dog and pony workshop or two, selecting a design engineer for both projects, setting perimeters for design documents, reviewing schematic designs created by others, creating an RFP to possibly select one or more contracts with one or more subcontractors in the future, marginal other work and giving themselves an unfair advantage over other contractors by paying it over \$100,000 to develop a guaranteed maximum price contracts for both of these projects. No design work, no construction, no at-risk and \$375,000. If we had competent Staff, we wouldn't need any of this. So, it's the same problem he spoke to the Audit Committee about – our Staff. Please wake up – we already have design professionals in CH2M Hill and HCR Engineering. They submitted proposals a year ago. We don't need RFQs, we don't need RFPs, we don't need to negotiate terms and we don't need a CMAR to enter into these contracts. If the CMAR thinks he can add value to the design, let it charge a reasonable hourly fee so we don't overpay. Now when design is completed, we can't get our own permits, don't we have a Staff to do that? And we don't need to pay a CMAR to put together maximum price contract as this cost should be at the CMARs expense not ours and what about the conflict of interest for a CMAR dictating design work, coming up with probable costs and then preparing his own guaranteed price contract. This is an absolute waste. Another waste is Tri-Strategies. We are a limited purpose GID. We don't have the power to advocate for or against proposed legislation and make us pay for it with the Rec Fee. Please do not give power to the District General Manager or the Chair to communicate Board policy with Tri-Strategies as these are Board decisions and we will have plenty of time for the Board to weigh in if it deems proper. Another \$20,000 waste. Thank you.

Mike Abel said last winter the 2019 CAFR was presented to the Board of Trustees. The Audit Committee during that time, comprised of Wong, Morris and Horan who were an audit committee in name only. Acceptance of the CAFR was postponed until Sara Schmitz was elevated to the board in January 2020. The Board accepted the proposed CAFR but Callicrate, Dent and Schmitz questioned several items in

the CAFR based on research by Cliff Dobler and Linda Newman over the past four years. Last May, with Schmitz's initiative, a new Audit Committee Policy was approved with, predictably, Wong and Morris objecting. For them tolerance of wasteful spending and bad management is a given. Again, Wong objected to the appointment of two eminently qualified at large members. Immediately, the committee engaged Moss Adams to review and make recommendations on the accounting deficiencies alluded to by Dobler and Newman. Management only addressed 14 of the 27 items. Of the four items reviewed by Moss Adams, they counseled to immediately cease the bad accounting indicated by the four. Moss Adams was also engaged to review contract management on 7 contracts. Here they indicated a high risk of fraud. The CAFR for 2020 is a clear example of what a good audit committee can achieve. While Eddie Baily had the audit for 4 prior years, they and Wong stated everything was ok ignoring giant red flags. With a functioning audit committee, auditors found 24 accounting errors of almost \$4.0 Million. The auditors Internal Control Report indicated a material weakness in Internal Controls over Financial Reporting and, in plain English, hiding expenses in capital assets. Wong's recent attack on her fellow Trustees and Dobler was a disgusting violation of board policy and decorum. I implore our Trustees to keep the audit team together so that IVGID can come out of the "do nothing – see nothing" Wong era. My final comment this evening relates to the revised "whistleblower Procedure" subsection – "Acting in good faith" that was on the agenda of the audit committee. I encourage the Board to trash this proposal. Ill-conceived by Mr. Nelson is the part of this proposal that relates to public criticism. This is a sideways effort to quash public dissent and a clear violation of the First Amendment. If I for instance, even maliciously, want to call Trustee Wong, dishonest, stupid, and corrupt – something that for the record, I would never do, I should still have the right to do that without having my recreational privileges removed. Who shall be the IVGID's judge that a citizen's allegations are made maliciously or knowingly false Who, I ask, will be IVGID's judge, jury and executioner? Mr. Winquest, to his credit, has accepted my critique and has promised to review it with Mr. Nelson and Mrs. Schmitz.

Yolanda Knaak said thank you to all the IVGID trustees who voted for the Moss Adams study. She looks forward to seeing improvement in our Staff and she hopes the Board of Trustees and the District General Manager will follow up on these issues.

Cliff Dobler said as a member of the IVGID Audit Committee, he will comply with his fiduciary responsibility and will abide by Board Policy 15.1. The policy requires committee members to review and approve several items required to be provided by management. Bits and pieces were filtered over the past seven months but many never arrived. Management could care less about complying with the Board

policy. Promises to deliver were hollow. Last night we attained the “final CAFR”. The various sections were riddled with errors, false statements, poor disclosure, and missing information which were almost impossible to digest in one evening. The management representations were appalling. Last week we were given a partial CAFR which excluded the auditor’s reports and the committee was immediately told that the CAFR would be revised. He did review the draft and he sent the Director of Finance a marked up version indicating errors, misstatements and omissions but little was changed in the final CAFR. Within the final CAFR the auditor found almost \$4 million and 24 errors, correcting only 19 and ignoring the other 5. They found material weakness in internal controls over financial reporting and capitalization of assets. The previously released Moss Adams report found similar weaknesses validating that IVGID is a ship without a rudder. We heard the Director of Finance and the auditor claim that poorly written Board resolutions and policies override GAAP, GASB and Nevada law. We heard statements not backed up by facts. Mr. Tulloch and himself understand the practices for capitalization and assets which were confirmed by Moss Adams based on GAAP concepts and statements. We found that IVGID had recorded millions in operating expenses as capital assets. Of course the Director of Finance and the auditor disagreed with Moss Adams and us. The largest capitalization was \$3.2 million spent fooling around with the Effluent Pipeline with almost \$1 million of staff time buried in the capital accounts rather than expensed. Management of the pipeline project was stripped away from Staff because the GM realized the Staff did not have the bandwidth and tonight the Board will vote to outsource the project hopefully to Granite Construction. Mr. Tulloch and himself have no doubt that the intent of IVGID management was to capitalize expenses to hide the inefficiencies in operating the District’s recreational venues and utilities. To comply with the Audit Committee Board policy, Trustee Schmitz and he will compile a list of committee members concerns from last night’s meeting regarding the 2020 CAFR. This list will be reviewed by committee members on February 10 before submittal to the Board. His opinion is that no one should endorse or accept the 2020 CAFR and the opinion expressed by the auditors. Thank you very much.

Frank Wright said last night after listening to the audit report and pushing through the CAFR, it reminds him of building a tunnel in the sand, wrong diagram, wrong ground, etc. whatever direction coming from always going to collapse. Every year we come from the wrong direction and it will collapse. The District is losing a ton of money at the Hyatt Sport Shop – change the policies and practices to stop losing \$200,000 to \$300,000 with no benefit to the parcel owners. He is on the Ordinance 7 Committee and the attorney said it is ok to get gold and silver cards and pay nothing. How can IVGID just arbitrarily give away those venues? It is not true, read the deed. These people don’t pay a thing to use these facilities – unbelievable. When do things get fixed? Why doing it the wrong way? Why are we having all

these problems – Audit Committee is spectacular and they are finding all these items. Time for change and fix all the things here so we can move forward and have a nice community.

Margaret Martini said for more than 5 years, Trustees and knowledgeable citizens have raised red flags about the District's opaque budgeting, lack of access to complete financial information and improper accounting and reporting practices. In 2020, new Board Chair Callicrate, Vice Chair Dent and Treasurer Schmitz understood the importance of financial transparency, effective internal controls, compliance with State laws and District policies and practices and the presentation of complete and accurate financial reports. To assist the Board in fulfilling their oversight responsibilities and statutory and fiduciary duties, Treasurer Schmitz took the time to develop a strong Audit Committee Charter and Vice Chair Dent took on the responsibility and leadership of the Committee. Along with the expertise of our three volunteer community members, Mr. Aaron, Mr. Dobler and Mr. Tulloch -and the independent Moss Adams reports on our contract management and four key accounting and reporting issues --our external auditor finally started to do their job. Fortunately, now, after too many years, our independent auditor expressed what all of our active, informed and knowledgeable community members have repeatedly asserted: The District has a material weakness in internal controls across the complete spectrum of District activities and does not adhere to appropriate accounting and reporting policies and practices. Unfortunately, our new GM and Director of Finance have followed in the footsteps of their predecessors and signed a Management Representation letter that is well, filled with misrepresentations. There are pages of auditor adjustments to management's submissions that equal close to \$4 million. And that is only the beginning. In addition to disregarding their responsibility to comply with Policy 15.1 and failing to provide the Audit Committee with all reports and letters before submittal to the external auditor along with other failures too numerous to mention, they have presented a CAFR in the eleventh hour without adequate time for the Audit Committee and our Board to review before the end of January deadline for submittal to the State. So, as citizens requested at the Audit Committee meetings, She asks Board Chair Callicrate and Audit Committee Chair Dent to seek an extension for submitting the 2020 CAFR. Please take the time to get this right. The inaccurate and incomplete information in the audited and unaudited sections cannot be left unchanged, nor a quarter corrected or a half. What is wrong remains wrong irrespective of promises to make them right in the future. Take a hard look and go all the way. Your citizens, your State, your County and your creditors are counting on it.

Gail Krolick said she was hoping that she would be the first caller but she guesses she is the last which is fine. She wanted to start the meeting on a positive note but

she guesses she is going to end the public comments on a positive note. Quite frankly, she is sick and tired of hearing how horrible things are at IVGID, how incompetent IVGID staff is, how incompetent the District is as a whole by a few, select members of this community. Her husband and her have lived here for 30 years and think this is the best community we ever had the privilege and honor of living in. IVGID is not what it was two years ago, a year ago, six months ago or heck, even a month ago. We have a brand new Trustee on the Board who she has the utmost confidence in. Trustee Tonking will dig deep and learn and understand what is happening within our District. We have a new Controller, we are soon to have a new Parks and Recreation Superintendent and a new Public Works Director; things are changing. There are new people coming in, there is new blood, new sets of eyes coming in and let's not forget that we have a General Manager who has been with the District for years, worked his way up, and he is now officially our District General Manager. And let's not forget we have been dealing with a little issue called COVID the last year and we are all learning how to navigate this new normal. Can we please stop thinking about how wrong things are or aren't going fast enough or how things were and think about how blessed we are to call Incline Village and Crystal Bay our home? Things are not perfect, they never are. She swears that her daughter Tiffany, who is a Senior at Incline High School has a better attitude and a better outlook on life and people than some select members of this community. My God, she is a Senior in high school and has not had a Senior year but is still very optimistic that the choices that she is making and the world she is living in is all going to be okay and she has learned patience. Lastly, she is asking that we work together, not divide this community like the rest of this country is. Don't we have enough of that already in our country? Stop being nasty to one another, start talking to one another over a cup of coffee or a beer. Do a Zoom call with a glass of wine. She is sick and tired of hearing how horrible this place is, how incompetent Staff is. Things aren't perfect but we are trying and she believes that Staff, especially our General Manager, is doing the right thing or at least attempting. She wishes the General Manager and his new Staff well and she wishes the new Board of Trustees well in this coming year; thank you.

**D. APPROVAL OF AGENDA (for possible action)**

Chairman Callicrate asked for changes, none were made so the agenda was approved as submitted.

**E. PUBLIC HEARINGS**

**There were no Public Hearings for this agenda.**

**F. DISTRICT STAFF UPDATES (for possible action)**

**F.1. District General Manager Indra Winquest**

- ✓ Signed offer letter for new Director of Public Works – starting on March 15, 2021;
- ✓ Have a verbal commitment for our Parks and Recreation Superintendent and will make formal announcement when he has a signed offer letter;
- ✓ Interviewing for a Senior Engineer next week;
- ✓ Finalizing Contracts job description; and
- ✓ Ordinance 7 had a meeting on Tuesday which was a follow up with District General Counsel Nelson, next meeting is on February 9 and there will be two members present on February 10 to give an update on Ordinance 7 Committee activities.

Trustee Tonking asked if we have start dates for both of those new employees? District General Manager Winquest said that the Director of Public Works is March 15, Superintendent of Parks and Recreation is February 7. Trustee Tonking asked if the Ordinance 7 Committee, and specifically regarding punch card utilization, will they have recommendations before the budget process? District General Manager Winquest said there will be a signal in early March, Staff is prepared to massage that as we work through that process. Trustee Schmitz asked what was the status of the Best Best and Krieger contract and does it need to come back to the Board? District General Manager Winquest said that there have been some new developments on that contract and those changes are substantial enough to be bringing back on February 10 for approval.

**G. REVIEW OF THE LONG RANGE CALENDAR (for possible action)**

District General Manager Winquest went over the long range calendar with the following highlights:

- ❖ Moving union contract ratification for the Non-Supervisory group to February 24;
- ❖ February 24 is a budget workshop so the carryovers, etc. will be moved to that meeting;
- ❖ Capital report/popular report will also be included in the February 24 packet
- ❖ District General Counsel Nelson has a conflict on the third Wednesdays of the month so will look into rearranging that date/time [Post Meeting Notation: Meeting date remained unchanged – February 24 stays as scheduled];



- ❖ Trustee Dent said that the Audit Committee would be meeting on February 24 at 4:30 p.m. [Post Meeting Notation – Time has been changed to 4 p.m.]; and
- ❖ Trustee Schmitz asked that the Enterprise Fund accounting item be removed from the parking lot and District General Manager Winquest gave a brief verbal overview of the meeting held with the Department of Taxation and the Local Government Finance Committee and confirmed that the District is making the transition back to Enterprise Fund accounting.

**H. DISTRICT GENERAL COUNSEL UPDATE (for possible action)**

**There was no District General Counsel update for this agenda.**

**I. REPORTS TO THE BOARD\***

**I.1. Treasurers Report (for possible action)**

Treasurer Tonking gave the following verbal report:

1. Met with Trustee Schmitz, Director of Finance Navazio and District General Manager Winquest to gain insight on her role of treasurer. She really appreciated all the information and time they have been willing to spend with me.
2. Discussed some ideas around the chart of accounts and the way we could possibly better align it to match our current activities – she knows this is something the Audit Committee is looking at too.
3. Discussed the internal controls examination process that will be presented to the Audit Committee.
4. We are discussing re-establishing “regular” reports on the District’s investments.

**I.2. Audit Committee Chairman Matthew Dent: Verbal Report on January 20, 2021 and January 27, 2021 Audit Committee Meetings**

Trustee Dent said that on January 20, 2021 the Audit Committee spent about an hour reviewing portions of the CAFR. At the January 27, 2021 Audit Committee meeting, the committee discussed the role of a future auditor and soliciting feedback from Staff and members of the Audit Committee and then sending that recommendation to the Board of Trustees, and we reviewed the CAFR with a 5 hour and 10-minute lively discussion. While a lot of

progress has been made there are still a lot of improvements to be made. We have outspoken, passionate committee members so the best is yet to come. The Audit Committee does want to make the CAFR better and hopefully we can make more progress. Trustee Dent then went over Policy 15.1.0 and a couple of sections of the policy and noted that the Audit Committee has agendaized, for their February 10, 2021 meeting, bringing forward a letter with a list of exceptions to the CAFR that committee members Schmitz and Dobler will draft and then submit. In order to comply with the policy, the Audit Committee believes they need to submit a written report to the Board of Trustees and that their recommendation is to file for an extension and will do so with more formality as the Audit Committee doesn't want to not follow the new policy. Trustee Schmitz said she is a little confused as she was expecting that the CAFR item would be removed from this agenda and then reviewed at the February 10 so she is seeking some clarification. Trustee Dent said he was giving an update from the Audit Committee and that he and Trustee Schmitz are on the same page and that he is saving that for the item when it is discussed.

**I.3. Final report regarding the evaluation of certain accounting and reporting matters submitted by Moss Adams Representative Jim Lanzarotta (Requesting Staff Member: District General Manager Indra Winquest)**

Moss Adams' Jim Lanzarotta gave a verbal overview of the final report that was included in the Board packet. Highlights are as follows:

- Mr. Lanzarotta began by giving an overview of his experience for the past 20 years;
- Noted that the Moss Adams team looked at 4 specific topics:

1. Enterprise funding accounting question

Gave the District's background. Questions were would the circumstances of the District dictate enterprise fund accounting and then if so, is it/was it appropriate. In the review, the District does not meet criteria that would require Enterprise fund accounting, however, it is important to use that form of accounting. Believe the switch was done because Enterprise fund accounting is difficult to follow, Governmental fund accounting follows the cash so it is almost a cash basis and easier to trace money in and out. Became aware that this was probably the reason for the switch. Don't get the complete

picture with this type of accounting such as long term obligations, etc.

*Moss Adams' recommendation is to switch back to Enterprise fund accounting.*

2. Appropriately following accounting principles with allocation of costs that get allocated out to other areas – question - is it appropriate under GAAP? Answer is yes and they found other entities in Nevada that do so. Common way is through internal service funds - capture costs and then they are charged out. If they are isolated in that fund it is easy to understand if charging too much and/or too little. Also it is common to reimburse.

*Moss Adams' recommendation is it is an appropriate way but Moss Adams has improvements to provide transparency in budgeting and more important is the methodology. Dive in to the costs and look for the drivers to see why one fund would pay for a particular type of cost – why and how.*

3. Punch card accounting and contra revenue

Moss Adams was very interested in that those that pay facility fees are afforded benefits and some of which can be achieved through punch cards which are important to account for however are they paying an appropriate price such that there has to be controls over that? The District receives cash but the benefit is a reduced charge, a value that is associated with those like a gift card. The District has been trying to determine where they are going to be used. Question was whether folks from Crystal Bay or along the beach front had their facility fees misused – Moss Adams didn't find that and they found that the approximately 7,800 are the ones being used. Found nothing; complicated methodology on how this is working and really accomplishing the goals of the District. *Moss Adams' recommendation is to cease the use of it.*

4. Capital expenditure or capitalization practices of the District –

Moss Adams found three main areas where some questions or issues are coming up. When we purchase an automobile or a building such that its useful life is over 1 year, recognize that and expense them off. The District wants to make the appropriate choices and the challenge is there is not a lot of guidance. Three areas that Moss Adams' identified – does incur a lot for costs for master plans/feasibility plans and the practice has evolved. The GFOA issues a pretty comprehensive book and that these are generally expensed because it is difficult to tie the cost to the project in the future. Second issue was

maintenance and repairs – Moss Adams’ did not find a lot of guidance in the accounting standards and noted that the policies of the Board can have an impact. An example would be a street sealant for routine repair or asphalt to repair, coach clients about routine maintenance and set perimeters – sealant could be routine maintenance and policy would be helpful; more effective policy would help in this area. Third area was construction – cut multiple checks for multiple projects. CIP is capturing costs and when the project is done, the asset gets transferred to the capital asset. Identified that the District was posting payroll, etc. *Moss Adams made recommendations in these three areas to help with improvements.*

Trustee Schmitz said it was great to work with you and the Moss Adams team and that she was pleased with the due diligence. Last night we had a couple of questions relative to the CAFR and on page 16, bottom of the page, there are a substantial portion of resources in the Special Revenue Fund, that shows up as one fee. It is not broken out rather it is a combined fee. So using that in combination with the resolution, would you interpret that a little differently? Mr. Lanzarotta said that is a technical question. There is a paragraph in GASB 54 which says dollars need to make up a substantial portion. There is also language about constraints. It is broken out in the resolution and the Board sets that allocation which is transmitted to the community and it drives it to different funds. There is very clear direction in GASB 54. After that is stripped out, do you have enough to meet that standard? There is not a bright line rather an evolution in practice which is 20%. Beaches might be the only one that meets that criteria. Even if you are not meeting this criteria, Community Services and Beaches would be separate, the one change, before the footnote, is those two funds would get combined with the General Fund. Talking about the placement of the columns that has Beaches, Community Services, and General Fund so it is not a huge change in the CAFR. Trustee Schmitz said so to not do it that way would be a violation of GASB? Mr. Lanzarotta responded that if your bright line is 20%, yes, then it is not correct as presented for 2020. Trustee Schmitz then asked about capital corrections – how many years do we have to go back regarding capitalization versus expensing. Mr. Lanzarotta said it is net undepreciated balance. Look at what has been capitalized and if that didn’t meet it then what is the net book value and consider what is material. If above, may have a material error and if below, no error. Understands some were removed and they may need some more review. Difficult judgment calls are probably what is left and it would be helpful to have a robust policy to aid in this review. Trustee Schmitz asked how do you determine

materiality? Mr. Lanzarotta said it is an auditor judgment call. You have to opinion at the unit level, determine that percentage and then a judgmental call on effect and what amount of error can someone accept. Starts with a mathematical formula. Trustee Dent said thank you and the purpose was for buy-in; he appreciates the efforts and it was a pleasure working with you. Trustee Tonking said thank you for all the work and in going back to capital, you gave a lot of specificity, how should we do that? Mr. Lanzarotta said you are definitely unique and best practices is probably the best place to start, look at others in the same service area and using in the same way and work with your auditing firm and then GFOA. Trustee Tonking said what is your overall view of our financials? Are they in shambles? She is curious about your opinion. Mr. Lanzarotta said talking about very technical matters and it is amazing the interest by your community. There is room for improvement and he is not saying how effectively or efficiently the District is working. You have cash. He does like Enterprise fund accounting because the statement will come together and tell you if you are propelling forward or declining. Statements can tell you something and he is glad the District is on the path of improvements. Trustee Schmitz asked what are the recommendations for next steps? Mr. Lanzarotta said he appreciates the steps already taken with Enterprise fund accounting. Punch cards are a whole issue that still needs to be accounted for. Appreciate an engagement of the community on how to fund the activities and to better understand the value of punch cards – which is now back in the hands of the District General Manager and the Director of Finance. For capitalization, a little bit more work there which the Director of Finance has on his plate. There is a little bit more work there along with policies to help management make better decisions. Chairman Callicrate said thank you for excellent presentation and written report. We are very fortunate to have so many in the community who understand governmental accounting.

**I.4. Presentation of the final Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2020, Eide Bailly's Tiffany Williamson and Director of Finance Paul Navazio (Reference Nevada Revised Statutes 354.624)**

Trustee Dent said that the Audit Committee is asking for an extension to comply with Policy 15.1.0, specifically the section on submittal of the written report. He is asking that we postpone this as we haven't complied with Board policy and it is in the Board's best interest to comply with Board policy. Chairman Callicrate said he would like to hear from Ms. Williamson and while he understands what you are saying, if the majority of Board says file, then it gets filed. Chairman Callicrate then asked Legal Counsel for his

thoughts. District General Counsel Nelson said that the item is just presenting and Staff intends to file the CAFR with the State and that is dependent on the outcome of the Board. Chairman Callicrate said this is not discounting what you are asking but he would like to hear what Ms. Williamson would say, and then we as a Board give direction on the next step as this is not an automatic receipt and filing with the State. Trustee Schmitz said she understands and that she is not disagreeing rather she is presenting the thought that if Ms. Williamson gets to see what the Audit Committee writes up, then she can present to us and address the issue and the concerns as she just thinks that would it be wise, rather than have her go through this, to have her wait and go through it with the Board with the Audit Committee letter so she has the opportunity to review those and then has the opportunity to present additional information to the Board. Chairman Callicrate asked Ms. Williamson will what the Audit Committee presents substantially change the audit or presentation? Ms. Williamson said it will not change the audit as that has been issued and that she can address the letter items at that time and whatever you choose. Director of Finance Navazio said tonight we are presenting the auditor's report which is completed and Ms. Williamson heard what was said last night. The Audit Committee clearly wants to present to the Board their report but they are not changing the CAFR or their opinion and it is true that the Audit Committee report is still pending. Chairman Callicrate said he wants to handle this appropriately – the Audit Committee is mandated by Board policy to review and issue its report for the final CAFR. Unfortunately, timing has not been working in our benefit in regard to this seeing that they just got their final final report on Monday and they had their meeting last night. That being said, to Ms. Williamson's point, the final report from the Audit Committee is not going to change the numbers but it could change some narrative that would go into the audit or could it or would it. Ms. Williamson responded no and that if she had their memo and then presented to the Board. Trustee Tonking said she watched the Audit Committee meeting last night and asked if the Audit Committee report is filed with our audit as well or just something that goes to the Board only? Director of Finance Navazio said that the financial statements are financial statements and auditors report is just that and the Audit Committee report is an internal communication. Trustee Tonking followed up by asking what if we ask for an extension and the State doesn't grant it and is that a possibility? Director of Finance Navazio said it is up to the State to allow for an extension and that he is unclear on whether it was granted and unclear about late filing. Once the CAFR is issued, it is done and the additional work that might be pointed out is an internal discussion. Trustee Tonking said she wants to see the letter as it sounds like there is a lot we need to be working on going forward and that she would like to hear

Ms. Williamson's presentation on the audit that we know will be filed, and then if she is willing to come back, on February 10, to talk about the Audit Committee recommendations and what her thoughts are on that as well. Trustee Schmitz said one of the concerns that came up last night was GASB 54 and being compliant with our Facility Fee and the Special Revenue fund. She is concerned as we do need to have reports in compliance with GASB. There is a differing of opinion on that issue between what Moss Adams is sharing and presenting and what we have in the existing CAFR and, for her, one of the bigger concerns is we should be in compliance with GASB 54 and that is why she was asking this question. Mr. Lanzarotta sits on these boards so she really respects Mr. Lanzarotta's opinions so we are sitting here in a quandary as we have one thing in our CAFR and being told another something else about how it should be to comply with GASB. Director of Finance Navazio said that there is a lot of work to be done and that the issue is not going to change because of how it was budgeted, accounted for, and treated those funds. If the District was to continue to use Special Revenue Fund accounting, the report says we need to change the resolution that the Board adopts for setting of the fees needs to add a word or two to specify that those funds are committed to those activities. He doesn't have the same impression and he thinks we are off topic. He asked if the Board is ready to hear from Eide Bailly regarding the independent audit and that it will be filed as soon as we complete the process as it is what it is. District General Manager Winquest said the agenda was approved as stated and now there is discussion about hearing this presentation so does it have it be heard? District General Counsel Nelson said that the Board has started the discussion as agendized, the Board can continue the item and that is usually done by consensus and if not, then a motion is needed along with a vote. Chairman Callicrate asked what was the pleasure of the Board.

Trustee Dent made a motion to table this item until the Audit Committee has the opportunity to deliver their report to the Board of Trustees in conjunction with the annual audit. Trustee Schmitz seconded the motion. Chairman Callicrate called the question and Trustees Schmitz and Dent voted in favor and Trustee Callicrate and Tonking voted in opposition.

Chairman Callicrate asked for guidance; District General Counsel Nelson said because the agenda was approved with this item on it, he would recommend that the Board move forward with the presentation. Chairman Callicrate asked Ms. Williamson to give the presentation which she did; it was an overview of the materials included in the packet. Trustee Tonking said in terms of material weaknesses in internal controls, was this the first

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year and what was the reason? Ms. Williamson said there wasn't one last year however there has been a lot of turnover in management and last year we didn't note this level of adjustments. Trustee Tonking asked what lead to the additional testing in capital? Ms. Williamson said it was informed and that in the initial testing they were noting errors that should have been expensed so it was both. Director of Finance Navazio said yes, a number of adjustments at year end, just improper accounting and there was some turnover in key roles and those that stepped in had to wrestle. A good number of them were to address a number of issues that came up, looked at them, combination of things, goal going forward is that these will not be reoccurring in the future. Chairman Callicrate asked what is possible if we wait until February 10 and filed it February 11, if we are not granted an extension? Ms. Williamson said she doesn't have an answer but you will be out of compliance with the statute. Director of Finance Navazio said maybe some feathers will be ruffled and it is important to comply with Board policy and we also get harassed about being out of compliance with NRS. Chairman Callicrate invited Ms. Williamson back on February 10 and said that this will not happen next year. The Director of Finance and his team have done an excellent job, we are in a better place, and it is important to comply with Board policy. The NRS situation we will deal with, as it is critically important, however the Board policy needs to come into play until we change it. Out of respect to Audit Committee, he would like to have Staff ask for an extension, if not granted, we will be out compliance and he would like to give respect to Audit Committee and Board policy. Director of Finance Navazio said Mr. Lanzarotta said something – the clear cut black and white issues, we have made those corrections. Others we are asking for Board's, community, and Audit Committee's patience as they are more nuanced issues. Chairman Callicrate said he thinks all of us have an optimistic mindset going forward, use all the expertise and work as a team and taking into account all that information to move forward so we get to the end result. Trustee Schmitz asked if we need to vote for an extension? Ask and be told no rather than not ask. District General Manager Winquest said he and the Director of Finance will ask for that extension and hopefully submit the report after that meeting. It was nothing intentional and it is not going to happen this way next year. Chairman Callicrate said direction has been given to Staff.

Chairman Callicrate called for a break at 8:12 p.m., the Board reconvened at 8:33 p.m.



**J. CONSENT CALENDAR (for possible action)**

**There are no Consent Calendar items on this agenda.**

**K. GENERAL BUSINESS (for possible action)**

**K.1. Review, discuss and possibly approve a Construction Manager-At-Risk Pre-Construction Services Contract for Effluent Export Pipeline - Project 2524SS1010 and Pond Lining Project 2599SS2010; Fund: Utilities; Division: Sewer; Vendor: Granite Construction; Amount: \$369,218; (Requesting Staff Member: Engineering Manager Nathan Chorey)**

Engineering Manager Nathan Chorey gave an overview of the submitted materials. Trustee Schmitz asked, on page 167, Attachment A, at the very beginning, do see evaluation and says specifically here only replace. Chairman Callicrate said on the next line, it says based on need, does that suffice for your concern? Engineering Manager Chorey said yes, we will consider trenchless pipe rehabilitation. Trustee Schmitz said that was the only place, everywhere else says repair or replace. What was/does fast track mean/imply and what is that timetable? Engineering Manager Chorey said it is a project manager technique that is happening simultaneously and very sequentially. The timetable is move through findings as quickly as possible and that we can't commit to any schedule thus it was omitted. District General Manager Winquest said that part of what Granite will be doing is evaluating the past history and can't give a timeline until we get to a certain point. We went through a very robust interview process, followed up with both entities, and are very comfortable with the recommendation. Trustee Schmitz said on page 157 it only uses the word replace and that she wanted to point out that language. Does the pond lining have to be done before the pipeline or does that depend on the method used to repair segment 3? Engineering Manager Chorey said that there is tremendous benefit to proceeding with the pond lining before the pipeline but it is not an absolute so it could be done. Trustee Schmitz asked if the pond lining is the priority? She is a little worried about Segment 3 and how long it has been pushed off. Engineering Manager Chorey said we will talk through those challenges.

Trustee Schmitz made a motion to authorize Construction Manager-At-Risk Pre-Construction Services Contract for Effluent Export Pipeline - Project 2524SS1010 and Pond Lining Project 2599SS2010; Fund: Utilities; Division: Sewer; Vendor: Granite Construction; Amount: \$369,218 and authorize Staff to execute the contract

documents. Trustee Dent seconded the motion. Chairman Callicrate asked for further comments, none were received so he called the question – the motion was passed unanimously.

Chairman Callicrate said Trustee Wong wanted everyone to know that she supports this action even if she couldn't be here tonight.

**K.2. Board of Trustees Handbook – Discussion only on the next steps  
(Requesting Trustee: Chairman Tim Callicrate)**

Chairman Callicrate gave an overview of the submitted materials; thanked Trustee Schmitz for her work and noted that it is important to review because we have a new member on the Board. Trustee Tonking said she likes the idea of recommendation C., add the code of conduct, and then get a peer review as a beneficial look. Chairman Callicrate thanked Trustee Schmitz for all her efforts and that he appreciates it. Trustee Schmitz said she enjoyed working on it and the collaborative effort. She and Trustee Dent were discussing something about the Washoe County Debt Management Commission and she doesn't think we should expend money on this and would rather expend money on policies; expend money with the most value to the organization. She likes collaboration, noticed that POOL/PACT has a resource and so we should try and take from there, review is good, the handbook is out of date and has redundancy, and that she would like to do it collaboratively. Trustee Dent said we are all on the same page with no consultant as we have other higher priorities. Trustee Schmitz has done a great job and he agrees that she should work with Legal Counsel and Human Resources. Chairman Callicrate said so recommendation C. is the one and Trustee Wong supports that choice. District General Manager Winquest said he agrees with C. being the best option. Trustee Schmitz will be the Board representative and Trustee Tonking seemed a little bit interested. Yes, he can dedicate the Interim Director of Human Resources, himself and District Legal Counsel to this project. Staff is willing to work to get as much information and will reach out to POOL/PACT for a peer review as that is included in our services already. District General Counsel Nelson said one consideration on C. – if you form a committee, it will be subject to the Open Meeting Law (OML) which will make it a little more difficult. One option is, which is short of an actual committee, to have one Trustee work with Staff as that isn't a committee and could accomplish what the Trustees are looking for. District General Manager Winquest said if we went with Trustee Schmitz representing the Board, what is the best way to solicit input? District General Counsel Nelson said to periodically bring it forward for a workshop type feedback at a special meeting to solicit that feedback.

Trustee Schmitz said she is confused, she and Chairman Callicrate collaborated on this so why not have two Trustees on this effort? District General Counsel Nelson said that any subcommittee of this Board is subject to OML and that the Attorney General has interpreted it very broadly and that having two Trustees working together was recognized as an informal subcommittee and thus he made that determination. Based on how broadly they term it, he would avoid that situation. Trustee Schmitz said is this because it is a formal committee? District General Counsel Nelson said yes. Trustee Schmitz said that is disappointing as she would like to work with Trustee Tonking and if it is someone other than her, she is totally fine with that. Chairman Callicrate said he will decline and noted that we can send our input to our Board Clerk. District General Counsel Nelson said as working group, you can do that but we will need to be careful. District General Manager Winquest said so Trustee Schmitz is representing the Board and she will be working with a member of the staff and working with District General Counsel and then once there are drafts, they will be put on to the agenda to discuss and then it will be handed off for peer review and then back to the Board for adoption. Trustee Tonking said she is confident with Trustee Schmitz and asked if we want to add the code of conduct? Chairman Callicrate said he would like to include that as well. Trustee Schmitz said that there are some conduct items in there so we can expand that. District General Manager Winquest confirmed that he had direction.

**K.3. Policy 15.1.0: Accounting, Auditing and Financial Reporting: Audit Committee; Organization: Confirm existing appointments or make two new appointments (Requesting Trustee: Chairman Tim Callicrate)**

Chairman Callicrate gave an overview. Trustee Dent said it was July 22 when Chairman Callicrate resigned and then we did the appointments. The current Audit Committee has been in place for the last six months. We have a member with a one-year term and working on this in June would be appropriate. Trustee Schmitz said we have learned a lot and she feels that as we approach the end of the first year, we should identify the dates of transition, timing of appointments, etc. as they are with the fiscal year. As a committee, we should review this and bring it back to the Board. Chairman Callicrate said that is the appropriate action.

**K.4. Nevada League of Cities: Confirm existing appointment of Trustee Matthew Dent or make a new appointment (Requesting Trustee: Chairman Tim Callicrate)**

Chairman Callicrate said he received the resignation letter from Trustee Dent to this appointment; Trustee Schmitz said in the Trustee handbook, we also have the Washoe County Debt Management Commission and what is the value? Trustee Dent said as the largest general improvement district there is a lot that is discussed relating to cities and towns. He has learned a lot of and that during the Legislative Session, there are bill draft requests that the Nevada League of Cities puts up. It is done by committee and the Nevada League of Cities does lobby. Chairman Callicrate said on the Washoe County Debt Management Commission the timing was bad for a nomination so we couldn't get that in – it was his fault. District Clerk Susan Herron went over the background on the Washoe County Debt Management Commission. Chairman Callicrate asked for volunteers with a discussion following and ending in Trustee Tonking stating she would be happy to do it.

Trustee Tonking nominated herself to be IVGID's representation to the Nevada League of Cities. Trustee Schmitz seconded the motion. Chairman Callicrate asked for any further nominations; none were received so he called the question – the motion was passed unanimously.

**K.5. Approval of a contract with Tri-Strategies, Ltd. to provide legislative advocacy services in the not to exceed amount of \$20,000.00 (Requesting Staff Member: District General Manager Indra Winqest)**

District General Manager Winqest gave an overview of the submitted materials. Trustee Schmitz said at the last meeting she was the only Trustee opposed to this. She spent time thinking about this and her reasons and one of the reasons is that we could allocate our resources in a more productive way by hiring external resources to help work on the refinement of our policies, practices and internal controls but if the Board wants to move forward with this, she understands what the rest of the Board is trying to accomplish. She would like to propose a suggestion that maybe would be a bit of a compromise and that would be if we had as the first deliverable, and this idea actually came from Trustee Tonking so she is giving her credit for this idea. On agenda packet page 208, if we could include an initial deliverable to provide this Board something in writing and a discussion identifying if there is any pending legislation that would even impact our GID and then at that time the Board would make another decision of whether they want to continue expending resources so it would be a cost containment and a decision point but it would be early in the process so she

will read you the language that she is proposing and noted that she did review this language with District General Counsel. The language is as follows:

*To provide, in writing and participate in a discussion with the Board, to identify if any pending legislation has potential impacts on the District at this time the Board would then determine if any additional services were warranted.*

That would give us a point to check in and that truly was your idea Trustee Tonking and so her thought was if we can do that, she could be supportive of it as it is a check in and then a yes or no before we commit before we go and approve this for a year and it is this dollar amount. Trustee Tonking asked if the contract was for a year or just the Legislative Session? District General Manager Winquest said it is for five months so it is the Legislative Session which he believes begins on Monday. Trustee Tonking said is fine with this option however we won't know the final BDR list as we will know the first set on Monday but we won't have language on most until March, mid-March, so that would be two meetings of having them and she is fine with that as well. Language does take a while to come out and there is a drop dead deadline for that as well so maybe we have them until then. District General Manager Winquest said if you look on agenda packet page 206, there is a termination clause, there is a 30-day notice and we could give notice. What is the process for new bills and could that happen half way through the session? Trustee Tonking said there is a list of bills with a brief amount of language and there is always the possibility that the bill could be amended as the session extends and we have to be very cognizant that this situation could occur and what could change within a bill that we are interested in. Chairman Callicrate pointed out, on agenda packet page 207, paragraph 17, forgot to put 2 in front of comply, second language and then on the fee schedule the numbers are not in sequence or a paragraph is missing. He is fine with what Trustee Schmitz proposed and understands what Trustee Tonking mentioned. Trustee Schmitz asked how does the 30-day clause figure in because this is basically on billable hours so what is that 30-day notice binding us to? She is just not sure and asked if District General Counsel could weigh in on that question. District General Counsel Nelson said, he may be misinterpreting this but that basic services are provided at a cost of \$3,000 per month which is a flat rate. So to your question on the 30-day notice, we would be responsible for one additional month depending on when that termination was provided. As an alternative, and this would be subject to discussion and agreement by the Contractor, we could have a carve out on your deliverable number 1 to that provision which would allow

us to terminate without advance notice at that point which would allow us to not incur additional expenses. Trustee Schmitz said she was just trying to put forth an opportunity to allow us to evaluate if we wanted to continue to expend funds on it so she was trying to find a compromise. District General Manager Winquest said one thing he wants to avoid is to have to bring this contract back to the Board as the session starts on Monday. He does hear the comments and happy to work with District Legal Counsel. He is happy to work with the Board Chair to move this contract forward as we want to have representation early in the session. District General Counsel Nelson offered approve as to form as he is comfortable to make edits to legal terms and then would recommend that the motion make clear what Trustee Schmitz has brought forward or not.

Trustee Schmitz made a motion that the Board of Trustees approves the attached contract with the legal corrections as identified by Legal Counsel for the legislative representation services for the 81<sup>st</sup> Legislative of the State of Nevada with Tri-Strategies in the not-to-exceed amount of \$20,000 with an additional deliverable to provide documentation and have a discussion with the Board of Trustees to identify if any pending legislation has potential impacts on the District at this time the Board would determine if any additional services were warranted. Trustee Dent seconded the motion. Chairman Callicrate asked for further comments, none were received so he called the question – the motion was passed unanimously.

Trustee Tonking asked to have in their presentation how they are interacting with the Legislators with COVID. District General Manager Winquest said he will be sure that is included.

- L. REPORTS\* (*Reports are intended to inform the Board and/or public*)

**There are no Reports for this agenda.**

- M. FINAL PUBLIC COMMENTS\* - Limited to a maximum of three (3) minutes in duration.

There were no public comments at this time.

- N. **ADJOURNMENT** (*for possible action*)

The meeting was adjourned at 9:28 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 Aaron Katz – Written statement to be included in the written minutes of this January 28, 2021 regular IVGID Board meeting – Agenda Item I(3) – Reports to the Board – Moss Adams’ evaluation of certain IVGID accounting and reporting matters; more evidence the District is not being properly managed

Submitted by Aaron Katz – Written statement to be included in the written minutes of this January 28, 2021 regular IVGID Board meeting – Agenda Item K(1) – Engaging Granite Construction as a construction manager at risk (“CMAR”) to select a professional design engineer and draft one or more requests for proposals (“RFPs”) for one or more contractors to construct Phase 2 of the effluent export pipeline and pond lining projects at a cost of nearly \$370,000

**WRITTEN STATEMENT TO BE INCLUDED IN THE WRITTEN MINUTES OF THIS JANUARY 28, 2021 REGULAR IVGID BOARD MEETING – AGENDA ITEM I(3) – REPORTS TO THE BOARD – MOSS ADAMS’ EVALUATION OF CERTAIN IVGID ACCOUNTING AND REPORTING MATTERS; MORE EVIDENCE THE DISTRICT IS NOT BEING PROPERLY MANAGED**

**Introduction:** Moss Adams, LLP “is a fully integrated...accounting (and)...professional services firm dedicated to assisting clients with growing, managing, and protecting prosperity. With more than 3,400 professionals across more than 25 locations in the West and beyond, (it provides consulting and other services to)...many of the world’s most innovative companies and leaders<sup>1</sup>. Moss Adams was retained by the District to:

“Analyze and provide guidance on whether certain of the District’s activities should be reported in enterprise...vs. governmental funds;”<sup>2</sup>

Determine the propriety of the District’s “allocation of central services costs;”<sup>2</sup>

Determine the propriety of the District’s “punch card accounting, and

Whether the District’s current capitalization policies and actual practices are in agreement with applicable accounting standards.”<sup>2</sup>

Moss Adams has prepared a Final Report which summarizes its Findings and Recommendations<sup>3</sup>. Because that Report in essence concludes that the District has not been properly managed, I ask that the Washoe County Board of Commissioners be notified pursuant to NRS 318.515(1)<sup>4</sup>. And that’s the purpose of this written statement.

**The Moss Adams Report’s Findings – The District’s Business-Type Activities are Better Suited for Enterprise Fund Accounting<sup>5</sup>:** The “Greater transparency” claimed as the reason for converting from enterprise funds to special revenue funds was not honest to the public and the property owners who are involuntarily assessed the Recreation (“RFF”) and Beach (“BFF”) Facility Rees. By reporting

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<sup>1</sup> Go to <https://www.mossadams.com/about>.

<sup>2</sup> See ¶I(A) at page 11 of the packet of materials prepared by staff in anticipation of this January 28, 2021 meeting of the IVGID Board [[https://www.yourtahoeplace.com/uploads/pdf-ivgid/0128\\_-\\_Regular\\_-\\_Searchable.pdf](https://www.yourtahoeplace.com/uploads/pdf-ivgid/0128_-_Regular_-_Searchable.pdf) (“the 1/28/2021 Board packet”).

<sup>3</sup> See pages 9-37 of the 1/28/2021 Board packet.

<sup>4</sup> NRS 318.515(1) instructs in part that “upon notification by the Department of Taxation...that...a district of which the board of county commissioners is not the board of trustees is not being properly managed...the board of county commissioners (“County Board”) of the county in which the district is located shall hold a hearing to consider the” same.

<sup>5</sup> See page 11 of the 1/28/2021 Board packet.



capital expenses and debt service separate from operating expenses, special revenue funds only made it more difficult to see how much our recreational venues really lose.

**The Moss Adams Report’s Findings – The District’s Current Presentation of Central Services Costs is *Not* in Compliance With Generally Accepted Accounting Principles<sup>6</sup>:** The District’s central services cost allocation is simplistic and based upon budgeted rather than actual expenses. Even though citizens have pointed to these specific inadequacies in the past, staff continue to use the same, flawed allocation.

**The Moss Adams Report’s Findings – The District’s Practice of Punch Card “Contra-Revenue” Accounting Should be Discontinued<sup>6</sup>:** Punch card accounting needs to end. Even the District’s Finance Director, Paul Navazio, has called this practice confusing and “weird.” It was really just another way to make IVGID’s venues look as if they were performing better than they actually were. Revenues that had already been assigned to specific funds/venues were “diverted” to others where punch cards were used, rather than remaining in the funds where initially allocated. When no actual revenue was received, no revenue should have been reported. Yet it was. Crystal Bay residents are rightfully incensed that fees intended to support Community Services have ended up supporting the beaches they cannot use.

**The Moss Adams Report’s Findings – The District’s Capitalization Practices Are *Not* in Compliance With Established Government Accounting Principles<sup>6</sup>:** The Report highlights numerous instances where what should have been reported as operating expenses were reported as capital expenses (such as the nearly \$1 million that was spent on the Diamond Peak Master Plan). This practice has resulted in financials that make it look as if the District’s operating revenues cover operating expenses, when they do not. Although citizens have brought this concern to the attention of past boards, it has been ignored. Moreover, Board policies and practices are improper in this regard.

**Conclusion:** It is becoming increasingly evident that the District has not been able to responsibly manage its assets. Our “community amenities” have over time been molded into global tourist attractions. Yet our small community lacks the resources to maintain or operate them efficiently. We may have to look at alternatives as costs of replacing our aging facilities place too much of a burden on local property owners who now have to compete with tourists just to access the recreational venues they have subsidized for so long. Stated differently, the district has not been properly managed. This is another reason why it’s time for the Department of Taxation to notify the County Board pursuant to NRS 318.515(1).

Board members can stick their collective heads in the sand and deny there are problems (because one can “bring a horse to water, but one cannot make him drink”). They can defer to the biased arguments from a less than forthright staff and attorney *who are part of the problem*. They can look for ways to attack and marginalize critics like me who are nothing more than messengers, making

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<sup>6</sup> See page 12 of the 1/28/2021 Board packet.

us the focus of attention rather than the issues we have identified. Or they can just do the right thing and recognize IVGID for the limited purpose local government it really is, and start acting like one! And to those asking why our RFF/BFF are as high as they are and never seem to go down, now you have another example of the reasons why.

Respectfully, Aaron Katz (Your Community Watchdog), Because Only Now Are Others Beginning to Watch!

**WRITTEN STATEMENT TO BE INCLUDED IN THE WRITTEN MINUTES OF THIS JANUARY 28, 2021 REGULAR IVGID BOARD MEETING – AGENDA ITEM K(1) – ENGAGING GRANITE CONSTRUCTION AS A CONSTRUCTION MANAGER AT RISK (“CMAR”) TO SELECT A PROFESSIONAL DESIGN ENGINEER AND DRAFT ONE OR MORE REQUESTS FOR PROPOSALS (“RFPs”) FOR ONE OR MORE CONTRACTORS TO CONSTRUCT PHASE 2 OF THE EFFLUENT EXPORT PIPELINE AND POND LINING PROJECTS AT A COST OF NEARLY \$370,000**

**Introduction:** Here staff seek the IVGID Board’s approval to enter into a nearly \$370,000 contract with Granite Construction<sup>1</sup> (“Granite”) to perform identified pre-construction services associated with Phase II of the effluent export pipeline and pond lining projects<sup>2</sup>. But what this agenda item really reveals is that yet again, we have less than competent staff to perform even the most rudimentary tasks prior to actual construction, who require a “bail out” at the public’s expense. And because we have less than competent staff, we have a less than competent general manager (“GM”) because it’s his responsibility to staff competently. And to the extent current and past board members, as well as the less than knowledgeable members of our community they incite blindly support our staff rather than calling out the District’s lack of competence for what it really is, they are as bad as staff. And these are the purposes of this written statement.

**The Projects Which Are the Subject of This Proposed Contract:** According to staff, the two public works projects which are the subject of this proposed contract are:

1. Lining of our sewer effluent storage pond as recommended in the September 2018 Jacobs Engineering Analysis Memorandum re WRRF Effluent Storage<sup>3</sup>; and,
2. Replacement of 12,385 linear feet of segment 3 and repair of 17,314 linear feet of segment 2 of our effluent export pipeline<sup>4</sup>.

**The Scope of Works Which Are the Subject of This Proposed Contract:** regardless of the fancy language and the number of tasks identified, the proposed scope of work can be synthesized simply as follows:

1. Selecting a design engineer for both projects [task 2(E)] at a cost of \$12,800;

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<sup>1</sup> See pages 161-172 of the packet of materials prepared by staff in anticipation of this January 28, 2021 meeting of the IVGID Board [[https://www.yourtahoepace.com/uploads/pdf-ivgid/0128\\_-\\_Regular\\_-\\_Searchable.pdf](https://www.yourtahoepace.com/uploads/pdf-ivgid/0128_-_Regular_-_Searchable.pdf) (“the 1/28/2021 Board packet”).]

<sup>2</sup> See pages 167-170 of the 1/28/2021 Board packet.

<sup>3</sup> See page 159 of the 1/28/2021 Board packet.

<sup>4</sup> See pages 156-158 of the 1/28/2021 Board packet.

2. Setting the parameters for design documents [task 5(B)] at a cost of \$102,760;

3. Reviewing the schematic design(s) created by others [tasks 4(C) and 4(D)] at a cost of \$18,512 and possibly [task 5(A)] an additional cost of \$52,816;

4. Creating a RFP to possibly select and enter into one or more contracts with one or more subcontractors to actually perform project work [task 4(B)] at a cost of \$5,734;

5. Marginal other works such as budget verifications, proposing cost reductions, innovations and risk mitigation [task 3(B)] at a cost of \$35,780 as well as preparing preliminary cost estimates [task 3(C)] at a cost of \$30,616; and,

6. Giving Granite an unfair advantage over other contractors by paying it \$52,280 to create a guaranteed maximum price for the effluent export pipeline project [Task 6(A)], and an additional \$57,400 to create a guaranteed maximum price for the pond lining project [Task 7(A)] – i.e., paying Granite to prepare and submit a “guaranteed maximum price” bid.

**The Board’s February 26, 2020 Meeting:** At page 154 of the 1/28/2021 Board packet staff represent that at this meeting, nearly a year ago, they sought Board approval to engage design services contract(s) for the two subject projects. However, the Board refused pending the hiring of a project manager/CMAR to conduct a complete project review of the Effluent Export Project.

I have reviewed the packet of materials prepared by staff in anticipation of the Board’s February 26, 2020 meeting, together with the minutes of that meeting and I have confirmed that staff presented two proposed contracts for adoption by the Board relating to design of the two projects the subject herein proposed CMAR contract:

1. An Effluent Storage Pond Lining Surveying and Design contract with CH2M Hill, Inc. at a cost of \$256,300<sup>5</sup>; and,

2. An Effluent Export Pipeline Design services contract with HDR Engineering, Inc. at a cost of \$161,634<sup>6</sup>.

The reason the Board did not move forward with both of these contracts, is because it wanted Trustees Wong and Dent to help staff draft a “scope of work” so that staff could seek a construction

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<sup>5</sup> See pages 13-17 of the packet of materials prepared by staff in anticipation of the Board’s February 26, 2020 meeting [[https://www.yourtahoepalace.com/uploads/pdf-ivgid/BOT\\_Packet\\_Regular\\_2-26-2020.pdf](https://www.yourtahoepalace.com/uploads/pdf-ivgid/BOT_Packet_Regular_2-26-2020.pdf) (“the 2/26/2020 Board packet”)].

<sup>6</sup> See pages 22-34 of the 2/26/2020 Board packet.

manager (not necessarily a CMAR), via RFP or RFQ, to oversee both projects<sup>7</sup>. But insofar as design consultants, estimates of cost, and actual design contracts are concerned, *they already existed!*

**The RFP Giving Rise to Selection of the Current CMAR – a Classic Example of Garbage In, Garbage Out (“GIGO”):** The Board and the public haven’t been provided with one or more RFPs prepared by staff which have given rise to the subject proposal. After all, what is before the Board may be as a result of one or more sloppy or faulty RFPs. It is for this reason that on January 23, 2021 I made a records request asking to examine that/those RFP(s). And I asked Ms. Herron to provide the same *prior* to tonight’s hearing so I could present intelligent public comments<sup>8</sup>. After all, that/those RFP(s) should have been readily available for examination well before tonight’s hearing.

But staff didn’t want me to see the RFPs it prepared until after tonight’s meeting. So it wasn’t produced until after the meeting. As can be seen from Exhibit “A,” Ms. Herron didn’t provide me with that/those RFP(s) until February 1, 2021. And now I see why.

**The Way Staff’s RFP Has Been Crafted, the *Only* Professionals Qualified to Respond Are CMARs Who Are “Qualified to Bid on a Public Work of the State Pursuant to NRS 338.1379”** [see NRS 338.1691(4)]: According to Exhibits “B” and “C,” our staff have requested proposals expressly from “construction managers at risk.” They have asked that services be performed “in accordance with NRS 338.1696.” They have titled the scope of work “CMAR PRE-CONSTRUCTION & CONSTRUCTION.” At Article 5(A)-(C), (L) and (O), Article 8 of the proposed contract, staff have contemplated and thus mandated that each contractor submitting a proposal be a CMAR. And at Article 2(B) of the RFP, they have defined a CMAR to be a “Construction Manager at Risk as defined by NRS 338.” In other words, ***forget about a NRS 338.1718 Construction Manager as an Agent (“CMA”)***. We’re going to get an higher priced CMAR *which is exactly what is being proposed!*

**The Way the RFP Has Been Crafted, the Scope of Work Requested is Worthless and a Complete Waste of Money:** For example, at “ARTICLE 3 - CMAR PRE-CONSTRUCTION & CONSTRUCTION”<sup>9</sup> staff describe the scope of work as follows:

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<sup>7</sup> See page 330 of the packet of materials prepared by staff in anticipation of the Board’s March 11, 2020 meeting [“the 3/11/2020 Board packet” ([https://www.yourtahoeplace.com/uploads/pdf-ivgid/3-11-2020-BOT\\_Packet\\_Regular.pdf](https://www.yourtahoeplace.com/uploads/pdf-ivgid/3-11-2020-BOT_Packet_Regular.pdf))].

<sup>8</sup> A copy of this records request and Ms. Herron’s response are attached as Exhibit “A” to this written statement.

<sup>9</sup> I have attached this page from staff’s RFP as Exhibit “B” to this written statement, so the Board and the public can see exactly the type of CMAR contract it was soliciting.

“The preconstruction services generally required will include: Review of existing background material, aid in selection of design professional, design support, multiple budget verifications, and construction systems or methods alternatives for “cost reduction” or “value added” purposes, construction scheduling, phasing and logistics. It also includes providing Owner with bidding services and a GMP (guaranteed maximum price) in accordance with NRS 338.1696. Owner expects the CMAR during the construction phase to perform the construction work if the GMP can be agreed upon and the construction contract executed (in other words, a future subsequent agreement to agree which is no agreement whatsoever). The construction work shall be in accordance with the contract terms and general conditions.”

In other words, for roughly \$370,000, we have asked a proposed CMAR to:

1. Familiarize itself (at our expense) with both projects;

2. Aid in the selection of a project design professional even though we already had such a professional (HDR Engineering, Inc. insofar as design of the effluent export pipeline project is concerned, and CH2M Hill, Inc. insofar as design of the effluent pond lining project is concerned) a year ago<sup>1</sup>;

3. Provide support to our design professional even though we already have in-house personnel available to provide whatever support our design professional requires;

4. Verify our construction systems or methods with the aim of “reducing construction costs” and/or “adding value” even though this RFP is supposed to be pre-design and pre-construction. Construction services by definition will be the subject of subsequent negotiation and there will be no such services unless and until a “GMP can be agreed upon and (a) construction contract executed;”

5. Provide construction scheduling, phasing and logistics during the construction. But again, the subject contract is supposed to be for pre-design and pre-construction services. There will be no construction services unless and until a “GMP can be agreed upon and (a) construction contract executed;”

6. Provide bidding services even though we already have in-house personnel available to provide such services if that’s the route the Board chooses to travel. There will be no bidding if as staff contemplates our CMAR contractor will be providing a GMP. So if that’s the case, why are we paying Granite to provide bidding services?

7. And finally, to provide a proposed GMP in accordance with NRS 338.1696, again, at our expense. In other words we’re agreeing to pay Granite over \$100,000 to craft a GMP contract.

***In other words, a sloppy and completely worthless RFP!***

**Unsurprisingly Then, the Subject Proposed Scope of Work and Cost Are Far in Excess of What Was Contemplated by the Board on February 26, 2020 When it Decided to Search Out a Construction Manager:** The District need not search out design engineers for either of the subject projects; *it already has them*. Nor need it publish a RFP to solicit project design costs because it *already knows what those costs will be*. Besides, staff rarely if ever go out to bid when professional services (which is what design services are) are involved<sup>10</sup>. Nor need the District pay a third party vendor over \$100,000 to bid these construction projects once they have been designed. Whatever cost savings there may be by hiring a construction manager will be far exceeded by entering into a contract like the one before the Board just to say we've secured such a manager.

**Given There is No "Risk" at Issue Insofar as the Subject Design Contracts Are Concerned, There's No Reason to Overpay For a Construction Manager "at Risk:"** At both the Board's August 26, 2020<sup>11</sup> and September 30, 2020<sup>12</sup> meetings I submitted comprehensive written statements for inclusion in the minutes of those meetings addressing CMARs and their differences from CMAs. I basically concluded that,

"The real difference between the two is that the CMA assumes no 'responsibility for the cost, quality or timely completion of the construction of the public work' [see NRS 338.1718(1)(b)] whereas the CMAR, *when...(the) pre-construction phase is complete, (will) propose...a Guaranteed Maximum Price ("GMP")...and executes the construction as (the) Contractor'* [remember, NRS 338.1718(1)(b)13 prohibits a CMA from 'tak(ing) part in the...construction of the public work'"]."<sup>13</sup>

*Given here we are still at pre-construction, there's no reason to pay the premium involved with a CMAR.*

**Although There is a Portion of This CMAR's Scope of Work That May Prove Useful Once Project Design is Complete, That Cost Should be Negotiated at a Reasonable Hourly Rate Rather Than as Proposed Herein:** Tasks 3-5 of the proposed scope of work address project design<sup>14</sup>. In my opinion we don't require any of Granite's efforts targeted to design until after project design is

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<sup>10</sup> Because there's an exemption for "professional services" [see NRS 332.115(1)(b)].

<sup>11</sup> See pages 331-342 of the packet of materials prepared by staff in anticipation of the Board's September 30, 2020 meeting [[https://www.yourtahoepalace.com/uploads/pdf-ivgid/0930\\_-\\_Regular\\_-\\_Searchable.pdf](https://www.yourtahoepalace.com/uploads/pdf-ivgid/0930_-_Regular_-_Searchable.pdf) ("the 9/30/2020 Board packet")].

<sup>12</sup> See pages 201-205 of the packet of materials prepared by staff in anticipation of the Board's October 27, 2020 meeting [[https://www.yourtahoepalace.com/uploads/pdf-ivgid/1027\\_-\\_Regular\\_-\\_Searchable\\_1.pdf](https://www.yourtahoepalace.com/uploads/pdf-ivgid/1027_-_Regular_-_Searchable_1.pdf) ("the 10/27/2020 Board packet")].

<sup>13</sup> See page 334 of the 9/30/2020 Board packet.

<sup>14</sup> See pages 168-170 of the 1/28/2021 Board packet.

complete. Only at that point in time do we get into scheduling, phasing, sub-contractors, pricing, etc. And the District should have an ala carte menu priced on a reasonably priced hourly basis rather than the hundreds of thousands of dollars included in Granite's proposal.

**Am I the Only One Who Sees a Conflict of Interest Between Granite Being the One to Seek Sub-Contractor Pricing While it is Charging the District to Prepare its Own GMP?**

**Conclusion:** The proposed contract is a waste because it provides no real services we require prior to entering into one or more contracts for actual construction. Yet staff propose the waste of nearly \$370,000. Please say no!

**And You Wonder Why Our Sewer Rates Which Finance This Waste Are Out of Control?** I've now provided more answers.

Respectfully, Aaron Katz (Your Community Watchdog), Because Only Now Are Others Beginning to Watch!



**EXHIBIT "A"**

## RE: Records Request - the CMAR RFP Staff Published That Gave Rise to Agenda Item K(1) on the Jan 28 IVGID Board Agenda

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**From:** "Herron, Susan" <Susan\_Herron@ivgid.org>  
**To:** "s4s@ix.netcom.com"  
**Subject:** RE: Records Request - the CMAR RFP Staff Published That Gave Rise to Agenda Item K(1) on the Jan 28 IVGID Board Agenda  
**Date:** Feb 1, 2021 9:26 AM  
**Attachments:** [Complete RFP Effluent Export Pond Lining.pdf](#) [Addendum 1 Effluent Line CMAR.pdf](#)

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2/2/2021

RE: Records Request - the CMAR RFP Staff Published That Gave Rise to Agenda Item K(1) on the Jan 28 IVGID Board Agenda

Mr. Katz,

Attached are two documents which complete your records request.

Susan

**From:** s4s@ix.netcom.com [mailto:s4s@ix.netcom.com]

**Sent:** Saturday, January 23, 2021 10:22 AM

**To:** Herron, Susan <Susan\_Herron@ivgid.org>

**Cc:** Tim Callicrate <callicrate\_trustee@ivgid.org>; Matthew Dent <dent\_trustee@ivgid.org>; Wong, Kendra <Wong\_trustee@ivgid.org>; Sara Schmitz <trustee\_schmitz@ivgid.org>; Michaela Tonking <tonking\_trustee@ivgid.org>; Winquest, Indra S. <ISW@ivgid.org>

**Subject:** Records Request - the CMAR RFP Staff Published That Gave Rise to Agenda Item K(1) on the Jan 28 IVGID Board Agenda

Hello Ms. Herron and Indra -

Although the Board packet for agenda item K(1) for the upcoming Jan 28, 2021 meeting includes Granite Construction's proposal for alleged CMAR services associated with our pond liner and Phase 2 of our effluent pipeline replacement projects, conspicuously absent is the RFP staff created and published which resulted in Granite Construction's proposal. Therefore I would like to examine it.

And hopefully before Jan 28's meeting given it should easily and readily exist right now. So I can frame my public comments with respect to this agenda item.

Please consider this a public records request.

And I am sending a copy of this request to the Board because I would expect Board members have the same concerns.

Thank you for your cooperation. Aaron Katz

**EXHIBIT "B"**

**REQUEST FOR PROPOSALS (RFP)  
FOR CONSTRUCTION MANAGER AT RISK (CMAR)**

**RFP Date:** October 23, 2020  
**Project Name:** 2021 EFFLUENT EXPORT PIPELINE & POND LINING PROJECT  
**Project Number:** 2524SS1010  
**PWP Number:** WA-2021-036  
**Owner:** Incline Village General Improvement District  
**Owner's Contact:** Nathan Chorey, Engineering Manager  
775-832-1372; npc@ivgid.org

**INTRODUCTION**

Owner invites the submission of Proposals on the services specified within this RFP. Please read carefully all instructions, general terms and conditions, scope of work and/or specifications, CMAR Fee Proposal Form, RFP Response Form, and sample contracts. Failure to comply with the instructions, scope of work and/or specifications of this RFP may result in your Proposal being declared nonresponsive.

All questions or comments pertaining to this RFP shall be directed to the Owner's contact listed above.

This is a Prevailing Wage project that is to be paid for by both local and federal funds; therefore minimum prevailing wage rates published by both the State and Federal Departments of Labor are applicable. Bidder shall comply with the State of Nevada Labor Commissioner and the Federal Davis-Bacon and Related Acts, as applicable. The PWP number for this project is shown above.

**Engineer/Design Team**

The Work has been designed by Jacobs Engineering Group, HDR, and IVGID Engineering.

**RFP DELIVERY DEADLINE**

RFP packages from all interested parties will be submitted in pdf electronic format through Owner's Planet Bids website, <https://www.planetbids.com/portal/portal.cfm?CompanyID=30437>, and will be subject to the terms, conditions and scope of services herein stipulated and/or attached hereto.

Deadline for receipt of proposals is **4:00 p.m. November 19, 2020**. Planet Bids will automatically refuse any proposals submitted after this time.

Confidentiality: All documents and other information submitted in response to this RFP, including, without limitation, a Proposal, are confidential and will not be disclosed until notice of intent to award the contract is issued.

For assistance with Planet Bids or downloading documents from that website, contact Ronnie Rector, the IVGID Public Works Contracts Administrator at (775) 832-1267.

- J. RFP / Proposal / Request for Proposal: This proposal, all attachments and exhibits, and any addenda issues prior to the date designated for receipt of proposals
- K. RFP Response Form: CMAR form submitted by an authorized representative for the Contractor named on said form, acknowledging that s/he has examined the Contractor's RFP, including any related documents, and hereby offers to furnish all labor, materials, tools, supplies, equipment and services necessary to comply with the specifications, terms and conditions set forth herein
- L. Subcontractor / Independent Contractor: Any individual, agent, firm, sole proprietor, or corporation to whom the CMAR subcontracts any part of the Project; there is a contractual relationship between the Owner and subcontractor or independent contractor who may perform work or services for the CMAR

### **ARTICLE 3 - CMAR PRE-CONSTRUCTION & CONSTRUCTION**

All services required are in conjunction with the Project as described in Article 1. The preconstruction services generally required will include: Review of existing background material, aid in selection of design professional, design support, multiple budget verifications, and construction systems or methods alternatives for "cost reduction" or "value added" purposes, construction scheduling, phasing and logistics. It also includes providing Owner with bidding services and a GMP in accordance with NRS 338.1696.

Owner expects the CMAR during the construction phase to perform the construction work if the GMP can be agreed upon and the construction contract executed. The construction work shall be in accordance with the contract terms and general conditions.

### **ARTICLE 4 - PROJECT AND RFP TIME SCHEDULE**

See Exhibit A – Project Timeline and RFP Time Schedule. The Baseline Project Schedule includes a tentative schedule of events and dates. The Baseline Project Schedule is subject to change as deemed appropriate by the Owner.

### **ARTICLE 5 - PROPOSAL SUBMITTAL REQUIREMENTS**

- A. Each CMAR by submitting a Proposal represents that (i) the CMAR has read and understands the entire RFP, including any attachments, and asserts that its Response is made in accordance therewith; (ii) prior to submission of the Proposal, the CMAR shall ascertain that it has received all Addenda issued and shall acknowledge receipt of each Addendum by completing the acknowledgment space provided on the RFP Response Form and (iii) the CMAR and its Subcontractors/Independent Contractors shall comply with all applicable provisions of the Nevada Revised Statutes Chapter 338 and Nevada Administrative Code Chapter 338.
- B. CMARs shall take no advantage of any apparent error or omission in the RFP Documents. In the event a CMAR discovers such an error or omission or other irregularity, CMAR shall immediately notify the Owner. The Owner will then make such corrections and interpretations as may be deemed necessary for fulfilling the intent of the RFP Documents through the issuance of an Addendum.
- C. If it becomes necessary to revise any part of this RFP, a written addendum will be provided to all CMARs. The Owner is not bound by any oral representations, clarifications, or changes made to the written specifications by Owner's employees or agents, unless such clarification or change is provided to CMARs in written addendum form from the Owner. Written Addenda will be posted on the owner's